telenor group

Q4 2011

Interim report
January – December 2011

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Completing a year of strong growth

Highlights

Fourth quarter 2011
- Organic revenue growth of 7% [1]
- EBITDA margin of 29%
- Operating cash flow of NOK 3.8 billion [2]
- Earnings per share of NOK -1.19

Full year 2011
- Organic revenue growth of 7% [1]
- EBITDA margin of 31%
- Operating cash flow of NOK 19.1 billion [2]
- Earnings per share of NOK 4.89

Jon Fredrik Baksaas
President & CEO

"The performance through 2011 once again confirms Telenor's position as one of Europe's fastest growing telcos, most notably with organic revenue growth of 7% both for the quarter and the full year. In 2011, we added 29 million mobile subscriptions, of which 7 million in the fourth quarter.

The Group's growth momentum is driven by strong customer uptake in our Asian operations and increasing demand for data services. The results from the Norwegian operation are impacted by high market activities this quarter to speed up migration to new bundled price plans.

The positive operational development in Uninor throughout the year continued in the fourth quarter, and we are now recognised as a growing player in the Indian market. The recent ruling from the Indian Supreme Court to cancel all telecom licences issued in 2008 severely penalizes Telenor for actions that took place before we entered India. We are working to protect our investments in all possible manners, and will consider every option prior to any further investments. We expect Indian authorities to conduct a swift and fair process.

During the year, we invested significantly to bring new and improved services to our customers and cater for the tremendous growth in data traffic. We are confident that over time, the infrastructure modernisations will improve efficiency and benefit both our customers and the environment.

In VimpelCom, the results are affected by the ongoing business integration. We support VimpelCom in execution of its strategy for improved operational excellence, profitable growth and capital efficiency.

In 2011, Telenor delivered a solid operating cash flow of more than NOK 19 billion and we maintained a strong balance sheet. We completed the share buyback programme for 2011 in November, returning NOK 4.4 billion to the shareholders. Together with the dividends paid out in June 2011, this resulted in an all-time-high shareholder remuneration of NOK 10.7 billion. For 2011, the Board of Directors proposes a dividend of NOK 5.00 per share, implying a pay-out ratio in the high end of the dividend policy range.

We are confident that by utilizing our market positions, people and capabilities, the Telenor Group will see further growth and strong performance in 2012."

Key figures Telenor Group

	4th quarter		Year	
(NOK in millions except earnings per share)	2011	2010	2011	2010
Revenues	25 433	24 858	98 516	94 843
EBITDA before other income and expenses	7 417	7 179	30 526	29 220
EBITDA before other income and expenses/Revenues (%)	29.2	28.9	31.0	30.8
Adjusted operating profit [3]	3 533	3 034	15 217	13 086
Adjusted operating profit/Revenues (%)	13.9	12.2	15.4	13.8
Profit after taxes and non-controlling interests [4]	(1 937)	2 103	7 937	14 333
Earnings per share from total operations. basic. in NOK	(1.19)	1.29	4.89	8.69
Capex [5]	3 823	3 783	11 907	11 688
Capex excl. licences and spectrum	3 638	3 783	11 441	11 355
Capex excl. licences and spectrum/Revenues (%)	14.3	15.2	11.6	12.0
Operating cash flow [2]	3 780	3 395	19 085	17 865
Net interest-bearing liabilities			18 222	19 276

Extract from outlook for 2012

Based on the current group structure including Uninor and currency rates as of 31 December 2011, Telenor expects organic revenue [1] growth above 5%. The EBITDA margin before other income and expenses is expected to be in the range of 32–33%, 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 10 for the full outlook for 2012, and page 17 for definitions.

1) Organic revenue is defined as revenue adjusted for the effects of acquisition and disposal of operations and currency effects.
2) Operating cash flow is defined as EBITDA before other income and expenses – Capex, excluding licences and spectrum.
3) Adjusted operating profit is defined as Operating profit less Other items and Impairment losses.
4) 'Profit after tax and non-controlling interests': As of the first quarter 2010, figures for OJSC VimpelCom and Kyivstar were included with a one quarter lag.
5) Capex is defined as capital expenditure from continuing operations.

Interim report

Telenor's operations

The statements below are related to Telenor's development in the fourth quarter of 2011 compared to the fourth quarter of 2010, unless otherwise stated. All comments on EBITDA are made on development in EBITDA before other income and expenses (other items). Please refer to page 8 for 'Specification of other income and expenses'. Additional information is available at: www.telenor.com/ir

Nordic

Norway

	4th quarter		Year	
(NOK in millions)	2011	2010	2011	2010
Revenues mobile operation				
Subscription and traffic	2 370	2 424	9 622	9 743
Interconnect revenues	265	360	1 031	1 389
Other mobile revenues	347	331	1 318	1 426
Non-mobile revenues	308	300	887	997
Total revenues mobile operation	**3 290**	**3 415**	**12 858**	**13 556**
Revenues fixed operation				
Telephony	835	954	3 433	3 952
Internet and TV	1 209	1 190	4 735	4 662
Data services	128	148	529	578
Other fixed revenues	372	380	1 365	1 332
Total retail revenues	**2 544**	**2 671**	**10 062**	**10 524**
Wholesale revenues	940	1 031	3 799	3 967
Total revenues fixed operation	**3 484**	**3 702**	**13 861**	**14 491**
Total revenues	**6 774**	**7 117**	**26 719**	**28 047**
EBITDA before other items	2 213	2 719	10 057	11 035
Operating profit	**1 169**	**1 682**	**6 363**	**7 022**
EBITDA before other items/Total revenues (%)	32.7	38.2	37.6	39.3
Capex	937	1 036	3 739	3 223
Investments in businesses	1	25	40	28
Mobile ARPU – monthly (NOK)	282	303	289	306
Fixed Telephony ARPU	271	284	270	288
Fixed Internet ARPU	312	322	313	316
TV ARPU	255	234	240	231
No. of subscriptions – Change in quarter/Total (in thousands):				
Mobile	51	(7)	3 146	3 064
Fixed telephony	(20)	(24)	1 016	1 107
Fixed Internet	6	6	876	867
TV	(2)	2	504	488

- The number of total mobile subscriptions increased by 51,000. At the end of the quarter, the mobile subscription base was 3% higher than last year.
- During the fourth quarter, Telenor ran a campaign offering three months unlimited usage for the price of one month on the bundled mobile price plans. The campaign was initiated to speed up the migration to the bundled price plans and increase the number of active data users. The campaign ended 31 December 2011. Around 576,000 of the subscriptions in the consumer segment are now on the new price plans.
- Mobile ARPU declined by 7% primarily due to reduced interconnect rates with approximately 4 percentage points, in addition to effects related to the above mentioned campaign with approximately 3 percentage points. Mobile ARPU was positively affected by growth in mobile data.
- Total revenues decreased by 5%.
- Mobile revenues decreased by 4% mainly caused by reduced ARPU, partly offset by higher number of subscriptions.
- Fixed revenues decreased by 6%. Reduced number of telephony subscriptions combined with lower ARPU and lower wholesale revenues were only partly offset by an increase in Internet and TV revenues.
- The EBITDA margin decreased by 6 percentage points. The above mentioned campaign including related sales and marketing costs explained approximately 3 percentage points of the EBITDA margin decline. In addition, the continued reduction in fixed line revenues and high sales of subsidised PVR decoders to cable TV subscribers affected the EBITDA margin.
- Capital expenditure decreased as the network modernization programme was completed in October. The capital expenditure in the fourth quarter was mainly driven by investments in mobile broadband coverage as well as capacity.

