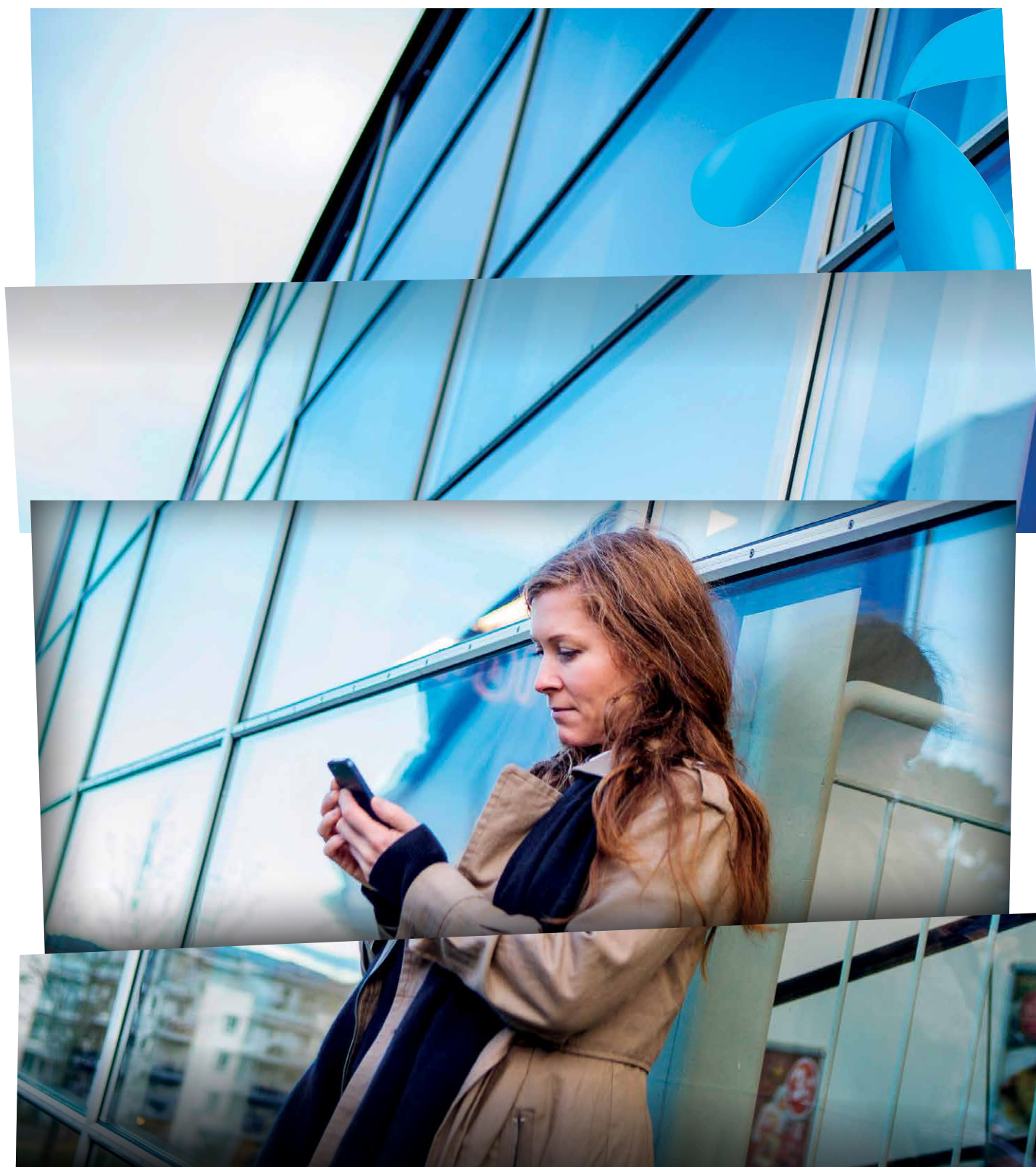


---

# Q2 – 2016

Interim report  
January – June 2016



# Contents

<b>Highlights</b>	<b>1</b>
<b>Interim report</b>	<b>2</b>
Telenor's operations	2
Group overview	9
Outlook for 2016	12
<b>Interim condensed financial information</b>	<b>13</b>
Notes to the interim consolidated financial statements	18
<b>Definitions</b>	<b>23</b>

---



We are pleased to deliver strong results for the second quarter with an EBITDA\* of NOK 11.5 billion. The organic EBITDA growth exceeded 6 per cent, while revenues were impacted by low device sales. We have taken several initiatives to further strengthen our data position across our footprint, and we see encouraging signs of data monetisation in several of our markets. Digitising our core business, combined with efficiency measures, will be key to drive value creation going forward.

– Sigve Brekke, President and CEO



## Key figures Telenor Group

(NOK in millions)	Second quarter		First half year		Year
	2016	2015 Re-presented	2016	2015 Re-presented	2015
Revenues	32 477	31 406	65 490	62 852	128 175
Organic revenue growth (%)	0.6	5.7	1.0	6.5	4.7
EBITDA before other income and other expenses	11 545	10 695	23 230	21 490	44 197
EBITDA before other income and other expenses/Revenues (%)	35.5	34.1	35.5	34.2	34.5
Profit after taxes and non-controlling interests	1 111	3 456	5 367	7 308	3 414
Capex excl. licences and spectrum/Revenues (%)	16.2	21.4	16.5	18.1	18.4
Mobile subscriptions – Change in quarter/Total (mill.)	3.4	(0.8)	211	191	203

## Highlights for Q2 2016

Second quarter revenues were NOK 32.5 billion. Organic mobile subscription and traffic revenues were up by 4%, while total revenues were impacted by lower handset sales. EBITDA\* was NOK 11.5 billion and the EBITDA margin improved by more than one percentage point to 35.5%. EBITDA\* less capex (excl. licences) was NOK 6.3 billion. 3.4 million mobile subscribers were added during the quarter, taking the total mobile customer base to 211 million.

In Norway, Denmark and Sweden, we have removed roaming barriers by introducing new mobile offerings enabling our customers to use their voice and data packages while travelling within the EU. While this is impacting our roaming revenues and costs in the short term, we see solid uptake on our new tariffs. The number of new high-speed broadband connections is also showing encouraging trends, both in Sweden and Norway this quarter. To maintain our superior position in Norway, we continue investing significantly in fixed and mobile networks, and we expect to spend more than NOK 4 billion also in 2016.

In Bangladesh, Pakistan and India the strong revenue growth continued during the quarter. We have secured additional spectrum in Pakistan and completed a major 3G network expansion in Bangladesh, facilitating continued growth in data consumption. While market conditions remain

challenging in Thailand and Malaysia, we have succeeded in the contract segment. Both dtac and Digi reported strong contract revenue growth and improving EBITDA margins this quarter.

In Myanmar, our investments remain high to secure service quality to our 17 million customers and pave the way for further expansion and growth. The strong EBITDA\* has already brought cash flow into positive terrain.

We recognise the significant operational and financial improvement delivered by our Indian operation. We have however, after thorough consideration, decided not to participate in the upcoming spectrum auction, as we believe the proposed spectrum prices do not give an acceptable level of return. We will continue our efforts to meet customer demands and grow the business based on the current spectrum holding. As we evaluate our options in India, we will be disciplined on capex.

Based on the performance in the first half of 2016 and the outlook for the second half, we revise the financial guidance for 2016. We expect an organic revenue growth in the range of 1% to 2% and an improved EBITDA margin of around 35%. Our expectation for the capex to sales ratio, excluding licences, is lowered to around 17%.

\* EBITDA before other income and other expenses.

Please refer to page 12 for the full outlook for 2016, and page 23 for definitions.

# Interim report

## Telenor's operations

The comments below are related to Telenor's development in the second quarter of 2016 compared to the second quarter of 2015, unless otherwise stated. All comments on EBITDA are made on development in EBITDA before other income and other expenses. Please refer to page 9 for 'Specification of other income and other expenses'. Additional information is available at: [www.telenor.com/ir](http://www.telenor.com/ir)

### Norway

(NOK in millions)	Second quarter		First half year		Year
	2016	2015	2016	2015	2015
<b>Revenues mobile operation</b>					
Subscription and traffic	2 792	2 894	5 623	5 687	11 544
Interconnect revenues	156	215	300	426	745
Other mobile revenues	261	239	512	538	998
Non-mobile revenues	522	444	877	829	1 795
<b>Total revenues mobile operation</b>	<b>3 731</b>	<b>3 792</b>	<b>7 312</b>	<b>7 480</b>	<b>15 082</b>
<b>Revenues fixed operation</b>					
Telephony	465	544	943	1 114	2 139
Internet and TV	1 333	1 342	2 667	2 694	5 414
Data services	126	122	253	252	506
Other fixed revenues	450	397	870	830	1 698
<b>Total retail revenues</b>	<b>2 374</b>	<b>2 405</b>	<b>4 734</b>	<b>4 889</b>	<b>9 758</b>
Wholesale revenues	384	408	773	860	1 703
<b>Total revenues fixed operation</b>	<b>2 758</b>	<b>2 813</b>	<b>5 507</b>	<b>5 750</b>	<b>11 460</b>
<b>Total revenues</b>	<b>6 489</b>	<b>6 605</b>	<b>12 819</b>	<b>13 229</b>	<b>26 542</b>
EBITDA before other items	2 634	2 723	5 406	5 516	11 088
<b>Operating profit</b>	<b>1 681</b>	<b>1 775</b>	<b>3 454</b>	<b>3 644</b>	<b>7 218</b>
EBITDA before other items/ Total revenues (%)	40.6	41.2	42.2	41.7	41.8
Capex	1 184	1 039	2 092	1 887	4 844
Investments in businesses	100	-	100	-	-
Mobile ARPU - monthly (NOK)	315	323	315	317	320
Fixed Telephony ARPU	263	272	262	274	270
Fixed Internet ARPU	345	341	344	343	345
TV ARPU	279	291	281	288	291
<b>No. of subscriptions - Change in quarter/Total (in thousands):</b>					
Mobile	(24)	6	3 105	3 215	3 163
Fixed telephony	(20)	(20)	581	657	620
Fixed Internet	7	(4)	859	851	854
TV	(2)	2	527	528	527