Sweden

	4th quarter		Year	
(NOK in millions)	2011	2010	2011	2010
Revenues mobile operation				
Subscription and traffic	1 278	1 258	5 085	4 678
Interconnect revenues	174	190	729	743
Other mobile revenues	87	93	331	378
Non-mobile revenues	659	342	1 509	1 146
Total revenues mobile operation	**2 198**	**1 883**	**7 654**	**6 945**
Revenues fixed operation	**583**	**648**	**2 401**	**2 552**
Total revenues	**2 782**	**2 531**	**10 055**	**9 497**
EBITDA before other items	542	561	2 478	2 266
Operating profit	**213**	**15**	**866**	**137**
EBITDA before other items/Total revenues (%)	19.5	22.1	24.6	23.9
Capex	497	383	1 483	1 005
Mobile ARPU – monthly (NOK)	222	235	229	224
No. of subscriptions – Change in quarter/Total (in thousands):				
Mobile	57	8	2 214	2 061
Fixed telephony	(8)	(14)	354	382
Fixed Internet	(4)	(10)	509	535
Exchange rate			0.8631	0.8402

- The total number of mobile subscriptions increased by 57,000 during the quarter, reflecting the strong growth in consumer voice subscriptions. At the end of the quarter, the subscription base was 7% higher than at the end of last year.
- The number of fixed Internet subscriptions decreased by 4,000 to 509,000 during the quarter.
- Mobile ARPU in local currency decreased by 3% driven by reduced roaming charges and interconnect rates, partly offset by increased data usage.
- Total revenues in local currency increased by 12%.
- Mobile revenues in local currency increased by 19% mainly due to higher handset revenues. From October 2011, Telenor Sweden abolished handset subsidies in the consumer market and offered customers to buy handsets by instalments. Subscription and traffic revenues increased by 4% in local currency.
- Fixed revenues in local currency decreased by 8% driven by the reduced number of telephony and Internet subscriptions combined with lower telephony ARPU.
- The EBITDA margin decreased by 3 percentage points following a rise in handset sales with low margin, higher acquisition costs and provisions for regulatory price adjustments for previous periods. EBITDA in local currency remained stable.
- Capital expenditure related to the ongoing 3G network replacement and the LTE rollout decreased compared to last year.
- In October 2011, Net4Mobility, the infrastructure joint venture between Telenor Sweden and Tele2, was awarded 2x10 MHz in the 1800 frequency band for an acquisition price of NOK 186 million for Telenor's share.

Denmark

	4th quarter		Year	
(NOK in millions)	2011	2010	2011	2010
Revenues mobile operation				
Subscription and traffic	846	989	3 411	3 813
Interconnect revenues	212	283	900	1 186
Other mobile revenues	64	127	569	427
Non-mobile revenues	346	172	1 057	592
Total revenues mobile operation	**1 468**	**1 571**	**5 936**	**6 017**
Revenues fixed operation	**245**	**299**	**1 056**	**1 257**
Total revenues	**1 713**	**1 870**	**6 992**	**7 274**
EBITDA before other items	369	505	1 782	1 758
Operating profit	**113**	**256**	**814**	**669**
EBITDA before other items/Total revenues (%)	21.6	27.0	25.5	24.2
Capex	140	170	655	1 119
Investments in businesses	-	-	24	-
Mobile ARPU – monthly (NOK)	175	205	180	200
No. of subscriptions – Change in quarter/Total (in thousands):				
Mobile	(10)	(61)	2 007	2 014
Fixed telephony	(20)	(46)	183	223
Fixed Internet	(7)	(5)	218	240
Exchange rate			1.0459	1.0751

- The number of mobile subscriptions decreased by 10,000 during the quarter, mainly due to high churn in the prepaid segment more than offsetting growth in contract subscriptions. The mobile subscription base was at the same level as last year.
- Fixed Internet subscriptions decreased by 7,000 to 218,000 during the quarter due to higher churn in the consumer segment.
- Mobile ARPU in local currency dropped by 12% mainly due to the new product portfolio launched in the consumer segment in April 2011 and lower interconnect rates from 1 May 2011.
- Total revenues in local currency decreased by 5%.
- Mobile revenues in local currency decreased by 3% as the fall in ARPU was almost offset by a doubling of handsets revenues. Other mobile revenues were reduced due to the loss of wholesale revenues from the service provider Onfone.
- Fixed revenues in local currency decreased by 15% driven by a declining fixed telephony subscription base and continuous price pressure in the fixed broadband market.
- The EBITDA margin declined by 5 percentage points mainly due to increased handset revenues with low margin together with decreased wholesale and retail revenues as well as declining fixed line revenues.
- Capital expenditure in local currency decreased primarily due to high activity related to the network replacement last year.

Central and Eastern Europe

Hungary

	4th quarter		Year	
(NOK in millions)	2011	2010	2011	2010
Revenues				
Subscription and traffic	777	880	3 347	3 554
Interconnect revenues	183	230	789	933
Other mobile revenues	18	23	95	103
Non-mobile revenues	86	91	258	217
Total revenues	**1 064**	**1 224**	**4 488**	**4 806**
EBITDA before other items	295	155	1 537	1 755
Operating profit (loss)	**129**	**(86)**	**741**	**927**
EBITDA before other items/Total revenues (%)	27.7	12.7	34.2	36.5
Capex	241	75	426	264
No. of subscriptions – Change in quarter/Total (in thousands):	21	20	3 370	3 433
ARPU – monthly (NOK)	96	109	102	109
Exchange rate			0.0280	0.0291

- The number of subscriptions increased by 21,000 during the quarter. At the end of the quarter, the subscription base was 2% lower than at the end of last year.
- ARPU in local currency was unchanged following increased voice and data usage offsetting the reduction in interconnect rates from 1 December 2010.
- Revenues in local currency decreased by 2% mainly due to reduced interconnect revenues. Subscription and traffic revenues in local currency increased slightly for the first time since 2009.
- The EBITDA margin increased by 16 percentage points due to inclusion of the full year effect of the crisis tax of NOK 288 million in the fourth quarter last year. In this quarter, NOK 61 million were recognised for the telecommunication tax.
- Adjusted for the above mentioned effects, the EBITDA margin was 34%, a decrease of 2 percentage points from last year mainly due to low margin handset sales.
- Capital expenditure increased following the ongoing network modernisation.
- Operating profit was affected by NOK 24 million in accelerated depreciation related to the network modernisation.
- On 31 January 2012, Telenor Hungary was awarded 1.8 MHz in the GSM 900 frequency auction for approximately NOK 200 million.
- During the fourth quarter of 2011, the Hungarian Forint depreciated significantly by 9% against the Norwegian Krone.

Serbia

	4th quarter		Year	
(NOK in millions)	2011	2010	2011	2010
Revenues				
Subscription and traffic	507	455	2 022	1 822
Interconnect revenues	156	141	601	536
Other mobile revenues	29	65	144	149
Non-mobile revenues	44	42	143	131
Total revenues	**736**	**703**	**2 911**	**2 638**
EBITDA before other items	283	285	1 214	1 053
Operating profit	**115**	**127**	**623**	**421**
EBITDA before other items/Total revenues (%)	38.4	40.5	41.7	39.9
Capex	93	151	391	259
No. of subscriptions – Change in quarter/Total (in thousands):	(1)	23	3 137	3 007
ARPU – monthly (NOK)	71	67	71	68
Exchange rate			0.0764	0.0777

- The number of subscriptions decreased by 1,000 during the quarter as high churn in the prepaid segment was almost offset by high uptake of contract subscriptions. At the end of the quarter, the subscription base was 4% higher than at the end of last year.
- ARPU in local currency increased by 6% driven by higher subscription fees and higher usage.
- Revenues in local currency increased by 4% following higher ARPU and a larger subscription base, partly offset by reduced inbound roaming revenues following a positive one-time effect in the fourth quarter in 2010. Subscription and traffic revenues increased by 11% in local currency.
- The EBITDA margin declined by 2 percentage points following the one-time effect mentioned above, higher handset sales with low margin and personnel costs.
- Capital expenditure was mainly related to the ongoing network modernisation. The network swap will be finalised in the beginning of 2012.

Montenegro

	4th quarter		Year	
(NOK in millions)	2011	2010	2011	2010
Revenues	142	158	627	644
EBITDA before other items	57	71	283	287
Operating profit	**45**	**51**	**235**	**160**
EBITDA before other items/Total revenues (%)	39.9	45.1	45.1	44.6
Capex	4	(1)	23	24
No. of subscriptions – Change in quarter/Total (in thousands):	(29)	(51)	461	468
Exchange rate			7.7926	8.0068

- The number of subscriptions decreased by 29,000 in the quarter mainly due to seasonal drop in prepaid subscriptions. At the end of the quarter, the subscription base was 2% lower than at the end of last year.
- ARPU in local currency decreased by 10% driven by reduced interconnect revenues and lower usage.
- Revenues in local currency decreased by 7% as a result of lower subscription base and reduced ARPU, partly offset by increased handset sales. Adjusted for the effect of an accounting adjustment last year and reduced interconnect rates, revenues decreased by 1%.
- The EBITDA margin decreased by 5 percentage points following reduced revenues and increased low margin handset sales.
- On 11 November 2011, the interconnect rates were reduced from EUR 0.0850 to EUR 0.0706.

Asia

DTAC – Thailand

	4th quarter		Year	
(NOK in millions)	2011	2010	2011	2010
Revenues				
Subscription and traffic	2 651	2 640	10 237	9 869
Interconnect revenues	803	786	3 037	2 975
Other mobile revenues	51	115	264	368
Non-mobile revenues	264	214	1 047	636
Total revenues	**3 769**	**3 755**	**14 585**	**13 848**
EBITDA before other items	1 129	1 307	5 004	4 820
Operating profit	**725**	**864**	**3 430**	**3 177**
EBITDA before other items/Total revenues (%)	29.9	34.8	34.3	34.8
Capex	577	316	1 072	797
No. of subscriptions – Change in quarter/Total (in thousands):	352	684	23 217	21 620
ARPU – monthly (NOK)	50	54	49	52
Exchange rate			0.1838	0.1910

- The number of subscriptions increased by 352,000 during the quarter and the subscription base was 7% higher than at the end of last year.
- On 21 December, a major network outage occurred. DTAC decided to compensate impacted customers with two days free traffic, amounting to NOK 48 million.
- ARPU in local currency remained stable as high growth in data usage offset the negative impact of lower voice usage and outage compensation. Excluding the outage compensation, ARPU increased slightly. The severe flooding in the fourth quarter had limited impact on mobile usage.
- Total revenues in local currency increased by 7%, driven by a larger subscription base and high handset sales. Excluding the network outage compensation and a non-recurring item related to inter operator tariff discounts, revenues increased by 9%.
- The EBITDA margin decreased by 5 percentage points primarily due to increased revenue share costs and high sales of low margin handsets. The revenue share payable to the concession owner CAT increased from 25% to 30% in September 2011. Excluding the customer compensation and the inter operator tariff discount mentioned above, the EBITDA margin was 31%.
- Capital expenditure increased mainly due to investments in network capacity and 3G rollout.

DiGi – Malaysia

	4th quarter		Year	
(NOK in millions)	2011	2010	2011	2010
Revenues				
Subscription and traffic	2 461	2 318	9 423	8 801
Interconnect revenues	196	181	752	847
Other mobile revenues	26	36	122	134
Non-mobile revenues	142	184	632	386
Total revenues	**2 825**	**2 719**	**10 929**	**10 167**
EBITDA before other items	1 322	1 229	5 063	4 500
Operating profit	**703**	**858**	**2 903**	**3 023**
EBITDA before other items/Total revenues (%)	46.8	45.2	46.3	44.3
Capex	563	583	1 116	1 355
No. of subscriptions – Change in quarter/Total (in thousands):	303	518	9 920	8 765
ARPU – monthly (NOK)	91	97	91	98
Exchange rate			1.8325	1.8806

- The number of subscriptions increased by 303,000 during the quarter. At the end of the quarter, the subscription base was 13% higher than at the end last year.
- ARPU in local currency declined by 3% as a result of growth in lower revenue generating segments, partly offset by increased data usage.
- Total revenues in local currency increased by 8%, mainly driven by a larger subscription base and increased data revenues.
- The EBITDA margin increased by 2 percentage points, as higher revenues offset a slight increase in operating expenses.
- Capital expenditure was high in the quarter due to the ongoing network modernisation in addition to improvement of 3G capacity and coverage.

Grameenphone – Bangladesh

	4th quarter		Year	
(NOK in millions)	2011	2010	2011	2010
Revenues				
Subscription and traffic	1 487	1 440	5 864	5 691
Interconnect revenues	171	169	655	644
Other mobile revenues	13	5	33	19
Non-mobile revenues	35	32	179	139
Total revenues	**1 705**	**1 647**	**6 730**	**6 492**
EBITDA before other items	930	802	3 595	3 212
Operating profit	**674**	**441**	**2 472**	**1 763**
EBITDA before other items/Total revenues (%)	54.5	48.7	53.4	49.5
Capex	219	343	977	734
No. of subscriptions – Change in quarter/Total (in thousands):	1 248	1 316	36 493	29 971
ARPU – monthly (NOK)	15	19	16	20
Exchange rate			0.0755	0.0868

- The number of subscriptions increased by 1.2 million during the quarter, and the subscription base was 22% higher than at the end of last year.
- ARPU in local currency decreased by 7% due to the dilution effect of subscription growth in low-ARPU segments.
- Revenues in local currency increased by 17% driven by the strong subscription growth partly offset by the ARPU decline.
- The EBITDA margin increased by 6 percentage points mainly as a result of revenue growth and operating expenses improvement. EBITDA in local currency increased by 30%.
- Capital expenditure decreased due to high investments related to the network modernisation in fourth quarter last year.
- On 31 October 2011, Grameenphone paid the first instalment of NOK 1 billion to the Bangladesh Telecommunication Regulatory Commission (BTRC) for renewal of the 2G licence, however Grameenphone is still awaiting the final decision from the High Court regarding application of VAT and the use of a market competition factor for the spectrum purchased in 2008. Based on the Supreme Court's decision, BTRC informed Grameenphone to continue its operation under the old licence until final decision from the High Court.

Pakistan

	4th quarter		Year	
(NOK in millions)	2011	2010	2011	2010
Revenues				
Subscription and traffic	1 032	922	3 924	3 697
Interconnect revenues	212	185	778	718
Other mobile revenues	5	5	22	23
Non-mobile revenues	94	62	294	215
Total revenues	**1 343**	**1 173**	**5 017**	**4 653**
EBITDA before other items	551	328	1 847	1 382
Operating profit (loss)	**89**	**(50)**	**455**	**2**
EBITDA before other items/Total revenues (%)	41.0	28.0	36.8	29.7
Capex	142	159	532	617
No. of subscriptions – Change in quarter/Total (in thousands):	822	856	28 131	24 692
ARPU – monthly (NOK)	15	15	15	16
Exchange rate			0.0649	0.0709

- The number of subscriptions increased by 822,000 during the quarter and the subscription base was 14% higher than at the end of last year.
- ARPU in local currency increased by 3%, as a result of higher usage.
- Total revenues in local currency increased by 20% mainly due to a larger subscription base and higher ARPU. Financial services contributed to 3 percentage points of the overall revenue growth.
- The EBITDA margin increased by 13 percentage points primarily due to strong revenue growth and stable operating expenses. EBITDA in local currency increased by 77%. Excluding the positive effect of one-time items the EBITDA margin was 38%.
- Capital expenditure continued to be focused on network capacity investments to align with current subscription growth and traffic volumes.
- The Telecommunication Regulatory Authority of Pakistan (PTA) has set the date for 800 MHz and 2,100 MHz spectrum auctions at 29 March 2012.

Uninor – India

	4th quarter		Year	
(NOK in millions)	2011	2010	2011	2010
Revenues	936	400	3 019	773
EBITDA before other items	(582)	(1 026)	(3 414)	(4 246)
Operating profit (loss)	**(4 978)**	**(1 272)**	**(8 514)**	**(5 044)**
Capex	270	350	972	1 624
No. of subscriptions – Change in quarter/Total (in thousands):	4 136	4 337	28 326	12 255
ARPU – monthly (NOK)	12	13	12	13
Exchange rate			0.1203	0.1322

*) Please note that the definition for active subscriptions in Uninor is more conservative than the Group definition on page 17, due to high churn in the Indian market. In Uninor, subscriptions are counted as active if there has been activity during the last 30 days.

- The number of subscriptions increased by 4.1 million during the quarter taking the total subscription base to 28.3 million.
- ARPU in local currency remained stable from previous quarter.
- Total revenues in local currency increased by 17% compared to third quarter 2011 contributed by an increased subscriber base.
- Total EBITDA loss for the quarter was NOK 582 million. This includes a positive effects related to reversal of accruals related to energy costs (NOK 83 million) and tower rental (NOK 28 million). In addition, the EBITDA improvement was due to increase in subscriber base and reduced sales and marketing costs.
- Capital expenditure was NOK 270 million. 667 new sites were put on air in the quarter reaching a total of 27,972. In addition investments were related to software upgrade of core and radio access network to cater for increase in the number of subscriptions.
- On 2 February 2012, the Supreme Court of India delivered its judgment on a public interest petition seeking cancellation of 122 cellular phone licences granted by the Government of India in 2008, including 22 licences to Unitech Wireless (Uninor). As a result, an impairment loss of NOK 4.1 billion was recognised in the fourth quarter of 2011. See notes 5 and 6 for details.