- During the second quarter, Telenor Norway strengthened its mobile offering by including EU roaming in new consumer tariffs and in parts of their business tariffs, as well as introducing a new handset programme in the consumer market. The uptake of the new tariffs has been promising, with more than 200,000 consumer customers at the end of the quarter.
- The number of mobile subscriptions decreased by 24,000 during the quarter following a reduction in the number of data cards and prepaid subscriptions. At the end of the quarter, the subscription base was 3% lower than last year.
- Mobile ARPU decreased by 2%, as reduced roaming prices and lower interconnect rates more than offset the positive effects of increased share of contract subscriptions and continued upsale to subscriptions with larger data volumes. Excluding the negative effects of price changes in roaming and interconnect, ARPU increased by 2%.
- Total mobile revenues decreased by 2% as the effects of lower ARPU and subscription base more than offset higher wholesale and handset revenues. Mobile subscription and traffic revenues decreased by 4%.
- Total fixed revenues decreased by 2% primarily due to reduced revenues from fixed telephony, ADSL and wholesale products, partly offset by increased solution sales and higher high-speed internet revenues. During the quarter, 16,000 high-speed internet subscriptions were added, taking the total number of high-speed connections to 572,000. Revenues from high-speed internet increased by 19%.
- Total reported revenues decreased by 2% compared to last year.
- EBITDA decreased by 3% as reduction in high margin revenues and increased cost from handsets and other hardware were only partly offset by lower operating expenditures. The improved cost development was driven by reduced personnel costs and commissions. The EBITDA margin remained stable at 41%.
- Capital expenditure was driven by roll-out of fixed high-speed broadband connections and expansion of the 4G network.
- From 1 July 2015, the mobile interconnect rate was reduced from NOK 0.16 to NOK 0.083, and again on 1 January 2016 to NOK 0.075.



## Sweden

(NOK in millions)	Second quarter		First half year		Year
	2016	2015	2016	2015	2015
<b>Revenues mobile operation</b>					
Subscription and traffic	1 567	1 409	3 145	2 825	5 944
Interconnect revenues	147	135	291	268	552
Other mobile revenues	90	91	171	173	367
Non-mobile revenues	452	597	943	1 179	2 553
<b>Total revenues mobile operation</b>	<b>2 256</b>	<b>2 231</b>	<b>4 550</b>	<b>4 445</b>	<b>9 416</b>
<b>Revenues fixed operation</b>	<b>824</b>	<b>765</b>	<b>1 652</b>	<b>1 536</b>	<b>3 160</b>
<b>Total revenues</b>	<b>3 080</b>	<b>2 996</b>	<b>6 201</b>	<b>5 980</b>	<b>12 576</b>

EBITDA before other items	989	837	1 883	1 691	3 667
<b>Operating profit</b>	<b>587</b>	<b>416</b>	<b>1 066</b>	<b>907</b>	<b>2 094</b>

EBITDA before other items/ Total revenues (%)	32.1	27.9	30.4	28.3	29.2
Capex	336	348	672	655	1 302
Investments in businesses	-	-	-	3	3

Mobile ARPU - monthly (NOK)	224	208	225	208	213
-----------------------------	-----	-----	-----	-----	-----

**No. of subscriptions - Change in quarter/Total (in thousands):**

Mobile	4	(7)	2 555	2 480	2 548
Fixed telephony	(6)	(21)	230	269	244
Fixed Internet	7	2	647	638	639
TV	3	(27)	487	490	487

Exchange rate (SEK)			1.0130	0.9264	0.9572
---------------------	--	--	--------	--------	--------

- The number of mobile subscriptions increased by 4,000 during the quarter, mainly driven by continued growth in the business segment. The subscription base was 3% higher than at the end of second quarter last year.
- Mobile ARPU in local currency decreased by 1%. Price erosion in the enterprise segment offset the positive development in the contract consumer segment.
- Total mobile revenues in local currency decreased by 7% primarily as a consequence of change in accounting treatment for handsets sold through external channels. Mobile subscription and traffic revenues in local currency increased by 2%.
- 13,000 high-speed fixed internet subscriptions were added this quarter, taking the total number of high-speed internet subscriptions to 499,000. The decline in DSL continued in line with recent trend. The number of TV subscribers increased by 3,000 due to growth in IPTV.
- Fixed revenues in local currency decreased by 1% due to declining fixed telephony and DSL revenues.
- EBITDA in local currency increased by 8% due to higher mobile subscription and traffic revenues, improved handset margin and lower expenditures for salaries, operations and maintenance. The EBITDA margin was strengthened by 4 percentage points following improved gross profit.
- Capital expenditure in the quarter was mainly related to fibre roll-out, 4G coverage and IT.

## Denmark

(NOK in millions)	Second quarter		First half year		Year
	2016	2015	2016	2015	2015
<b>Revenues mobile operation</b>					
Subscription and traffic	725	700	1 496	1 419	2 939
Interconnect revenues	69	42	112	84	173
Other mobile revenues	41	32	74	60	149
Non-mobile revenues	261	304	512	612	1 300
<b>Total revenues mobile operation</b>	<b>1 096</b>	<b>1 078</b>	<b>2 193</b>	<b>2 175</b>	<b>4 561</b>
<b>Revenues fixed operation</b>	<b>148</b>	<b>163</b>	<b>307</b>	<b>322</b>	<b>640</b>
<b>Total revenues</b>	<b>1 244</b>	<b>1 241</b>	<b>2 500</b>	<b>2 497</b>	<b>5 201</b>

EBITDA before other items	146	119	308	327	591
<b>Operating profit (loss)</b>	<b>68</b>	<b>(72)</b>	<b>148</b>	<b>(71)</b>	<b>(2 516)</b>

EBITDA before other items/ Total revenues (%)	11.7	9.6	12.3	13.1	11.4
Capex	84	128	203	262	497

Mobile ARPU - monthly (NOK)	148	140	149	142	146
-----------------------------	-----	-----	-----	-----	-----

**No. of subscriptions - Change in quarter/Total (in thousands):**

Mobile	(18)	10	1 779	1 780	1 784
Fixed telephony	(2)	(7)	73	88	76
Fixed Internet	(2)	0	154	166	159

Exchange rate (DKK)			1.2648	1.1605	1.2004
---------------------	--	--	--------	--------	--------

From 31 March Telenor pay-as-you-go cards are no longer part of Telenor Denmark's product offering. Subscription and ARPU figures have been updated retrospectively.

- The number of mobile subscriptions decreased by 18,000 during the quarter due to loss of both prepaid and contract subscriptions. The subscription base was stable compared to the second quarter last year.
- ARPU in local currency declined by 3%, reflecting continued price pressure across all segments as well as reduced roaming tariffs.
- Total revenues in local currency decreased by 8% mainly as a result of lower mobile ARPU and lower device sales. Mobile subscription and traffic revenues decreased by 5%.
- EBITDA in local currency increased by 12% while the EBITDA margin increased by 2 percentage points. Lower customer acquisition activities and cost related to the joint venture project with Telia last year more than offset the negative impact from lower revenues.
- Operating profit increased by DKK 116 million due to lower depreciations following a write-down of assets in the fourth quarter last year.
- The capital expenditure was mainly related to the ongoing network roll-out.
- See Other units for additional information on investments in common business support systems.

## Hungary

(NOK in millions)	Second quarter		First half year		Year
	2016	2015	2016	2015	2015
<b>Revenues</b>					
Subscription and traffic	885	852	1 792	1 689	3 526
Interconnect revenues	68	57	136	209	349
Other mobile revenues	20	21	38	39	81
Non-mobile revenues	128	120	252	210	535
<b>Total revenues</b>	<b>1 101</b>	<b>1 050</b>	<b>2 218</b>	<b>2 148</b>	<b>4 490</b>
EBITDA before other items	332	331	686	684	1 382
<b>Operating profit</b>	<b>173</b>	<b>185</b>	<b>362</b>	<b>393</b>	<b>760</b>
EBITDA before other items/ Total revenues (%)	30.2	31.5	30.9	31.9	30.8
Capex	77	87	123	155	314
<b>No. of subscriptions - Change in quarter/ Total (in thousands):</b>					
	27	(9)	3 178	3 220	3 164
ARPU - monthly (NOK)	100	94	102	98	100
Exchange rate (HUF)			0.0301	0.0281	0.0289

- The number of subscriptions increased by 27,000 in the quarter mainly due to higher sale of prepaid subscriptions. The subscription base was 1% lower than at the end of second quarter last year.
- ARPU in local currency remained stable. Increased interconnect revenues were offset by the impact from reduced roaming tariffs.
- Total revenues in local currency decreased by 2% from lower roaming revenues and handset sales. Subscription and traffic revenues decreased by 3% as a consequence of the roaming reduction together with the impact of fewer subscriptions compared to the end of the second quarter last year.
- EBITDA in local currency declined by 6% as a consequence of roaming reduction and increased project costs related to the ongoing IT transformation. The EBITDA margin decreased by 1 percentage point.
- Capex in the second quarter was related mainly to 4G roll-out, indoor coverage in Budapest and shop interior upgrade. The 4G population coverage increased to 98% at the end of the quarter.
- See Other units for additional information on investments in common business support systems.

## Bulgaria

(NOK in millions)	Second quarter		First half year		Year
	2016	2015	2016	2015	2015
<b>Revenues</b>					
Subscription and traffic	569	518	1 136	1 045	2 180
Interconnect revenues	64	46	124	87	195
Other mobile revenues	8	7	14	13	34
Non-mobile revenues	127	105	251	216	531
<b>Total revenues</b>	<b>768</b>	<b>675</b>	<b>1 525</b>	<b>1 360</b>	<b>2 940</b>
EBITDA before other items	295	272	582	525	1 134
<b>Operating profit</b>	<b>150</b>	<b>119</b>	<b>288</b>	<b>292</b>	<b>615</b>
EBITDA before other items/ Total revenues (%)	38.5	40.3	38.1	38.6	38.6
Capex	86	93	119	205	525
<b>No. of subscriptions - Change in quarter/ Total (in thousands):</b>					
	(21)	(52)	3 502	3 762	3 583
ARPU - monthly (NOK)	60	50	60	50	57
Exchange rate (BGN)			4.8178	4.4239	4.5777

- The number of subscriptions decreased by 21,000 during the quarter as the number of SIM cards in the market continues to decrease and Telenor's focus on value has led to a reduction in low ARPU segments. The subscription base decreased by 7% compared to end of second quarter last year.
- ARPU in local currency increased by 11%, mainly due to increased usage and upsale within existing customer base, driven by the 4G proposition and the launch of new digital services.
- Total revenues in local currency increased by 4% driven by higher service revenues and handset sales. Mobile subscription and traffic revenues increased by 1%.
- EBITDA in local currency remained stable while the EBITDA margin decreased by 2 percentage points mainly due to increased handset sales and a positive one time effect in 2015 related to bad debt provisions.
- Capital expenditure was mainly related to network and 4G expansion. In the second quarter 53 sites were rolled out and the 4G population coverage reached 76%.
- In May, Telenor Bulgaria was awarded 2x5 MHz spectrum in the 1800 MHz frequency band to be used for 4G coverage. The license fee amounted to NOK 34 million.