Broadcast

	4th quarter		Year	
(NOK in millions)	2011	2010	2011	2010
Revenues				
Canal Digital DTH	1 081	1 071	4 221	4 216
Satellite Broadcasting	257	272	998	1 082
Norkring	239	231	944	826
Conax	155	138	557	528
Other/Eliminations	78	101	413	387
Total revenues	**1 810**	**1 812**	**7 133**	**7 040**
EBITDA before other items				
Canal Digital DTH	142	85	512	389
Satellite Broadcasting	165	191	663	758
Norkring	113	101	465	372
Conax	54	50	214	202
Other/Eliminations	-	(13)	46	(44)
Total EBITDA before other items	**473**	**414**	**1 900**	**1 678**
Operating profit				
Canal Digital DTH	96	73	425	354
Satellite Broadcasting	92	124	408	487
Norkring	26	42	219	156
Conax	28	37	148	154
Other/Eliminations	(10)	(76)	(46)	(193)
Total operating profit	**232**	**202**	**1 154**	**957**
EBITDA before other items/Total revenues (%)	26.2	22.9	26.6	23.8
Capex	73	132	279	423
Investments in businesses	-	34	(2)	1 132
No. of subscriptions – Change in quarter/Total (in thousands):				
DTH TV	(8)	(27)	965	997
Cable TV	(42)	(2)	184	233
Cable TV Internet access	(21)	-	1	23

- Total revenues were unchanged from fourth quarter last year. Total EBITDA increased by 14% and the EBITDA margin increased by 3 percentage points.
- Revenues in Canal Digital DTH increased by 1% as a result of price increases combined with rise in sales of hardware and services, offset by reduction in subscriber base and negative currency effects.
- The EBITDA margin in Canal Digital DTH increased by 5 percentage points primarily due to reduced transmission costs.
- In Satellite Broadcasting, revenues and EBITDA decreased as higher revenues from the CEE region were more than offset by reduced revenues from the Nordic region.
- In Norkring, revenues and EBITDA increased due to revenue growth in Norway and reduced operating expenses in Belgium.
- In Conax, revenues and EBITDA increased as higher volume of smart cards was only partly offset by reduced prices.
- Capital expenditure decreased primarily due to lower IT and technology investments in Canal Digital and Conax.
- In October 2011, the cable TV operation of Canal Digital Danmark Kabel-TV A/S was sold to the Danish cable and broadband operator STOFA.
- In January 2012, Telenor entered into an agreement to sell its 45% stake in TV2 Zebra to TV2.

Other units

	4th quarter		Year	
(NOK in millions)	2011	2010	2011	2010
Revenues				
New Business	55	43	223	200
Corporate functions and Group activities	594	643	2 317	2 486
Other/eliminations	62	36	168	495
Total revenues	**711**	**722**	**2 707**	**3 181**
EBITDA before other items				
New Business	15	36	(8)	(31)
Corporate functions and Group activities	(179)	(165)	(706)	(442)
Other/eliminations	3	(29)	(93)	211
Total EBITDA before other items	**(161)**	**(158)**	**(807)**	**(263)**
Operating profit (loss)				
New Business	63	29	15	(63)
Corporate functions and Group activities	(309)	(265)	(1 095)	(854)
Other/eliminations	(65)	(42)	(107)	194
Total operating profit (loss)	**(312)**	**(278)**	**(1 187)**	**(723)**
Capex from continuing operations	69	87	241	253
Capex from discontinued operations	-	-	-	258
Investments in businesses	242	294	335	338

- There are no material changes in the results within Other units in the fourth quarter.
- EBITDA in Corporate functions decreased as a result of reduced revenues, partly offset by lower costs.
- EBITDA in New Business declined mainly as a result of a positive effect of NOK 22 million in 2010 related to reclassification of Cinclus Technology to discontinued operations.

Group overview

The statements below are related to Telenor's development in 2011 compared to 2010 unless otherwise stated. Please refer to note 7 for further information.

Revenues

- Revenues increased by NOK 3.7 billion or 3.9% as the continued strong subscription growth in the Asian operations and improved performance in Sweden and Serbia more than offset the reduced revenues in Norway (of which NOK 0.4 billion in interconnect) and negative currency effect of NOK 2.3 billion.

EBITDA before other items

- EBITDA increased by NOK 1.3 billion as improved performance in our Asian operations more than offset weaker results in Norway, Hungary and Other Units. In addition, EBITDA was negatively affected by NOK 0.5 billion due to currency effects.

Specification of other income and expenses

	4th quarter		Year	
(NOK in millions)	2011	2010	2011	2010
EBITDA before other income and expenses	7 417	7 179	30 526	29 220
EBITDA margin before other income and expenses (%)	29.2	28.9	31.0	30.8
Gains (losses) on disposal of fixed assets and operations	(220)	(98)	30	(125)
Workforce reductions and loss contracts	(115)	(118)	(532)	(401)
One-time effects to pension costs	1	-	18	(46)
EBITDA	**7 084**	**6 962**	**30 041**	**28 648**
EBITDA margin (%)	27.9	28.0	30.5	30.2

- In the fourth quarter of 2011 'Other income and expenses' mainly consisted of the following items:
  - Gains (losses) on disposal of fixed assets and operations were related to disposal of fixed assets in Telenor Norway (NOK 113 million), Broadcast (NOK 50 million), Telenor Pakistan (NOK 48 million) and Telenor Hungary (NOK 38 million).
  - Workforce reductions in Telenor Norway (NOK 55 million) and Telenor Denmark (NOK 15 million).
  - Loss contracts in Broadcast (NOK 35 million).

- Accumulated for the year 2011 'Other income and expenses' also include:
  - Workforce reductions and one-time effect to pension costs related to restructuring of operations in Norway, Broadcast, Denmark and Telenor ASA.
  - Gains (losses) on disposal of fixed assets and operations in Telenor Norway, Telenor Connexion, Telenor Eiendom, Broadcast and Telenor Hungary.
  - Loss contract in Telenor Sweden.

Impairment

- As a consequence of the cancellation of Uninor's 2G licences in India Telenor recognised impairment losses of NOK 4.1 billion related to licences and goodwill, see note 6 for more information.

Operating profit

- Operating profit decreased by NOK 2.1 billion compared to last year due to impairment of goodwill and licences in Uninor of NOK 4.1 billion as described above.
- Excluding the impairment related to Uninor, operating profit increased by NOK 2.0 billion compared to last year primarily due to increased EBITDA as explained above and lower depreciations in most operations, partly offset by accelerated depreciations related to the ongoing network modernisation programmes.

Associated companies

	4th quarter		Year	
(NOK in millions)	2011	2010	2011	2010
Telenor's share of				
Profit after taxes	327	1 229	3 563	3 424
Amortisation of Telenor's net excess values	(32)	(102)	(126)	(276)
Impairment losses of Telenor's net excess values	(11)	(3)	(543)	(3)
Gains (losses) on disposal of ownership interests	1	6	1 662	6 549
Profit (loss) from associated companies	**285**	**1 130**	**4 556**	**9 694**

- Telenor's share of the net result from associated companies in the fourth quarter includes NOK 315 million related to VimpelCom's reported results for the third quarter of 2011. The net result in VimpelCom was reduced by NOK 1 billion compared to 2010, mainly as a result of higher interest expenses, resulting from higher gross debt after the acquisition of Wind Telecom as well as higher depreciation and amortisation charges associated with the Wind Telecom transaction.
- In conjunction with the combination of VimpelCom and Wind Telecom, Telenor's economic interests in VimpelCom were diluted by 20% to 31.67% with effect from 15 April 2011. The transaction is accounted for as a deemed disposal (partial realization of approximately 20% of Telenor's investment in VimpelCom due to dilution) and resulted in an accounting gain of NOK 1.6 billion in the second quarter of 2011. There is no cash effect related to the transaction.
- Impairment of associated companies of NOK 543 million was mainly related to the write down of C More Group AB in the second quarter of 2011. The impairment was recorded mainly due to weaker subscriber development and results than expected.

Financial items

	4th quarter		Year	
(NOK in millions)	2011	2010	2011	2010
Financial income	209	170	812	765
Financial expenses	(592)	(535)	(2 207)	(1 825)
Net currency gains (losses)	(643)	243	(277)	(649)
Net change in fair value of financial instruments	34	(391)	27	(370)
Net gains (losses and impairment) of financial assets and liabilities	7	21	52	90
Net financial income (expenses)	**(985)**	**(492)**	**(1 593)**	**(1 989)**
Gross interest expenses	(554)	(472)	(2 042)	(1 706)
Net interest expenses	(374)	(339)	(1 318)	(1 228)

- Financial expenses increased in the fourth quarter of 2011 compared to the same quarter in 2010, mainly due to relative higher proportion of interest bearing debt in Indian Rupee.
- Net currency losses for the fourth quarter of 2011 were primarily unrealised losses related to receivable share capital from Telenor Serbia and hedging of dividends from DTAC. In addition, a hedging loss of NOK 350 million from the initial investment in Uninor, previously recorded in equity, has been reclassified through profit & loss in the fourth quarter.

Taxes

- The effective tax rates for the fourth quarter and year 2011 were -42% and 40% respectively. The effective tax rate for 2011 was high due to the impairment losses of NOK 4.2 billion related to India. The effective tax rate for year 2012 is estimated to be around 30%.

Investments

	4th quarter		Year	
(NOK in millions)	2011	2010	2011	2010
Capex	3 823	3 783	11 907	11 946
Capex from continuing operations	3 823	3 783	11 907	11 688
Capex excl. licences and spectrum	3 638	3 783	11 441	11 355
Capex excl. licences and spectrum/Revenues (%)	14.3	15.2	11.6	12.0

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

- Capital expenditure in continuing operations (excl. licences) increased by NOK 86 million as higher network investments in Norway, Hungary, Serbia, Grameenphone and DTAC more than offset reduced investments in Uninor, DiGi, Pakistan, Broadcast and Denmark.

Financial position

- During 2011, total assets decreased by NOK 5.5 billion to NOK 167.2 billion primarily due to the impairment of goodwill and licence of Uninor in the fourth quarter as well as appreciation of NOK against Asian currencies and US dollar. The decrease was partly offset by increased value of investments in associated companies.
- Total liabilities increased by NOK 2.9 billion to NOK 79.4 billion mainly due to recording of dividends payable and increased asset retirement obligations which was partly offset by decrease in deferred tax liability.
- Net interest-bearing liabilities decreased by NOK 1.0 billion to NOK 18.2 billion mainly due to ordinary repayments of debt made by DiGi, DTAC and Telenor ASA which was partly offset by increase in short term debt by Uninor.
- Total comprehensive income, mainly consisting of net income and the effect from translation differences, increased equity by NOK 7.4 billion. This increase was more than offset by total dividends declared of NOK 11.2 billion to equity holders of Telenor ASA and non-controlling interests in subsidiaries and share buyback of NOK 4.5 billion. Total equity decreased by NOK 8.5 billion to NOK 87.7 billion.

Cash flow

- Net cash inflow from operating activities during 2011 was NOK 27.1 billion, which is an increase of NOK 0.6 billion compared to 2010. The increase is mainly explained by higher EBITDA and increased dividends from VimpelCom Ltd. partly offset by higher tax payments during 2011.

- Net cash outflow to investing activities during 2011 was NOK 14.5 billion which is a decrease of NOK 1.1 billion compared to 2010. This is mainly explained by NOK 1.0 billion purchase of C More Group AB in 2010.
- Net cash outflow to financing activities during 2011 was NOK 12.9 billion, an increase of NOK 3.6 billion compared to 2010. The increase mainly relates to higher dividends paid out and higher share buybacks this year to shareholders of Telenor ASA by NOK 4.4 billion combined.
- Cash and cash equivalents decreased during 2011 by NOK 0.7 billion to NOK 12.9 billion as of 31 December 2011.

Transactions with related parties

For detailed information on related party transactions refer to Note 34 in Telenor's Annual Report 2010. In addition to transactions described in the Annual Report the following new significant related party transactions occurred in 2011:

- In 2011, Telenor received dividends of NOK 2.3 billion from VimpelCom Ltd., of which NOK 1.3 billion in the fourth quarter of 2011.
- At Telenor's Annual General Meeting on 19 May 2011 redemption of shares owned by the Kingdom of Norway through the Ministry of Trade and Industry was approved. See Telenor's Annual Report 2010, note 34 for more information.

Outlook for 2012

Based on the current group structure including Uninor and currency rates as of 31 December 2011 Telenor expects:
- Organic revenue growth above 5%.
- EBITDA margin before other income and expenses in the range of 32–33%.
- 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 2.0 billion and capital expenditure, excluding licences and spectrum, around NOK 1.0 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 results.

For additional explanations regarding risks and uncertainties, please refer to the Report of the Board of Directors for 2010, section Risk Factors and Risk Management, and Telenor's Annual Report 2010 Note 30 Managing Capital and Financial Risk Management and Note 35 Commitments and Contingencies. 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 2010 are:

Shareholding and legal disputes
See note 3 for details.

Financial aspects
At 31 December 2011, Uninor had NOK 8.1 billion in current interest-bearing borrowings, all with financial guarantees from Telenor ASA. This is an increase of NOK 3.6 billion since 31 December 2010. Uninor's loan agreements contain typical bank loan provisions including material adverse effect clauses.

In July 2011, Telenor East Holding II AS entered into a cash-settled total return swap in respect of up to 40,000,000 VimpelCom Ltd. ADRs (each representing one VimpelCom common share) with J.P. Morgan Securities Ltd. The agreement was amended in October to cover up to 65,000,000 ADRs. As a measure to reduce counterparty risk, Telenor East Holding II AS has established a credit support agreement with J.P. Morgan Securities Ltd. under which the parties exchange collateral payments. The first exchange of collateral under this agreement will take place in the first quarter of 2012.

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 2012' 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 2012
The Board of Directors of Telenor ASA

Condensed Interim Financial Information

Consolidated Income Statement
Telenor Group

	4th quarter		Year	
(NOK in millions)	2011	2010	2011	2010
Revenues	25 433	24 858	98 516	94 843
Costs of materials and traffic charges	(7 500)	(7 304)	(27 541)	(26 239)
Salaries and personnel costs	(2 765)	(2 918)	(10 814)	(10 852)
Other operating expenses	(7 750)	(7 457)	(29 635)	(28 532)
Other income and (expenses)	(334)	(217)	(485)	(572)
EBITDA	**7 084**	**6 962**	**30 041**	**28 648**
Depreciation and amortisation	(3 885)	(4 145)	(15 309)	(16 134)
Impairment losses	(4 270)	(14)	(4 340)	(14)
Operating profit (loss)	**(1 071)**	**2 803**	**10 393**	**12 500**
Share of net income from associated companies	284	1 124	2 893	3 145
Gain on disposal of associated companies	1	6	1 662	6 549
Net financial income (expenses)	(985)	(492)	(1 593)	(1 989)
Profit before taxes	**(1 772)**	**3 442**	**13 355**	**20 205**
Income taxes	(747)	(1 237)	(5 365)	(4 982)
Profit from continuing operations	**(2 519)**	**2 205**	**7 990**	**15 223**
Profit (loss) after taxes from discontinued operations	-	101	-	(415)
Net income	**(2 519)**	**2 306**	**7 990**	**14 808**
Net income attributable to:				
Non-controlling interests (Minority interests)	(583)	203	52	475
Equity holders of Telenor ASA	(1 937)	2 104	7 937	14 334
Earnings per share in NOK				
From continuing operations:				
Basic	(1.19)	1.22	4.89	8.94
Diluted	(1.19)	1.22	4.88	8.93
From total operations:				
Basic	(1.19)	1.29	4.89	8.69
Diluted	(1.19)	1.28	4.88	8.67