## Montenegro &amp; Serbia

(NOK in millions)	Second quarter		First half year		Year
	2016	2015	2016	2015	2015
<b>Revenues</b>					
Subscription and traffic	620	599	1 228	1 171	2 467
Interconnect revenues	191	190	395	358	790
Other mobile revenues	27	24	42	45	100
Non-mobile revenues	136	105	264	198	458
<b>Total revenues</b>	<b>976</b>	<b>918</b>	<b>1 928</b>	<b>1 772</b>	<b>3 815</b>
EBITDA before other items	342	325	638	611	1 329
<b>Operating profit</b>	<b>214</b>	<b>227</b>	<b>383</b>	<b>411</b>	<b>902</b>
EBITDA before other items/ Total revenues (%)	35.1	35.4	33.1	34.5	34.8
Capex	98	102	180	207	776
<b>No. of subscriptions - Change in quarter/ Total (in thousands):</b>					
	2	(12)	3 385	3 518	3 443
ARPU - monthly (NOK)	80	75	80	72	77
Exchange rate (RSD)			0.0767	0.0716	0.0742
Exchange rate (EUR)			9.4226	8.6523	8.9530

- During the second quarter, Telenor celebrated 10 years anniversary in Serbia and 20 years anniversary in Montenegro with special handset campaigns.
- The number of subscriptions increased by 2,000 during the quarter, as growth in the contract segment was more than offsetting a decline in prepaid subscriptions. The subscription base was 4% lower than at the end of second quarter last year.
- ARPU in local currency increased slightly due to a higher share of contract subscriptions, in addition to growth in data.
- Total revenues in local currency were stable compared to last year. An increase in handset sales was offset by a decline in interconnect and subscription and traffic revenues.
- EBITDA in local currency decreased by 1% mainly due to lower gross profit, partly offset by lower operational expenditures. The EBITDA margin was stable compared to last year.
- Capital expenditure was mainly related to 4G roll-out and IS/IT transformation projects. At the end of the second quarter, the 4G population coverage was 46% in Montenegro and 21% in Serbia.
- On 1 May 2016, the mobile interconnect rates in Serbia were reduced from RSD 3.43 to RSD 2.75.

## dtac - Thailand

(NOK in millions)	Second quarter		First half year		Year
	2016	2015	2016	2015	2015
<b>Revenues</b>					
Subscription and traffic	3 710	3 785	7 633	7 710	15 375
Interconnect revenues	271	372	558	760	1 327
Other mobile revenues	45	45	116	108	204
Non-mobile revenues	604	910	1 583	1 976	3 781
<b>Total revenues</b>	<b>4 629</b>	<b>5 112</b>	<b>9 890</b>	<b>10 554</b>	<b>20 687</b>
EBITDA before other items	1 541	1 566	3 320	3 326	6 580
<b>Operating profit</b>	<b>174</b>	<b>550</b>	<b>689</b>	<b>1 330</b>	<b>2 333</b>
EBITDA before other items/ Total revenues (%)	33.3	30.6	33.6	31.5	31.8
Capex	1 003	731	2 142	2 044	4 766
No. of subscriptions - Change in quarter/ Total (in thousands):	(524)	(1 484)	24 953	26 943	25 252
ARPU - monthly (NOK)	53	50	54	51	52
Exchange rate (THB)			0.2383	0.2354	0.2355

- The Thai telecom market continued to be influenced by aggressive device campaigns, both for contract and prepaid subscriptions.
- The number of subscriptions decreased by 524,000 during the quarter. A reduction in the prepaid segment of 715,000 was partly offset by a growth of 191,000 in the contract segment. The subscription base was 7% lower than at the end of second quarter last year, mainly driven by the prepaid registration requirement introduced last year. The contract subscription base grew by 13% or 534,000 subscribers from the second quarter last year driven by migration from the prepaid base.
- ARPU in local currency increased by 5%. Adjusted for the clearing of non-registered prepaid SIM cards, ARPU declined slightly as the decrease in voice, messaging and interconnect was not fully offset by growth in data usage.
- Total revenues in local currency decreased by 10% primarily driven by lower handset revenues, interconnect rate reduction and a lower subscriber base. Subscription and traffic revenues in local currency decreased by 2% as declining prepaid revenues were partly offset by a 10% growth in contract subscription revenues.
- Adjusted for one time items this quarter and the same quarter last year, EBITDA in local currency increased by 2%. The decline in prepaid revenues and increased market spend including prepaid subsidies was more than offset by contract revenue growth and lower regulatory costs.
- Operating profit in local currency decreased by 75% from restructuring costs of NOK 92 million and increased depreciations following network expansion, particularly on the concession network with short depreciation period.
- Capital expenditure was mainly related to roll-out of infrastructure for 6,100 new base stations of which 5,300 were 4G sites.
- From 1 July 2015, the mobile interconnect rate was reduced from THB 0.45 to THB 0.34.

## Digi - Malaysia

(NOK in millions)	Second quarter		First half year		Year
	2016	2015	2016	2015	2015
<b>Revenues</b>					
Subscription and traffic	3 030	3 180	6 075	6 398	12 425
Interconnect revenues	147	156	292	315	596
Other mobile revenues	31	37	58	65	137
Non-mobile revenues	202	275	392	707	1 148
<b>Total revenues</b>	<b>3 411</b>	<b>3 649</b>	<b>6 816</b>	<b>7 486</b>	<b>14 306</b>
EBITDA before other items	1 541	1 660	2 973	3 332	6 224
<b>Operating profit</b>	<b>1 245</b>	<b>1 342</b>	<b>2 356</b>	<b>2 713</b>	<b>4 923</b>
EBITDA before other items/ Total revenues (%)	45.2	45.5	43.6	44.5	43.5
Capex	344	425	696	837	1 870
No. of subscriptions - Change in quarter/ Total (in thousands):	11	123	12 347	11 815	12 125
ARPU - monthly (NOK)	86	95	86	96	93
Exchange rate (MYR)			2.0604	2.1300	2.0691

From second quarter operator tower sharing has been reclassified from net to gross booking. The impact in the second quarter financials is NOK 56 million in increased non-mobile revenues with corresponding NOK 56 million increased operational expenditures related to the first half of 2016.

- During the second quarter, Digi launched a series of initiatives that impacted prepaid ARPU and margins on international traffic positively. Furthermore, Digi has sharpened its focus on digital services, data sharing and affordable 4G bundles. This has driven strong acquisition momentum, fuelling contract revenue growth
- The total number of subscriptions increased by 11,000 this quarter and the subscription base was 5% higher than at the end of second quarter last year. The contract segment continued with strong growth of 52,000 new subscriptions while the decline of 41,000 in the prepaid segment was caused primarily by the price sensitive migrant segment.
- ARPU in local currency decreased by 6% due to continued price pressure on international traffic and domestic data, combined with decline in voice revenues.
- Total revenues in local currency decreased by 4% due to reduced handset sales. Subscription and traffic revenues in local currency decreased by 2%. In the contract segment, subscription and traffic revenues increased by 10%.
- EBITDA in local currency declined by 5% mainly from lower subscription and traffic revenues, margin pressure on international traffic and increased network costs. The EBITDA margin remained stable. Compared to first quarter 2016, the EBITDA margin increased by 3 percentage points, largely driven by improving margin on international traffic.
- Capital expenditure was related to roll-out of 4G and 4G advanced technology, high capacity backhaul transmission and IT modernisation supporting digitalization. The 4G population coverage at end of second quarter reached 76%.
- In the second quarter, Digi made a one-time positive correction to capital expenditures of NOK 150 million related to capitalization of assets in the network swap programme in 2013.

## Grameenphone - Bangladesh

(NOK in millions)	Second quarter		First half year		Year
	2016	2015	2016	2015	2015
<b>Revenues</b>					
Subscription and traffic	2 583	2 219	5 216	4 350	9 266
Interconnect revenues	250	276	516	540	1 101
Other mobile revenues	(2)	12	13	26	36
Non-mobile revenues	135	123	266	230	479
<b>Total revenues</b>	<b>2 965</b>	<b>2 630</b>	<b>6 010</b>	<b>5 146</b>	<b>10 881</b>
EBITDA before other items	1 609	1 417	3 293	2 780	5 806
<b>Operating profit</b>	<b>948</b>	<b>945</b>	<b>2 072</b>	<b>1 900</b>	<b>3 829</b>
EBITDA before other items/ Total revenues (%)	54.3	53.9	54.8	54.0	53.4
Capex	462	638	1 466	1 008	1 996
No. of subscriptions - Change in quarter/ Total (in thousands):	624	1 123	56 909	53 129	56 679
ARPU - monthly (NOK)	17	16	17	16	16
Exchange rate (BDT)			0.1078	0.0997	0.1036

- The deadline for biometric re-registration of SIM cards ended on 31 May and at the end of the quarter Grameenphone had 4 million subscriptions which were not verified. These subscriptions are still included in the reported subscription base, following the Group's definition of active subscribers.
- The number of subscriptions increased by 0.6 million during the quarter and the subscription base was 7% higher than at the end of second quarter last year.
- ARPU in local currency decreased by 1% as discounted add-ons and bundles were partly offset by high growth in voice traffic and increased data usage. Subscription and traffic revenues in local currency increased by 10%.
- Total revenues in local currency increased by 7% mainly driven by continued subscription growth and uptake on data bundles.
- EBITDA in local currency increased by 7% supported by a healthy uptake in data usage and reduced subscriber acquisition cost from lower gross adds during the quarter. The EBITDA margin increased slightly as high data growth was offset by increased site roll-out costs.
- Operating profit was negatively impacted by NOK 100 million from a voluntary retirement scheme offered to employees.
- Capital expenditure in the second quarter was prioritized towards expanding 3G network coverage and capacity. The ambition of having 10,000 active 3G sites at the end of the second quarter was completed. At the end of the quarter, the 3G population coverage was close to 90%.

## Pakistan

(NOK in millions)	Second quarter		First half year		Year
	2016	2015	2016	2015	2015
<b>Revenues</b>					
Subscription and traffic	1 594	1 383	3 129	2 780	5 699
Interconnect revenues	286	207	571	368	874
Other mobile revenues	(47)	11	(38)	22	48
Non-mobile revenues	308	300	623	558	1 146
<b>Total revenues</b>	<b>2 141</b>	<b>1 900</b>	<b>4 285</b>	<b>3 729</b>	<b>7 766</b>
EBITDA before other items	903	598	1 750	1 365	3 152
<b>Operating profit</b>	<b>616</b>	<b>340</b>	<b>1 162</b>	<b>858</b>	<b>2 069</b>
EBITDA before other items/ Total revenues (%)	42.2	31.5	40.8	36.6	40.6
Capex	3 688	292	4 003	618	1 442
No. of subscriptions - Change in quarter/ Total (in thousands):	1 184	(4 962)	37 914	31 591	34 563
ARPU - monthly (NOK)	17	17	17	15	16
Exchange rate (PKR)			0.0807	0.0764	0.0785

- The number of subscriptions increased by 1.2 million during the quarter and the subscription base was 20% higher than at the end of second quarter last year
- ARPU in local currency decreased by 3% impacted by the disconnection of unverified SIM cards last year, but strengthened by continued growth in data usage and higher incoming international traffic. Subscription and traffic revenues in local currency increased by 11%.
- Total revenues in local currency increased by 9%, supported by strong subscription growth, continued growth in financial services and higher incoming international traffic.
- EBITDA in local currency increased by 46% through rationalisation of commissions and market spend in addition to positive contribution from the abolishment of SIM activation tax from 1 July 2015. The EBITDA margin increased by 11 percentage points.
- Capital expenditure (excl. licences) was prioritised towards network roll-out and expansion of 3G network coverage and capacity. At the end of the quarter, the 3G population coverage was 58%.
- In June, Telenor Pakistan acquired 2x10 MHz spectrum in the 850 MHz frequency band for the base price of USD 395 million.

## India

(NOK in millions)	Second quarter		First half year		Year
	2016	2015	2016	2015	2015
<b>Revenues</b>					
Subscription and traffic	1 328	1 178	2 634	2 348	4 795
Interconnect revenues	209	173	412	373	750
Other mobile revenues	10	6	18	16	33
Non-mobile revenues	4	5	7	8	14
<b>Total revenues</b>	<b>1 551</b>	<b>1 362</b>	<b>3 071</b>	<b>2 745</b>	<b>5 592</b>
EBITDA before other items	141	24	176	(30)	(47)
<b>Operating profit (loss)</b>	<b>(132)</b>	<b>(90)</b>	<b>(3 232)</b>	<b>(249)</b>	<b>(990)</b>
EBITDA before other items/ Total revenues (%)	9.1	1.7	5.7	nm	nm
Capex	203	253	612	362	1 046
No. of subscriptions - Change in quarter/ Total (in thousands):*	763	1 344	44 907	39 849	42 619
ARPU - monthly (NOK)	12	12	12	12	12
Exchange rate (INR)			0.1257	0.1235	0.1258



\*1) Please note that the definition for active subscriptions in the Indian operation is more conservative than the Group definition on page 23, due to high churn in the Indian market. Subscriptions are counted as active if there has been activity during the last 30 days.

- Telenor's Indian operation added 0.8 million subscriptions during the second quarter. At the end of the quarter, the subscription base was 13% higher than the same quarter last year.
- ARPU in local currency fell by 2% to INR 93. The decline was primarily driven by lower voice consumption, partly compensated by increased data usage.
- Revenues in local currency increased by 13% compared to the same quarter last year. Subscription and traffic revenues in local currency increased by 12%.
- The EBITDA improved significantly as result of the revenue growth and positive effects from the ongoing network modernisation programme, including one-off positive impact of NOK 32 million related to reconciliation with various vendors.
- Operating profit was negatively impacted by NOK 224 million in impairments and write-downs, but offset by lower depreciations following the impairment and write-down of assets in the first quarter. See note 4 for more information.
- The network modernisation initiated in the third quarter last year continued in the second quarter and impacted the capital expenditure for the quarter.
- Telenor has decided not to participate in the upcoming spectrum auction in India, as the proposed spectrum prices do not give an acceptable level of return.

#### Myanmar

(NOK in millions)	Second quarter		First half year		Year
	2016	2015	2016	2015	2015
<b>Revenues</b>					
Subscription and traffic	1 492	937	2 904	1 568	3 973
Interconnect revenues	280	176	568	293	781
Other mobile revenues	6	4	12	7	19
Non-mobile revenues	25	25	41	42	66
<b>Total revenues</b>	<b>1 802</b>	<b>1 142</b>	<b>3 525</b>	<b>1 910</b>	<b>4 839</b>
<b>EBITDA before other items</b>	<b>827</b>	<b>479</b>	<b>1 546</b>	<b>632</b>	<b>1 962</b>
<b>Operating profit</b>	<b>614</b>	<b>374</b>	<b>1 142</b>	<b>407</b>	<b>1 383</b>
<b>EBITDA before other items/ Total revenues (%)</b>	<b>45.9</b>	<b>42.0</b>	<b>43.9</b>	<b>33.1</b>	<b>40.5</b>
<b>Capex</b>	<b>766</b>	<b>863</b>	<b>1 331</b>	<b>1 304</b>	<b>3 380</b>
<b>No. of subscriptions - Change in quarter/ Total (in thousands):</b>					
ARPU - monthly (NOK)	36	46	38	51	44
Exchange rate (MMK)			0.0069	0.0073	0.0068

- Telenor Myanmar added 1.4 million new subscriptions during the second quarter. By the end of second quarter the subscription base was 16.9 million.
- ARPU in local currency decreased by 8% compared to the first quarter, due to increased penetration in rural areas and promotional activities.
- Revenues in local currency increased by 3% compared the first quarter, driven by continued subscription growth and strong growth in data usage.
- EBITDA was driven by the continued growth in subscription and usage, partly offset by increased costs on the back of larger number of network sites on air.
- Capital expenditure remained high in the quarter, with the continued ambition to expand network coverage across the country and enhance capacity to cater for the strong demand for voice and data.
- At the end of the second quarter, a total of 5,831 sites were on air, adding a total of 820 sites during the quarter.

#### Broadcast

(NOK in millions)	Second quarter		First half year		Year
	2016	2015	2016	2015	2015
<b>Revenues</b>					
Canal Digital DTH	1 165	1 121	2 312	2 235	4 572
Satellite Broadcasting	241	253	478	497	1 012
Norkring	275	261	775	549	1 120
Other/Eliminations	(120)	(117)	(239)	(233)	(468)
<b>Total revenues</b>	<b>1 561</b>	<b>1 518</b>	<b>3 326</b>	<b>3 049</b>	<b>6 236</b>

#### EBITDA before other items

Canal Digital DTH	217	178	427	346	781
Satellite Broadcasting	160	160	314	318	670
Norkring	142	149	517	287	607
Other/Eliminations	(7)	(7)	(13)	(14)	(26)
<b>Total EBITDA before other items</b>	<b>512</b>	<b>480</b>	<b>1 244</b>	<b>937</b>	<b>2 032</b>

#### Operating profit

Canal Digital DTH	202	168	400	326	735
Satellite Broadcasting	77	100	147	203	388
Norkring	51	81	230	154	325
Other/Eliminations	(7)	(7)	(13)	(15)	(26)
<b>Total operating profit</b>	<b>323</b>	<b>342</b>	<b>764</b>	<b>668</b>	<b>1 422</b>

EBITDA before other items/ Total revenues (%)	32.8	31.6	37.4	30.7	32.6
Capex	93	1 537	189	1 612	1 785

#### No. of subscriptions - Change in quarter/Total (in thousands):

DTH TV	(7)	(3)	870	902	897
--------	-----	-----	-----	-----	-----

- Total revenues in Broadcast increased by 3 % from the second quarter last year, while the EBITDA was up by 7%.
- Revenues in Canal Digital DTH increased by 4% due to positive currency effects. The effects of a lower DTH subscriber base were mainly compensated by higher price and increased hardware sales.
- EBITDA in Canal Digital DTH increased by 21% mainly driven by positive currency effects and operational efficiency improvements.
- Revenues in Telenor Satellite decreased by 5% primarily due to reduced sales of data communication services. EBITDA remained stable as the revenue reduction was compensated by lower capacity lease costs.
- Revenues in Norkring increased by 5%, while EBITDA decreased by 5%, primarily due to an accounting adjustment last year.
- Operating profit in Broadcast decreased by 6% as the EBITDA growth was offset by higher depreciations related to the Thor 7 satellite investment, and exit cost related to a digital terrestrial television project for Norkring in Finland.
- Capital expenditure decreased due to the investment in the Thor 7 satellite in the second quarter last year.