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

Consolidated statement of comprehensive income
Telenor Group

	4th quarter		Year	
(NOK in millions)	2011	2010	2011	2010
Net income	**(2 519)**	2 306	7 990	14 808
Translation differences on net investment in foreign operations	717	(289)	(1 143)	1 665
Income taxes	(113)	(47)	(124)	70
Amount reclassified from equity to profit and loss on disposal	5	33	535	3 528
Net gain (loss) on hedge of net investment	(58)	320	3	606
Income taxes	16	(90)	(1)	(170)
Amount reclassified from equity to profit and loss on disposal	-	-	-	(36)
Income taxes	-	-	-	10
Net gain (loss) on available-for-sale-investment	(10)	(13)	9	10
Amount reclassified from equity to profit and loss on disposal	-	-	(55)	-
Valuation gains (losses) on cash flow hedges	-	(559)	-	-
Income taxes	-	157	-	-
Amount reclassified from equity to profit and loss	-	643	-	667
Income taxes	-	(182)	-	(188)
Share of other comprehensive income (loss) of associated companies	(4)	(39)	(210)	(675)
Amount reclassified from equity to profit and loss	-	-	416	-
Other comprehensive income (loss), net of taxes	**553**	(65)	(569)	5 488
Total comprehensive income (loss)	**(1 966)**	2 241	7 421	20 297
Total comprehensive income (loss) attributable to:				
Non-controlling interests	(488)	282	(246)	1242
Equity holders of Telenor ASA	(1 478)	1 959	7 667	19 055

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

Consolidated Statement of Financial Position

Telenor Group

	2011	2011	2010
(NOK in millions)	31 December	30 September	31 December
Deferred tax assets	1 275	1 764	2 006
Goodwill	22 145	24 184	24 472
Intangible assets	21 774	24 800	27 007
Property, plant and equipment	49 620	49 705	52 963
Associated companies	34 800	34 834	31 026
Other non-current assets	3 241	2 982	3 048
Total non-current assets	**132 855**	**138 269**	**140 522**
Trade receivables	8 563	8 133	8 591
Other current assets	10 130	8 508	9 066
Assets classified as held for sale	86	16	-
Other financial current assets	2 638	2 852	946
Cash and cash equivalents	12 899	11 728	13 606
Total current assets	**34 317**	**31 237**	**32 209**
Total assets	**167 172**	**169 506**	**172 731**
Equity attributable to equity holders of Telenor ASA	84 818	87 470	87 867
Non-controlling interests (minority interests)	2 910	6 146	8 351
Total equity	**87 728**	**93 616**	**96 218**
Non-current interest-bearing liabilities	23 157	24 749	25 701
Non-current non-interest-bearing liabilities	1 659	1 008	1 125
Deferred tax liabilities	2 195	2 578	2 927
Pension obligations	1 933	1 980	1 918
Other provisions	2 911	1 951	1 879
Total non-current liabilities	**31 855**	**32 266**	**33 550**
Current interest-bearing liabilities	10 767	8 556	8 751
Trade payables	6 590	7 726	6 039
Current non-interest-bearing liabilities	30 231	27 342	28 172
Total current liabilities	**47 589**	**43 624**	**42 963**
Total equity and liabilities	**167 172**	**169 506**	**172 731**
Equity ratio including non-controlling interests (%)	52,5	55,2	55,7
Net interest-bearing liabilities	**18 222**	**18 552**	**19 276**

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

Consolidated Statement of Cash Flows

Telenor Group

(NOK in millions)	4th quarter 2011	4th quarter 2010	Year 2011	Year 2010
Profit (loss) before taxes from total operations	(1 772)	3 568	13 355	19 733
Income taxes paid	(930)	(1 514)	(6 026)	(5 485)
Net (gains) losses from disposals, impairments and change in fair value of financial assets and liabilities	184	468	(104)	407
Depreciation, amortisation and impairment losses	8 155	4 159	19 649	16 622
Loss (profit) from associated companies	(284)	(1 130)	(4 555)	(9 694)
Dividends received from associated companies	1 251	1 416	2 293	1 812
Currency (gains) losses not related to operating activities	631	(219)	181	550
Changes in other operating working capital assets and liabilities	(1 394)	(1 324)	2 301	2 520
Net cash flow from operating activities	**5 839**	**5 424**	**27 093**	**26 465**
Purchases of property, plant and equipment (PPE) and intangible assets	(4 821)	(3 423)	(13 261)	(13 422)
Purchases of subsidiaries and associated companies, net of cash acquired	(238)	(262)	(393)	(1 416)
Proceeds of PPE, intangible assets and businesses, net of cash disposed	34	49	514	(124)
Proceeds and purchases of other investments	451	(183)	(1 311)	(628)
Net cash flow from investing activities	**(4 574)**	**(3 818)**	**(14 451)**	**(15 590)**
Proceeds from and repayments of borrowings	1 269	113	496	(876)
Proceeds from issuance of shares, incl. from non-controlling interests in subsidiaries	-	2	1	2
Share buyback by Telenor ASA	(993)	(778)	(4 535)	(2 164)
Repayment of equity and dividends paid to non-controlling interests in subsidiaries	(265)	(634)	(2 624)	(2 084)
Dividends paid to equity holders of Telenor ASA	-	-	(6 206)	(4 141)
Net cash flow from financing activities	**10**	**(1 298)**	**(12 868)**	**(9 263)**
Effects of exchange rate changes on cash and cash equivalents	(104)	(63)	(481)	442
Net change in cash and cash equivalents	**1 171**	**245**	**(706)**	**2 054**
Cash and cash equivalents at the beginning of the period	11 728	13 361	13 606	11 552
Cash and cash equivalents at the end of the period [1]	**12 899**	**13 606**	**12 899**	**13 606**
Of which cash and cash equivalents in discontinued operations at the end of the period	-	-	-	-
Cash and cash equivalents in continuing operations at the end of the period	**12 899**	**13 606**	**12 899**	**13 606**

[1] The fourth quarter of 2011 includes restricted cash of NOK 128 million, while the fourth quarter of 2010 included restricted cash of NOK 134 million.

The statement includes discontinued operations prior to their disposal.

(NOK in millions)	4th quarter 2011	4th quarter 2010	Year 2011	Year 2010
Net cash flow from operating activities	-	46	-	(367)
Net cash flow from investing activities	-	(45)	-	(291)
Net cash flow from financing activities	-	-	-	(333)

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

	Attributable to equity holders of the parent						
(NOK in millions)	Paid in capital	Other reserves	Retained earnings	Cumulative translation differences	Total	Non-controlling interests	Total equity
Equity as of 31 December 2009	**10 005**	**11 851**	**64 843**	**(10 723)**	**75 976**	**9 089**	**85 065**
Net income for the period	-	-	14 334	-	14 334	475	14 809
Other comprehensive income for the period	-	(201)	-	4 923	4 721	767	5 488
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 buyback	(149)	(2 178)	-	-	(2 326)	(9)	(2 335)
Sale of shares, share issue, and share options to employees	3	38	-	-	41	-	41
Equity as of 31 December 2010	**9 859**	**8 771**	**75 036**	**(5 800)**	**87 866**	**8 351**	**96 218**
Net income for the period	-	-	7 937	-	7 937	52	7 990
Other comprehensive income for the period	-	160	-	(431)	(271)	(298)	(569)
Total comprehensive income for the period	**-**	**160**	**7 937**	**(431)**	**7 667**	**(246)**	**7 421**
Transactions with non-controlling interests	-	-	(99)	-	(99)	(163)	(262)
Equity adjustments in associated companies	-	63	-	-	63	-	63
Dividends	-	-	(6 206)	-	(6 206)	(5 033)	(11 239)
Share buyback	(294)	(4 240)	-	-	(4 535)	-	(4 535)
Sale of shares, share issue, and share options to employees	9	52	-	-	61	-	61
Equity as of 31 December 2011	**9 574**	**4 805**	**76 669**	**(6 231)**	**84 818**	**2 910**	**87 727**

In accordance with the resolution from the Annual General Meeting on 19 May 2011, Telenor ASA has on 31 August 2011 reduced the share capital by a total of NOK 298 million. This was done by cancelling 22,877,098 own shares and by redeeming 26,818,135 shares held by the Kingdom of Norway through the Ministry of Trade and Industry. Other reserves were reduced by NOK 4.372 billion due to the cancelling. The share capital subsequent to the capital reduction is NOK 9.649 billion divided into 1,608,193,613 shares, each with a par value of NOK 6.00.

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 year ending 31 December 2011 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 2010. 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 2010.

Standards and interpretations as mentioned in the Group's Annual Report 2010 Note 1 and effective from 1 January 2011 do not have a significant impact on the Group's consolidated interim financial statements.