## Other units

(NOK in millions)	Second quarter		First half year		Year
	2016	2015	2016	2015	2015

**Revenues**

Global wholesale	730	668	1 433	1 385	2 676
Corporate functions	787	663	1 526	1 277	2 734
Digital Businesses	298	128	517	256	543
Other / eliminations	209	169	382	328	711
<b>Total revenues</b>	<b>2 023</b>	<b>1 629</b>	<b>3 858</b>	<b>3 246</b>	<b>6 665</b>

**EBITDA before other items**

Global wholesale	27	64	55	194	243
Corporate functions	(271)	(277)	(608)	(547)	(1 143)
Digital Businesses	(22)	36	(11)	89	128
Other / eliminations	(2)	41	(10)	60	71
<b>Total EBITDA before other items</b>	<b>(268)</b>	<b>(136)</b>	<b>(574)</b>	<b>(205)</b>	<b>(701)</b>

**Operating profit (loss)**

Global wholesale	14	55	31	177	211
Corporate functions	(412)	(379)	(879)	(738)	(1 621)
Digital Businesses	(51)	35	(53)	87	120
Other / eliminations	(18)	29	(40)	25	5
<b>Total operating profit (loss)</b>	<b>(466)</b>	<b>(260)</b>	<b>(940)</b>	<b>(449)</b>	<b>(1 285)</b>

Capex	191	189	366	290	649
Investments in businesses	287	57	3 425	362	500

- In Global Wholesale, the revenues increased from last year as a result of higher traffic volumes. However, lower margins primarily on traffic into Pakistan resulted in an EBITDA decline.
- Revenues in Corporate Functions increased due to higher internal trade related to services and IS/IT systems. Increased revenues were offset by higher costs related to corporate activities including strategy and transformation processes, legal and advisory support as well as Group support units.
- Digital Businesses include Telenor Connexion, Tapad and related staff functions. Revenues increased mainly due to higher traffic in Telenor Connexion, as well as Tapad which was included from 18 February this year. EBITDA decreased mainly due to negative EBITDA in Tapad and increasing staff costs.
- The financial services operation in Myanmar is reported as part of Other units. Financial information for 2015 has been restated to reflect this. A financial services company in Malaysia was acquired this quarter.
- Operating profit decreased mainly due to depreciations related to the launch of new business support systems in Denmark and the acquisition of Tapad.
- NOK 63 million were invested in the development of new business support systems for Denmark and Hungary in the second quarter. This investment accumulates to NOK 754 million.
- Investments in businesses in 2016 were mainly related to acquisition of Tapad and in 2015 mainly related to the financing of joint ventures in online classifieds (SnT Classifieds and Search units) in cooperation with Schibsted Classifieds Media, Singapore Press Holdings and Naspers Limited.

## Group overview first six months 2016

The comments below are related to Telenor's development in 2016 compared to 2015 unless otherwise stated. Telenor Denmark is no longer classified as a discontinued operation. Consequently, historical Group figures are re-presented accordingly.

### Revenues

- Revenues increased by 4% or NOK 2.6 billion of which NOK 1.8 billion was due to positive currency effects. Lower handset sale of NOK 1.1 billion across the Group has been more than offset by the significant positive contribution from Myanmar, Bangladesh, Pakistan and India.

### EBITDA before other income and other expenses

- EBITDA before other items increased by NOK 1.7 billion or 8%, of which NOK 0.5 billion was due to positive currency effects. The underlying EBITDA improvement was mainly driven by Myanmar, Pakistan, Bangladesh and India more than offsetting tougher market conditions in Malaysia and lower contribution from Norway.

### Specification of other income and other expenses

(NOK in millions)	Second quarter		First half year		Year
	2016	2015 Re-presented	2016	2015 Re-presented	2015
EBITDA before other income and other expenses	11 545	10 695	23 230	21 490	44 197
EBITDA before other income and other expenses (%)	35.5	34.1	35.5	34.2	34.5
Gains on disposals of fixed assets and operations	23	31	32	121	113
Write-down of receivables in India	-	-	(611)	-	-
Losses on disposals of fixed assets and operations	(40)	(68)	(116)	(154)	(525)
Workforce reductions, onerous (loss) contracts and one time pension costs	(269)	(122)	(283)	(165)	(460)
<b>EBITDA</b>	<b>11 258</b>	<b>10 536</b>	<b>22 252</b>	<b>21 293</b>	<b>43 325</b>
EBITDA margin (%)	34.7	33.5	34.0	33.9	33.8

In the second quarter of 2016 'Other income and other expenses' consisted mainly of:

- Workforce reductions in Grameenphone (NOK 102 million), dtac (NOK 94 million), Corporate Functions (NOK 40 million) and Telenor Norway (NOK 34 million).

In the first half of 2016 'Other income and other expenses' consisted mainly of:

- Write-down of receivables in India. See note 4 for further information.
- Losses on disposals of fixed assets mainly in dtac and India.
- Workforce reductions in Grameenphone, dtac, Telenor Norway and Corporate Functions offset by positive impact of settlement with a vendor from exiting some of the old service areas in India.

In the first half of 2015 'Other income and other expenses' consisted mainly of:

- Losses on disposal of fixed assets mainly in Telenor Sweden and Telenor Norway.
- Workforce reductions in Telenor Norway, Telenor Sweden, Corporate Functions and dtac.

### Impairment

- During the first six months of 2016, Telenor has recognised an impairment loss amounting to NOK 2.5 billion related to tangible and intangible assets in Telenor India. See note 4 for more information.

### Operating profit

- Reported operating profit decreased by NOK 3.0 billion as higher EBITDA was more than offset by the impairment described above and increased depreciation and amortisation. Currency effects positively impacted operating profit by NOK 0.3 billion.

## Associated companies and joint ventures

(NOK in millions)	Second quarter		First half year		Year
	2016	2015 Re-presented	2016	2015 Re-presented	2015
<b>Telenor's share of</b>					
Profit after taxes	468	466	614	922	(1 455)
Amortisation of Telenor's net excess values	(6)	(14)	(12)	(38)	(50)
Impairment losses	(2 542)	-	1 493	(4)	(5 565)
Gains (losses) on disposal of ownership interests	(71)	-	(71)	224	251
<b>Profit (loss) from associated companies</b>	<b>(2 149)</b>	<b>452</b>	<b>2 025</b>	<b>1 104</b>	<b>(6 819)</b>

- Profit after tax from associated companies and joint ventures in the second quarter of 2016 includes positive contribution from VimpelCom of NOK 550 million for Telenor's 33.0% share of VimpelCom's result for the first quarter of 2016.
- The result from online classifieds joint ventures was negative NOK 62 million in the second quarter of 2016 compared to negative NOK 63 million in the second quarter of 2015.
- As previously disclosed in connection with Telenor's decision to divest its shares in VimpelCom, the carrying amount of VimpelCom is measured at the lower of carrying amount under equity method before impairment and fair market value. In 2015, impairment loss of NOK 5.5 billion was recognised based on VimpelCom's share price of USD 3.28 as of the end of 2015. VimpelCom's share price as of 31 March 2016 was USD 4.26, and a reversal of impairment of NOK 4.4 billion was recognised in the first quarter of 2016. VimpelCom's share price as of 30 June 2016 was USD 3.88, and accordingly an impairment loss of NOK 2.5 billion was recognised in the second quarter of 2016. Net impairment reversal during the first half of 2016 was NOK 1.8 billion.
- Pursuant to Telenor's agreement to sell its 48% ownership in Amedia for NOK 190 million to Sparebankstiftelsen DNB, an impairment loss of NOK 363 million was recognised in the first quarter of 2016. The transaction was closed in the second quarter of 2016, and a loss of NOK 71 million was recognised which represents recycling of accumulated loss in OCI to income statement upon disposal of the investment.

## Financial items

(NOK in millions)	Second quarter		First half year		Year
	2016	2015 Re-presented	2016	2015 Re-presented	2015
Financial income	109	141	225	255	491
Financial expenses	(820)	(657)	(1 487)	(1 308)	(2 727)
Net currency gains (losses)	334	(121)	(206)	(312)	(961)
Net change in fair value of financial instruments	(98)	40	(16)	220	277
Net gains (losses and impairment) of financial assets and liabilities	2	2	4	-	-
<b>Net financial income (expenses)</b>	<b>(473)</b>	<b>(595)</b>	<b>(1 480)</b>	<b>(1 145)</b>	<b>(2 921)</b>
Gross interest expenses	(699)	(556)	(1 248)	(1 109)	(2 327)
Net interest expenses	(651)	(472)	(1 145)	(970)	(2 070)

- The interest expenses for the second quarter were NOK 699 million. Gross interest expenses were higher than the same quarter last year, mainly due to a higher level of interest-bearing debt.
- Currency gains are mainly caused by exchange rate fluctuations on debt denominated in EUR that is not part of an effective hedging relationship.

## Taxes

- The estimated effective tax rate for the second quarter and the first half of 2016 is 50% and 33%, respectively. The effective tax rate in the first half of the year is high mainly due to impairment of India partly offset by reversal of write-down of the VimpelCom investment.
- The effective tax rate for 2016 is estimated to be around 29%.

## Investments

(NOK in millions)	Second quarter		First half year		Year
	2016	2015	2016	2015	2015
		Re-presented		Re-presented	
Capex	8 616	6 724	14 194	11 447	25 193
Capex excl. licences and spectrum	5 252	6 719	10 798	11 376	23 612
Capex excl. licences and spectrum/Revenues (%)	16.2	21.4	16.5	18.1	18.4

- Capital expenditure (excl. licences and spectrum) in 2016 decreased by NOK 0.6 billion mainly due to lower investments in Telenor Broadcast as a broadcasting satellite was capitalized last year. This effect was partly offset by higher investments this year primarily in Grameenphone, India and Norway. Currency effects increased capital expenditure by NOK 0.2 billion.
- Licence and spectrum investments in 2016 were mainly related to Telenor Pakistan which acquired spectrum in the 850 MHz frequency band in June 2016 for the base price of USD 395 million.

## Cash flow

- Net cash inflow from operating activities during the first half of 2016 was NOK 20.1 billion, an increase of NOK 1.9 billion compared to the first half of 2015. Profit before taxes adjusted for items without cash effect or not related to operating activities<sup>1)</sup> was NOK 0.8 billion higher during 2016. Changes in working capital and other were NOK 1.9 billion higher, mainly due to working capital improvement. This was partially offset by higher taxes paid of NOK 0.7 billion.
- Net cash outflow to investing activities during the first half of 2016 was NOK 15.8 billion, an increase of NOK 7.0 billion compared to the first half of 2015. The increase is mainly explained by NOK 3.3 billion higher cash outflow related to capex and licence investments, together with acquisition of Tapad Inc. of NOK 2.7 billion during 2016. In addition there was a disposal of the associated company Evry ASA resulting in cash inflow of NOK 1.3 billion during the first half of 2015.
- Net cash outflow to financing activities during the first half of 2016 was NOK 5.3 billion. This is mainly explained by dividends paid to shareholders in Telenor ASA of NOK 6.0 billion, dividends paid to and purchase of shares from non-controlling interest of NOK 1.7 billion, partially offset by net proceeds of borrowings of NOK 2.3 billion.
- Cash and cash equivalents decreased by NOK 1.0 billion during the first half of 2016 to NOK 12.7 billion as of 30 June 2016.