In 2011, IASB has issued the following new standards: IFRS 10 Consolidated Financial statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities, IFRS 13 Fair Value Measurement, IAS 19 Employee benefits revised and IAS 1 Presentation of Financial Statement revised. All standards will be implemented 1 January 2013. The effects of implementing those standards will be minor, except for revised IAS 19 which will result in removing the corridor method and recognising all actuarial gains and losses in the Other Comprehensive Income Statement.

Note 2 – Associated companies

C More

Impairment of associated companies of approximately NOK 0.5 billion in the second quarter of 2011 was related to C More, in which an impairment was recorded mainly due to weaker subscriber development and results than expected.

VimpelCom

As a result of the dilution of Telenor's economic ownership in VimpelCom Ltd. from 39.58% to 31.67% following VimpelCom's acquisition of Wind Telecom on 15 April 2011, an accounting gain of approximately NOK 1.6 billion was recorded in the second quarter of 2011. The transaction is accounted for as a deemed disposal and there is no cash effect related to the transaction.

On 10 June 2011, Altimo announced that it had sold VimpelCom preferred shares equal to approximately 6% of VimpelCom's voting shares. As a result of this sale, Altimo's total voting interest in VimpelCom fell just below 25%, causing the termination of the VimpelCom Shareholders Agreement, effective on 10 December 2011.

Note 3 – Shareholding and legal disputes

VimpelCom

On 15 April 2011, VimpelCom completed the combination of VimpelCom and Wind Telecom. As a consequence, Telenor's ownership interest in VimpelCom was diluted to a 31.67% economic and a 25.01% voting interest, respectively. Telenor believes that it was wrongly denied the opportunity to exercise the pre-emptive rights granted to it under the VimpelCom Shareholders Agreement, which would have permitted Telenor to maintain its ownership interest in VimpelCom. To protect these rights, Telenor commenced an arbitration proceeding in London on 28 January 2011 against VimpelCom and Altimo Holdings & Investments Ltd. Telenor is continuing to pursue that arbitration proceeding and anticipates that a decision will be reached in the first half of 2012.

Uninor

In India, Uninor and many other telecom operators as well as the federal government through the Department of Telecommunications and the Telecom Regulatory Authority of India have been named as respondents in public interest petitions filed before the Supreme Court. These petitions seek cancellation of the licences granted by the government in January 2008 to such operators, an imposition or punitive damages on grounds of alleged irregularities in granting the licences, failure to meet eligibility requirements and delays in meeting rollout obligations. On 2 February 2012 the Indian Supreme Court delivered its judgment in which it quashed all 122 licences issued on and after 10 January, 2008, including those granted to Uninor. The quashing is effective from 2 June 2012. Meanwhile, the Government shall seek recommendations from the TRAI (Telecom Regulatory Authority of India) on reallocation of the licences.

On 2 April, the Indian Central Bureau of Investigation presented its first charge sheet, naming the managing director of Unitech Ltd., Mr. Sanjay Chandra, and also naming Unitech Wireless for actions when it was fully owned by Unitech Ltd., prior to Telenor Group entering India. On 22 October, the criminal court formally charged everyone mentioned in the charge sheets. The trial started 11 November and is now in the stage of hearing evidences.

Funding

The board of directors of Uninor has approved rising of funds through a rights offering of up to INR 82.5 billion, but Unitech Ltd. has initiated arbitration proceedings in Singapore on this matter. Further, and related to the same matter, Unitech Ltd. filed petitions on 11 October 2011 against Uninor, the Telenor-appointed directors on the Uninor board, Telenor Asia Pte Ltd. and Telenor ASA before a special judicial body Company Law Board (CLB) in India. In its petition to CLB, Unitech Ltd. alleges that the respondents have oppressed the minority shareholders and mismanaged the business of Uninor. Telenor's opinion is that there is no legal or factual basis to support the claims and allegations made by Unitech Ltd. in the arbitration and CLB proceedings.

DTAC

Dispute between TOT, CAT and DTAC regarding Access Charge

Reference is made to the Annual Report 2010 note 35 for description of the dispute between TOT, CAT and DTAC regarding Access Charge. On 16 June 2011, DTAC received a notice from the Central Administrative Court stating that TOT has filed a plaint 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 THB 113 billion (NOK 21 billion). It is Telenor's opinion that the company is not obliged to make payment of access charge under the access charge agreements because the access charge agreements do not comply with the current legal principles, in force since 17 May 2006. Hence, the company has already terminated the access charge agreements.

Foreign ownership issue in Thailand

True Move has earlier this year made a number of complaints to the Thai Police and the Thai Ministry of Commerce that DTAC is in breach of the Foreign Business Act (FBA) limiting foreign ownership to 49% of the company without special permission. On 22 September 2011, one of DTAC's minority shareholders (holding 100 shares in DTAC) filed a complaint against state agency, 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. The Telenor management is of the opinion that the Telenor ownership structure in DTAC was established, and is, in accordance with Thai law as well as the established practices in Thailand, and awaits a fair and unbiased inquiry of the issue.

Grameenphone

Grameenphone has received a claim of BDT 30.34 billion (approx. NOK 2.2 billion) from the Bangladesh Telecommunications Regulatory Commission (BTRC) referring to findings of the audit that the regulator carried out during the last few months starting from April 2011. Grameenphone has, during and after the audit, through discussion and formal letters, contended and clarified to BTRC and the auditor that the acceptable audit norms and practises have not been followed during and after the audit and the claims made remains unfounded, unsubstantiated and without merit. Telenor share Grameenphone's view that the claims are unsubstantiated and expects that the licence renewal process will run unaffected by this dispute. The claim is currently suspended until June 2012 according to a 20 October High Court decision.

In addition to this Grameenphone received a notification from BTRC on 17 October with a claim for payment of additional spectrum fee of up to BDT 3.84 billion (approx. NOK 280 million) for spectrum granted in 2008, based on retrospective application of new guidelines. The case has been heard by High court in January 2012. Grameenphone and Telenor are contesting this claim also in its entirety.

Note 4 – Transactions with related parties

At the Annual General Meeting on 19 May 2011 redemption of shares owned by the Kingdom of Norway through the Ministry of Trade and Industry was approved. See Annual Report 2010 note 34 for more information.

Note 5 – Events after the balance sheet date

On 2 February 2012 the Indian Supreme Court delivered its judgment on a public interest petition seeking cancellation of 122 cellular phone licences granted by the Government of India in 2008, including 22 licences to Unitech Wireless (Uninor).

The court has in its judgment quashed all 122 licences issued on and after 10 January 2008, including those granted to Unitech Wireless (Uninor). The quashing is effective 4 months from 2 February 2012. Meanwhile, the TRAI (Telecom Regulatory Authority of India) shall make fresh recommendations for grant of licence and allocation of spectrum in 2G band by auction, as was done for allocation of spectrum in 3G band.

Note 6 – Impairment

As a consequence of the cancellation of Uninor's existing 2G licences in India with effect from 2 June 2012, Telenor has reassessed the carrying amount of assets in Uninor as of 31 December 2011.

The carrying amount of licences as of 31 December 2011 amounting to NOK 2.9 billion has been impaired. Due to the withdrawal of licences, total impairment loss of NOK 4.1 billion was recognised, whereof impairment loss of goodwill is NOK 1.3 billion. The carrying amount of network assets as of 31 December 2011 is intact, assuming continuous operation in Uninor.

After the impairment of the licences and goodwill in Uninor, Telenor's share of net remaining accounting exposure after tax is NOK 2.4 billion as of 31 December 2011.

At 31 December 2011, Telenor ASA had given financial guarantees of NOK 8.1 billion in current interest-bearing borrowings on behalf of Uninor.

Note 7 – Segment table and reconciliation of EBITDA before other income and expenses

The definition of operating segments remains unchanged in the fourth quarter of 2011. Nevertheless there have been some structural changes in the organisation of the different segments. The Norwegian cable operation previously reported in Broadcast is reported in Telenor Norway from 1 January 2011. The web portal ABC Startsiden is moved from Telenor Norway to Broadcast. The figures for previous periods are reclassified accordingly.