<sup>1)</sup> Items without cash effect or not related to operating activities adjusted for include:

- Depreciation, amortization and impairment losses
- Net (gains) losses from disposals, impairments and change in fair value of financial assets and liabilities
- Loss (profit) from associated companies and joint ventures
- Currency (gains) losses not related to operating activities

## Financial position

- During the first half of 2016, total assets decreased by NOK 0.7 billion to NOK 204.2 billion. This was mainly due to strengthening of Norwegian Krone against most relevant currencies and impairment loss recognised in Telenor India. This was partly offset by reversal of impairment of VimpelCom (see note 3 for further information), acquisition of Tapad Inc. (see note 2 for further information) and new licence acquisition in Pakistan.
- Net interest bearing debt increased by NOK 4.9 billion to NOK 59.0 billion. Interest bearing liabilities excluding licences increased by NOK 4.5 billion, while cash and cash equivalents decreased by NOK 0.6 billion, partly offset by NOK 0.1 billion change in fair value hedge instruments.
- Total equity decreased by NOK 1.7 billion to NOK 61.5 billion mainly due to dividends to non-controlling interests and shareholders of Telenor ASA of NOK 7.3 billion, negative currency translation effects of NOK 0.8 billion and pension re-measurement of NOK 0.6 billion partly offset by positive net income from operations of NOK 6.9 billion.

## Transactions with related parties

For detailed information on related party transactions refer to Note 32 in Telenor's Annual Report 2015.



## Outlook for 2016

Based on the current Group structure, Telenor expects:

- Organic revenue growth in the range of 1% to 2%.
- EBITDA margin before other income and other expenses around 35%.
- Capital expenditure excluding licences and spectrum as a proportion of revenues around 17%.

### Risk 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.

Telenor ASA seeks to allocate debt on the basis of equity market values in local currencies, predominantly EUR, USD and SEK. Foreign currency debt in Telenor ASA that exceeds the booked equity of investments in the same currency will not be part of an effective net investment hedge relationship. Currency fluctuations related to this part of the debt will be recorded in the income statement.

For additional explanations regarding risks and uncertainties, please refer to the Report of the Board of Directors for 2015, section Risk Factors and Risk Management, and Telenor's Annual Report 2015 Note 28 Managing Capital and Financial Risk Management and Note 33 Legal Disputes and Contingencies. Readers are also referred to the disclaimer at the end of this section.

New developments of risks and uncertainties since the publication of Telenor's Annual Report for 2015 are:

#### Legal disputes

See note 7 for details.

#### Financial aspects

In relation to the licence issuance in Myanmar, a performance bond of USD 150 million has been issued to Myanmar authorities as a guarantee towards coverage and quality of service commitments during the next three years of the licence.

#### 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 2016' 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, 18 July 2016  
The Board of Directors of Telenor ASA

# Interim condensed financial information

## Consolidated income statement

Telenor Group

	Second quarter		First half year		Year
	2016	2015 Re-presented	2016	2015 Re-presented	2015
<i>(NOK in millions except earnings per share)</i>					
Revenues	32 477	31 406	65 490	62 852	128 175
Costs of materials and traffic charges	(8 152)	(8 626)	(16 594)	(17 616)	(35 147)
Salaries and personnel costs	(3 427)	(3 078)	(6 808)	(6 156)	(12 406)
Other operating expenses	(9 353)	(9 007)	(18 859)	(17 590)	(36 425)
Other income	23	31	32	121	113
Other expenses	(310)	(190)	(1 010)	(318)	(985)
<b>EBITDA</b>	<b>11 258</b>	<b>10 536</b>	<b>22 252</b>	<b>21 293</b>	<b>43 325</b>
Depreciation and amortisation	(4 840)	(4 336)	(9 883)	(8 516)	(18 384)
Impairment losses	(223)	(7)	(2 653)	(20)	(2 181)
<b>Operating profit</b>	<b>6 196</b>	<b>6 193</b>	<b>9 716</b>	<b>12 757</b>	<b>22 761</b>
Share of net income from associated companies and joint ventures	(2 079)	452	2 096	880	(7 070)
Gain (loss) on disposal of associated companies	(71)	-	(71)	224	251
Net financial income (expenses)	(473)	(595)	(1 480)	(1 145)	(2 921)
<b>Profit before taxes</b>	<b>3 573</b>	<b>6 050</b>	<b>10 261</b>	<b>12 717</b>	<b>13 020</b>
Income taxes	(1 769)	(1 722)	(3 371)	(3 571)	(6 317)
<b>Net income</b>	<b>1 804</b>	<b>4 328</b>	<b>6 890</b>	<b>9 145</b>	<b>6 704</b>
<b>Net income attributable to:</b>					
Non-controlling interests	693	870	1 524	1 837	3 289
Equity holders of Telenor ASA	1 111	3 456	5 367	7 308	3 414
<b>Earnings per share in NOK</b>					
Basic from total operations	0.74	2.30	3.57	4.87	2.27
Diluted from total operations	0.74	2.30	3.57	4.87	2.27

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

## Consolidated statement of comprehensive income

Telenor Group

(NOK in millions)	Second quarter		First half year		Year
	2016	2015 Re-presented	2016	2015 Re-presented	2015
<b>Net income</b>	<b>1 804</b>	<b>4 328</b>	<b>6 890</b>	<b>9 145</b>	<b>6 704</b>
Translation differences on net investment in foreign operations	(294)	(2 018)	(3 038)	909	7 774
Income taxes	(63)	36	20	47	(3)
Amount reclassified from other comprehensive income to income statement on partial disposal	-	(2)	(658)	(2)	(15)
Net gain (loss) on hedge of net investment	157	429	2 381	(322)	(5 491)
Income taxes	(39)	(115)	(595)	87	1 232
Amount reclassified from other comprehensive income to income statement on partial disposal	-	-	1 082	-	-
Net gain (loss) on available-for-sale-investment	(22)	6	(28)	19	(17)
Share of other comprehensive income (loss) of associated companies and joint ventures	303	558	655	(574)	(3 357)
Amount reclassified from other comprehensive income to income statement on disposal	71	-	71	(23)	(23)
<b>Items that may be reclassified subsequently to income statement</b>	<b>112</b>	<b>(1 106)</b>	<b>(111)</b>	<b>141</b>	<b>99</b>
Remeasurement of defined benefit pension plans	(321)	620	(768)	960	1 111
Income taxes	80	(168)	172	(259)	(249)
<b>Items that will not be reclassified to income statement</b>	<b>(241)</b>	<b>452</b>	<b>(596)</b>	<b>700</b>	<b>862</b>
<b>Other comprehensive income (loss), net of taxes</b>	<b>(129)</b>	<b>(654)</b>	<b>(707)</b>	<b>841</b>	<b>961</b>
<b>Total comprehensive income</b>	<b>1 675</b>	<b>3 674</b>	<b>6 183</b>	<b>9 986</b>	<b>7 666</b>
<b>Total comprehensive income attributable to:</b>					
Non-controlling interests	746	658	1 362	2 024	3 762
Equity holders of Telenor ASA	930	3 016	4 821	7 963	3 903

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

## Consolidated statement of financial position

Telenor Group

(NOK in millions)	30 June 2016	31 December 2015	30 June 2015 Re-presented
Deferred tax assets	2 115	3 366	2 123
Goodwill	25 783	23 968	22 280
Intangible assets	40 085	40 495	38 943
Property, plant and equipment	69 447	69 211	64 369
Associated companies and joint ventures	20 924	19 400	27 633
Other non-current assets	5 526	6 155	4 020
<b>Total non-current assets</b>	<b>163 880</b>	<b>162 596</b>	<b>159 368</b>
Prepaid taxes	868	770	207
Inventories	1 864	2 271	1 960
Trade and other receivables	22 574	23 877	20 999
Other current financial assets	1 723	1 436	1 183
Assets classified as held for sale	3	3	2
Cash and cash equivalents	13 327	13 956	12 691
<b>Total current assets</b>	<b>40 358</b>	<b>42 313</b>	<b>37 041</b>
<b>Total assets</b>	<b>204 238</b>	<b>204 909</b>	<b>196 409</b>
Equity attributable to equity holders of Telenor ASA	56 906	58 467	67 570
Non-controlling interests	4 545	4 660	4 590
<b>Total equity</b>	<b>61 452</b>	<b>63 126</b>	<b>72 160</b>
Non-current interest-bearing liabilities	57 913	63 802	57 555
Non-current non-interest-bearing liabilities	3 218	4 010	2 799
Deferred tax liabilities	2 884	3 023	2 449
Pension obligations	3 023	2 424	2 519
Provisions and obligations	3 522	3 545	3 346
<b>Total non-current liabilities</b>	<b>70 559</b>	<b>76 805</b>	<b>68 668</b>
Current interest-bearing liabilities	23 178	12 626	10 055
Trade and other payables	41 504	44 030	38 611
Current tax payables	2 992	3 392	2 805
Current non-interest-bearing liabilities	3 186	3 339	2 904
Provisions and obligations	1 367	1 591	1 205
<b>Total current liabilities</b>	<b>72 227</b>	<b>64 978</b>	<b>55 581</b>
<b>Total equity and liabilities</b>	<b>204 238</b>	<b>204 909</b>	<b>196 409</b>

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

## Consolidated statement of cash flows

Telenor Group

(NOK in millions)	Second quarter		First half year		Year
	2016	2015 Re-presented	2016	2015 Re-presented	2015
Profit before taxes from total operation	3 573	6 050	10 261	12 717	13 020
Income taxes paid	(1 943)	(965)	(3 213)	(2 476)	(5 141)
Net (gains) losses from disposals, impairments and change in fair value of financial assets and liabilities	121	(5)	86	(188)	81
Depreciation, amortisation and impairment losses	5 063	4 343	12 536	8 536	20 565
Loss (profit) from associated companies and joint ventures	2 149	(452)	(2 025)	(1 104)	6 819
Dividends received from associated companies	8	13	8	14	189
Currency (gains) losses not related to operating activities	(664)	(138)	(18)	86	667
Changes in working capital and other	573	938	2 461	595	906
<b>Net cash flow from operating activities</b>	<b>8 880</b>	<b>9 785</b>	<b>20 096</b>	<b>18 179</b>	<b>37 107</b>
Purchases of property, plant and equipment (PPE) and intangible assets	(6 685)	(4 741)	(12 908)	(9 639)	(21 168)
Purchases of subsidiaries, associated companies and joint ventures, net of cash acquired	(177)	(56)	(2 910)	(363)	(497)
Proceeds from PPE, intangible assets and businesses, net of cash disposed	185	42	199	1 355	1 462
Proceeds from and purchases of other investments	291	(86)	(140)	(107)	(79)
<b>Net cash flow from investing activities</b>	<b>(6 387)</b>	<b>(4 841)</b>	<b>(15 759)</b>	<b>(8 754)</b>	<b>(20 281)</b>
Proceeds from and repayments of borrowings	2 916	515	2 316	(1 556)	(540)
Dividends paid to and purchases of shares from non-controlling interests	(949)	(1 535)	(1 643)	(2 146)	(3 777)
Dividends paid to equity holders of Telenor ASA	(5 746)	(5 450)	(5 981)	(5 450)	(10 724)
<b>Net cash flow from financing activities</b>	<b>(3 778)</b>	<b>(6 469)</b>	<b>(5 308)</b>	<b>(9 152)</b>	<b>(15 041)</b>
Effects of exchange rate changes on cash and cash equivalents	44	(223)	(58)	(34)	81
<b>Net change in cash and cash equivalents</b>	<b>(1 241)</b>	<b>(1 748)</b>	<b>(1 028)</b>	<b>240</b>	<b>1 866</b>
Cash and cash equivalents at the beginning of the period	13 973	13 881	13 760	11 893	11 893
<b>Cash and cash equivalents at the end of the period<sup>1)</sup></b>	<b>12 731</b>	<b>12 133</b>	<b>12 731</b>	<b>12 133</b>	<b>13 760</b>

<sup>1)</sup> As of 31 June 2016, restricted cash was NOK 449 million, while as of 31 June 2015, restricted cash was NOK 417 million

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



## Consolidated statement of changes in equity

Telenor Group

(NOK in millions)	Attributable to equity holders of the parent				Total	Non-controlling interests	Total equity
	Total paid in capital	Other reserves	Retained earnings	Cumulative translation differences			
<b>Equity as of 1 January 2015</b>	<b>9 078</b>	<b>(20 377)</b>	<b>73 974</b>	<b>1 080</b>	<b>63 755</b>	<b>4 750</b>	<b>68 505</b>
Net income for the period	-	-	3 414	-	3 414	3 289	6 703
Other comprehensive income for the period	-	(2 534)	-	3 022	488	473	961
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(2 534)</b>	<b>3 414</b>	<b>3 022</b>	<b>3 903</b>	<b>3 762</b>	<b>7 665</b>
Transactions with non-controlling interests	-	(2)	-	-	(2)	24	22
Equity adjustments in associated companies and joint ventures	-	1 732	-	-	1 732	-	1 732
Dividends	-	-	(10 959)	-	(10 959)	(3 876)	(14 835)
Share - based payment, exercise of share options and distribution of shares	-	37	-	-	37	-	37
<b>Equity as of 31 December 2015</b>	<b>9 078</b>	<b>(21 143)</b>	<b>66 429</b>	<b>4 102</b>	<b>58 467</b>	<b>4 660</b>	<b>63 126</b>
Net income for the period	-	-	5 367	-	5 367	1 524	6 890
Other comprehensive income for the period	-	134	-	(679)	(545)	(162)	(707)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>134</b>	<b>5 367</b>	<b>(679)</b>	<b>4 821</b>	<b>1 362</b>	<b>6 183</b>
Transactions with non-controlling interests	-	(156)	-	-	(156)	(135)	(291)
Equity adjustments in associated companies and joint ventures	-	(232)	-	-	(232)	-	(232)
Dividends	-	-	(6 006)	-	(6 006)	(1 341)	(7 347)
Share - based payment, exercise of share options and distribution of shares	-	12	-	-	12	-	12
<b>Equity as of 30 June 2016</b>	<b>9 078</b>	<b>(21 385)</b>	<b>65 790</b>	<b>3 422</b>	<b>56 906</b>	<b>4 545</b>	<b>61 451</b>

(NOK in millions)	Attributable to equity holders of the parent				Total	Non-controlling interests	Total equity
	Total paid in capital	Other reserves	Retained earnings	Cumulative translation differences			
<b>Equity as of 1 January 2015</b>	<b>9 078</b>	<b>(20 377)</b>	<b>73 974</b>	<b>1 080</b>	<b>63 755</b>	<b>4 750</b>	<b>68 505</b>
Net income for the period	-	-	7 307	-	7 307	1 837	9 144
Other comprehensive income for the period	-	123	-	532	654	187	841
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>123</b>	<b>7 307</b>	<b>532</b>	<b>7 962</b>	<b>2 024</b>	<b>9 985</b>
Transactions with non-controlling interests	-	(2)	-	-	(2)	2	-
Equity adjustments in associated companies and joint ventures	-	1 545	-	-	1 545	-	1 545
Dividends	-	-	(5 706)	-	(5 706)	(2 185)	(7 890)
Share - based payment, exercise of share options and distribution of shares	-	14	-	-	14	-	14
<b>Equity as of 30 June 2015 - Re-presented</b>	<b>9 078</b>	<b>(18 697)</b>	<b>75 575</b>	<b>1 611</b>	<b>67 570</b>	<b>4 590</b>	<b>72 161</b>

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

## Notes to the interim consolidated financial statements

### Note 1 – General accounting principles

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

These interim condensed consolidated financial statements for the six months ending 30 June 2016, 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 financial statements 2015. 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 2015.

For the first half-year 2015, Telenor Denmark was presented as discontinued operations due to the planned merger between Telenor and TeliaSonera. On 11 September 2015, Telenor and TeliaSonera announced the withdrawal of the proposed merger and Telenor Denmark ceased to be classified as discontinued operations. Telenor Denmark is consolidated as continuing business with retrospective effect and financial statements for the first half year and second 2015 have been re-presented.

For information about the standards and interpretations effective from 1 January 2016, please refer to Note 1 in the Group's Annual Report 2015. The standards and interpretations effective from 1 January 2016 do not have a significant impact on the Group's consolidated interim financial statements.

### Note 2 – Business combination

On 18 February 2016, the Group acquired approximately 95% of the interests in Tapad Inc., a leading marketing technology firm based in New York, for a cash consideration of NOK 2.7 billion. For the remaining 5% of the interests, Telenor has entered into a put and call arrangement with the non-controlling shareholders. Effectively, the acquisition is recognised as the Group has acquired 100% of the interests in Tapad Inc. A liability of NOK 133 million was recognised on the acquisition date, reflecting the put option's redemption amount. Any subsequent change to the redemption amount will be recognised in the income statement. The Group currently holds approximately 95% of the voting rights in Tapad Inc. The acquisition related transaction cost was approximately NOK 64 million, recognised as other operating expenses.

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

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

NOK in millions	Preliminary fair values as of acquisition date
<b>Technology</b>	<b>350</b>
<b>Other intangible assets</b>	<b>58</b>
<b>Property, plant &amp; equipment</b>	<b>65</b>
<b>Other assets</b>	<b>179</b>
<b>Total assets</b>	<b>651</b>
<b>Deferred tax liability</b>	<b>129</b>
<b>Non-current liabilities</b>	<b>82</b>
<b>Current liabilities</b>	<b>310</b>
<b>Total liabilities</b>	<b>520</b>
<b>Net identifiable assets</b>	<b>132</b>
<b>Goodwill</b>	<b>2 759</b>
<b>Total consideration for the shares,</b>	<b>2 890</b>
of which cash	2 740
of which liability	151

In June 2016, the valuation was completed and the acquisition date fair value of the technology was NOK 350 million, a decrease of NOK 370 million compared to the provisional value. In addition, the final assessment showed that fair value of other intangible assets was NOK 58 million, a decrease of NOK 40 million. As a result, there was a decrease in the deferred tax liability of NOK 144 million and a corresponding increase in goodwill of NOK 267 million, resulting in NOK 2 759 million of total goodwill arising on the acquisition. During second quarter 2016, the Group has paid NOK 17 million of the liability and NOK 133 million related to the redemption amount remains as a liability as of 30 June 2016.

The goodwill of NOK 2.8 billion comprises of the value of expected synergies arising from the acquisition, database of search-based and customer related information, assembled workforce and deferred tax on excess values. None of the goodwill is expected to be deductible for income tax purposes.

For the period between the date of acquisition and 30 June 2016, Tapad Inc. contributed NOK 216 million to the Group's revenue and NOK 81 million negative to the Group's profit before taxes. If the business combination had taken place at the beginning of the year, revenue and profit before taxes for the Group would have been NOK 65,537 million and NOK 10,228 million respectively.

### Other business combinations

During second quarter 2016 the Group acquired two additional businesses in Norway (fixed business) and Malaysia (financial services), for the total amount of NOK 160 million. NOK 65 million is recognised as a liability, as it is contingent upon future performance. The remaining amount has been paid in cash.

### Note 3 – Associated companies and joint ventures

#### VimpelCom Ltd.

On 5 October 2015, Telenor Group announced its intention to divest all its shares in VimpelCom. Accordingly, the carrying amount of VimpelCom is measured at the lower of carrying amount based on the equity method before impairment and market value. An impairment loss of NOK 5.5 billion was recognized in 2015 based on VimpelCom's share price of USD 3.28 as of the end of 2015. During the first half of 2016, reversal of impairment charge of NOK 1.8 billion is made based on VimpelCom's share price of USD 3.88 as of 30 June 2016. After the reversal of impairment, the carrying amount of the investment in VimpelCom is NOK 18.9 billion, equivalent to USD 3.88 per share.