Fourth quarter

	Total revenues			of which internal		EBITDA before other income and expenses *)			
(NOK in millions)	2011	2010	Growth	2011	2010	2011	Margin	2010	Margin
Norway	6 774	7 117	(4.8%)	171	171	2 213	32.7%	2 719	38.2%
Sweden	2 782	2 531	9.9%	43	36	542	19.5%	561	22.1%
Denmark	1 713	1 870	(8.4%)	36	36	369	21.6%	505	27.0%
Hungary	1 064	1 224	(13.1%)	7	5	295	27.7%	155	12.7%
Serbia	736	703	4.7%	36	40	283	38.4%	285	40.5%
Montenegro	142	158	(10.0%)	9	9	57	39.9%	71	45.1%
DTAC – Thailand	3 769	3 755	0.4%	8	13	1 129	29.9%	1 307	34.8%
DiGi – Malaysia	2 825	2 719	3.9%	1	3	1 322	46.8%	1 229	45.2%
Grameenphone – Bangladesh	1 705	1 647	3.6%	1	-	930	54.5%	802	48.7%
Pakistan	1 343	1 173	14.4%	3	12	551	41.0%	328	28.0%
Uninor – India	936	400	134.1%	-	-	(582)	nm	(1 026)	nm
Broadcast	1 810	1 812	(0.1%)	43	66	473	26.2%	414	22.9%
Other units	711	722	(1.5%)	519	572	(161)	nm	(158)	nm
Eliminations	(878)	(974)	-	(878)	(963)	(4)	-	(14)	-
Group	**25 433**	**24 858**	**2.3%**	**-**	**-**	**7 417**	**29.2%**	**7 179**	**28.9%**

The operations for the year

	Total revenues			of which internal		EBITDA before other income and expenses *)			
(NOK in millions)	2011	2010	Growth	2011	2010	2011	Margin	2010	Margin
Norway	26 719	28 047	(4.7%)	667	769	10 057	37.6%	11 035	39.3%
Sweden	10 055	9 497	5.9%	133	174	2 478	24.6%	2 266	23.9%
Denmark	6 992	7 274	(3.9%)	155	185	1 782	25.5%	1 758	24.2%
Hungary	4 488	4 806	(6.6%)	27	23	1 537	34.2%	1 755	36.5%
Serbia	2 911	2 638	10.3%	140	117	1 214	41.7%	1 053	39.9%
Montenegro	627	644	(2.7%)	49	40	283	45.1%	287	44.6%
DTAC – Thailand	14 585	13 848	5.3%	24	39	5 004	34.3%	4 820	34.8%
DiGi – Malaysia	10 929	10 167	7.5%	9	11	5 063	46.3%	4 500	44.3%
Grameenphone – Bangladesh	6 730	6 492	3.7%	3	1	3 595	53.4%	3 212	49.5%
Pakistan	5 017	4 653	7.8%	6	37	1 847	36.8%	1 382	29.7%
Uninor – India	3 019	773	nm	-	-	(3 414)	nm	(4 246)	nm
Broadcast	7 133	7 040	1.3%	156	240	1 900	26.6%	1 678	23.8%
Other units	2 707	3 181	(14.9%)	2 026	2 580	(807)	nm	(263)	nm
Eliminations	(3 396)	(4 218)	-	(3 396)	(4 218)	(13)	-	(16)	-
Group	**98 516**	**94 843**	**3.9%**	**-**	**-**	**30 526**	**31.0%**	**29 220**	**30.8%**

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

Reconciliation

	4th quarter		Year	
(NOK in millions)	2011	2010	2011	2010
Net income	**(2 519)**	**2 306**	**7 990**	**14 808**
Profit (loss) from discontinued operations	-	101	-	(415)
Profit from continuing operations	**(2 519)**	**2 205**	**7 990**	**15 223**
Income taxes	(747)	(1 237)	(5 365)	(4 982)
Profit before taxes	**(1 772)**	**3 442**	**13 355**	**20 205**
Net financial income (expenses)	(985)	(492)	(1 593)	(1 989)
Profit (loss) from associated companies	284	1 130	4 555	9 694
Depreciation and amortisation	(3 885)	(4 145)	(15 309)	(16 134)
Impairment losses	(4 270)	(14)	(4 340)	(14)
EBITDA	**7 084**	**6 962**	**30 041**	**28 648**
Gains (losses) on disposal of fixed assets and operations	(220)	(98)	30	(125)
Workforce reductions and loss contracts	(115)	(118)	(532)	(401)
One-time effects to pension costs	1	-	18	(46)
EBITDA before other income and expenses	**7 417**	**7 179**	**30 526**	**29 220**

EBITDA				Operating profit (loss)			
2011	Margin	2010	Margin	2011	Margin	2010	Margin
2 044	30.2%	2 648	37.2%	1 169	17.3%	1 682	23.6%
539	19.4%	555	21.9%	213	7.7%	15	0.6%
333	19.4%	476	25.5%	113	6.6%	256	13.7%
259	24.3%	141	11.5%	129	12.1%	(86)	nm
283	38.4%	285	40.6%	115	15.6%	127	18.1%
56	39.6%	69	43.8%	45	31.8%	51	32.3%
1 129	29.9%	1 307	34.8%	725	19.2%	864	23.0%
1 323	46.8%	1 232	45.3%	703	24.9%	858	31.5%
936	54.9%	802	48.7%	674	39.5%	441	26.8%
504	37.6%	290	24.7%	89	6.6%	(50)	nm
(597)	nm	(1 036)	nm	(4 978)	nm	(1 272)	nm
385	21.3%	358	19.8%	232	12.8%	202	11.1%
(115)	nm	(152)	nm	(312)	nm	(278)	nm
5	-	(14)	-	12	-	(8)	-
7 084	**27.9%**	**6 962**	**28.0%**	**(1 071)**	**(4.2%)**	**2 803**	**11.3%**

EBITDA				Operating profit (loss)			
2011	Margin	2010	Margin	2011	Margin	2010	Margin
9 720	36.4%	10 905	38.9%	6 363	23.8%	7 022	25.0%
2 454	24.4%	2 222	23.4%	866	8.6%	137	1.4%
1 718	24.6%	1 647	22.6%	814	11.6%	669	9.2%
1 471	32.8%	1 636	34.0%	741	16.5%	927	19.3%
1 214	41.7%	1 043	39.5%	623	21.4%	421	15.9%
282	45.1%	285	44.3%	235	37.4%	160	24.8%
5 003	34.3%	4 872	35.2%	3 430	23.5%	3 177	22.9%
5 053	46.2%	4 501	44.3%	2 903	26.6%	3 023	29.7%
3 602	53.5%	3 213	49.5%	2 472	36.7%	1 763	27.1%
1 797	35.8%	1 295	27.8%	455	9.1%	2	0.0%
(3 425)	nm	(4 257)	nm	(8 514)	nm	(5 044)	nm
1 795	25.2%	1 575	22.4%	1 154	16.2%	957	13.6%
(651)	nm	(272)	nm	(1 187)	nm	(723)	nm
10	-	(16)	-	38	-	10	-
30 041	**30.5%**	**28 648**	**30.2%**	**10 393**	**10.5%**	**12 500**	**13.2%**

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 less 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.

Mobile operations

Revenues

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

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

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

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

Mobile revenues from company's own subscriptions
– consist of 'Subscription and traffic' and 'Interconnect' 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.

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.

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.

Fixed operations

Revenues

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

Internet and TV
– consist of subscription fees for xDSL and fibre, subscription fees and traffic charges for Internet traffic (810/815) in addition to revenues from TV services.

Data services
– consist of Nordic Connect/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.

Key Figures

Subscriptions
Telephony consist of PSTN, ISDN and VoIP subscriptions.

Internet consists of broadband access over xDSL, fibre and cable TV.

TV consists of TV services over cable, xDSL and fibre.

Subscriptions are counted until the subscription is terminated.

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

Internet ARPU is calculated based on Internet revenues as defined above except TV service revenues.

TV ARPU is calculated based on revenues from TV services.

Broadcast

Revenues

Canal Digital DTH
– consist of revenues from Nordic DTH subscribers, households in SMATV networks and DTT subscribers in Finland.

Satellite Broadcasting
– consist of revenues from satellite services from the satellite position 1-degree west.

Norkring
– consist of revenues from terrestrial radio and TV transmission in Norway, Belgium and Slovenia.

Conax
– consist of revenues from sale of encryption and conditional access services for TV distribution.

Other
– consist of revenues from Telenor Media and Content Services, cable TV and IPTV subscribers in Sweden and cable subscribers and SMATV households in Denmark.

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