VimpelCom will continue to be classified as an associated company until it is highly probable that a sale within 12 months will occur. The cumulative income and expenses recognised in other comprehensive income amounting to a net loss of NOK 9.9 billion as of 30 June 2016, will be proportionately recycled to the income statement upon disposal. Total equity for the Group will not be impacted by the recycling effects.

### Note 4 – Impairment

The Group applies fair value less cost of disposal when determining recoverable amount of Telenor India. Key assumptions in determining the fair value less cost of disposal (level 3) are spectrum prices and contractual obligations in India. As a consequence of the development in spectrum trading prices and updated assumptions of the contractual obligations, the Group reassessed the fair value less cost of disposal of Telenor India in the first quarter 2016. An impairment loss of NOK 2.3 billion was recognised, of which NOK 1.4 billion mainly related to switches and radio installations and the remaining NOK 0.9 billion mainly related to licenses. In the second quarter 2016, recognised assets of NOK 0.2 billion related to switches and radio installations has been impaired, keeping the carrying amount of tangible assets at zero. The recoverable amount of intangible assets is NOK 4.4 billion. In addition, NOK 0.6 billion in non-interest-bearing receivables was written down during the first quarter.

### Note 5 – Interest-bearing liabilities

Fair value of interest-bearing liabilities recognised at amortised cost:

NOK in millions	30 June 2016	
	Carrying amount	Fair value
Interest-bearing liabilities	(81 091)	(86 031)
of which fair value level 1		(54 364)
of which fair value level 2		(31 667)

NOK in millions	31 December 2015	
	Carrying amount	Fair value
Interest-bearing liabilities	(76 428)	(80 422)
of which fair value level 1		(54 423)
of which fair value level 2		(25 999)

NOK in millions	30 June 2015	
	Carrying amount	Fair value
Interest-bearing liabilities	(67 274)	(71 075)
of which fair value level 1		(46 564)
of which fair value level 2		(24 511)

### Note 6 – Fair value of financial instruments

Financial derivatives are recognised at fair value based on observable market data (level 2). See note 29 in the Annual Report 2015 for valuation methodologies. The financial derivatives are classified in the statement of financial position as disclosed in the table:

NOK in millions	30 June 2016	31 December 2015	30 June 2015
Other non-current assets	3 115	3 547	2 422
Other current financial assets	556	391	246
Non-current non-interest-bearing financial liabilities	(2 641)	(3 615)	(2 409)
Non-current interest-bearing financial liabilities	-	-	(13)
Current non-interest-bearing liabilities	(720)	(960)	(853)
<b>Total</b>	<b>310</b>	<b>(637)</b>	<b>(607)</b>

### Note 7 – Legal disputes

#### Telenor Norge AS

In the ESA and Norwegian Competition Authority investigation against Telenor Norge AS regarding possible abuse of dominant market position and/or possible anti-competitive practices in the Norwegian mobile market, ESA issued a statement of objections (SO) on the 1 February 2016. The SO is a formal step in the ESA's competition law investigations in which the ESA informed Telenor Norge AS about its preliminary concerns in writing. According to ESA's preliminary view in the SO, Telenor Norge AS has infringed the prohibition against abuse of a dominant position related to two different types of market conduct; 1) margin-squeeze on MBB standalone to consumers in Norway and 2) lock-in clauses in conjunction with early termination fees on individual subscriptions in the business segment in Norway. Telenor Norge AS provided its legal and factual arguments 25 April 2016.

### Note 8 – Events after the reporting period

On 11 July 2016, the Board of Directors of Digi declared the second interim dividend for 2016 of MYR 0.054 per share which corresponds to approximately NOK 0.9 billion total dividend and approximately NOK 0.4 billion for Telenor ownership share.

On 12 July 2016, the Board of Directors of Total Access Communications Public Company Limited (dtac) declared interim dividend for 2016 of THB 0.42 per share which corresponds to approximately NOK 240 million total dividend and approximately NOK 160 million for Telenor's ownership share.

On 17 July 2016, the Board of Directors of Grameenphone Ltd. declared interim dividend for 2016 of BDT 8.5 per share which corresponds to approximately NOK 1.2 billion total dividend and approximately NOK 0.7 billion for Telenor ownership share.

### Note 9 – Segment table and reconciliation of EBITDA before other income and other expenses

Telenor Denmark is no longer classified as “Discontinued Operation”. Consequently, the figures for previous periods were re-presented accordingly.

As of third quarter 2015 international voice traffic previously reported as part of Telenor Pakistan is now reported under Global Wholesale, which is part of Other Units. The financial information for previous periods is restated accordingly.

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

### The operations Second quarter

(NOK in millions)	Total revenues			of which internal		EBITDA before other income and other expenses <sup>1)</sup>			
	2016	2015	Growth	2016	2015	2016	Margin	2015	Margin
Norway	6 489	6 605	(1.8%)	84	83	2 634	40.6%	2 723	41.2%
Sweden	3 080	2 996	2.8%	15	13	989	32.1%	837	27.9%
Denmark	1 244	1 241	0.3%	34	14	146	11.7%	119	9.6%
Hungary	1 101	1 050	4.8%	13	7	332	30.2%	331	31.5%
Bulgaria	768	675	13.6%	10	2	295	38.5%	272	40.3%
Montenegro & Serbia	976	918	6.2%	39	35	342	35.1%	325	35.4%
dtac - Thailand	4 629	5 112	(9.4%)	18	19	1 541	33.3%	1 566	30.6%
Digi - Malaysia	3 411	3 649	(6.5%)	7	1	1 541	45.2%	1 660	45.5%
Grameenphone - Bangladesh	2 965	2 630	12.7%	-	-	1 609	54.3%	1 417	53.9%
Pakistan	2 141	1 900	12.6%	20	29	903	42.2%	598	31.5%
India	1 551	1 362	13.9%	-	1	141	9.1%	24	1.7%
Myanmar	1 802	1 142	57.8%	68	29	827	45.9%	479	42.0%
Broadcast	1 561	1 518	2.8%	40	37	512	32.8%	480	31.6%
Other units	2 023	1 629	24.2%	918	751	(268)	nm	(136)	nm
Eliminations	(1 265)	(1 023)	-	(1 265)	(1 023)	-	-	-	-
<b>Group</b>	<b>32 477</b>	<b>31 406</b>	<b>3.4%</b>	<b>-</b>	<b>-</b>	<b>11 545</b>	<b>35.5%</b>	<b>10 695</b>	<b>34.1%</b>

### First half year

(NOK in millions)	Total revenues			of which internal		EBITDA before other income and other expenses <sup>1)</sup>			
	2016	2015	Growth	2016	2015	2016	Margin	2015	Margin
Norway	12 819	13 229	(3.1%)	159	156	5 406	42.2%	5 516	41.7%
Sweden	6 201	5 980	3.7%	29	32	1 883	30.4%	1 691	28.3%
Denmark	2 500	2 497	0.1%	62	34	308	12.3%	327	13.1%
Hungary	2 218	2 148	3.3%	27	15	686	30.9%	684	31.9%
Bulgaria	1 525	1 360	12.1%	15	4	582	38.1%	525	38.6%
Montenegro & Serbia	1 928	1 772	8.8%	80	66	638	33.1%	611	34.5%
dtac - Thailand	9 890	10 554	(6.3%)	45	36	3 320	33.6%	3 326	31.5%
Digi - Malaysia	6 816	7 486	(8.9%)	8	2	2 973	43.6%	3 332	44.5%
Grameenphone - Bangladesh	6 010	5 146	16.8%	-	-	3 293	54.8%	2 780	54.0%
Pakistan	4 285	3 729	14.9%	41	66	1 750	40.8%	1 365	36.6%
India	3 071	2 745	11.9%	-	1	176	5.7%	(30)	nm
Myanmar	3 525	1 910	84.6%	130	47	1 546	43.9%	632	33.1%
Broadcast	3 326	3 049	9.1%	80	78	1 244	37.4%	937	30.7%
Other units	3 858	3 246	18.9%	1 805	1 461	(574)	nm	(205)	nm
Eliminations	(2 482)	(1 999)	24.2%	(2 482)	(1 999)	-	-	-	-
<b>Group</b>	<b>65 490</b>	<b>62 852</b>	<b>4.2%</b>	<b>-</b>	<b>-</b>	<b>23 230</b>	<b>35.5%</b>	<b>21 490</b>	<b>34.2%</b>

<sup>1)</sup> The segment profit is EBITDA before other income and other expenses.

<sup>2)</sup> Investments consist of capex and investments in businesses, licences and spectrum.

## Reconciliation

(NOK in millions)	Second quarter		First half year		Year
	2016	2015	2016	2015	2015
<b>Net income</b>	<b>1 804</b>	<b>4 328</b>	<b>6 890</b>	<b>9 145</b>	<b>6 704</b>
Income taxes	(1 769)	(1 722)	(3 371)	(3 571)	(6 317)
<b>Profit before taxes</b>	<b>3 573</b>	<b>6 050</b>	<b>10 261</b>	<b>12 717</b>	<b>13 020</b>
Net financial income (expenses)	(473)	(595)	(1 480)	(1 145)	(2 921)
Profit (loss) from associated companies and joint ventures	(2 150)	452	2 025	1 104	(6 819)
Depreciation and amortisation	(4 840)	(4 336)	(9 883)	(8 516)	(18 384)
Impairment losses	(223)	(7)	(2 653)	(20)	(2 181)
<b>EBITDA</b>	<b>11 258</b>	<b>10 536</b>	<b>22 252</b>	<b>21 293</b>	<b>43 325</b>
Other income	23	31	32	121	113
Other expenses	(310)	(190)	(1 010)	(318)	(985)
<b>EBITDA before other income and other expenses</b>	<b>11 545</b>	<b>10 695</b>	<b>23 230</b>	<b>21 490</b>	<b>44 197</b>

	EBITDA				Operating profit (loss)				Investments <sup>2)</sup>	
	2016	Margin	2015	Margin	2016	Margin	2015	Margin	2016	2015
	2 596	40.0%	2 664	40.3%	1 681	25.9%	1 775	26.9%	1 284	1 039
	988	32.1%	776	25.9%	587	19.1%	416	13.9%	336	348
	136	10.9%	107	8.6%	68	5.5%	(72)	nm	84	128
	330	29.9%	325	30.9%	173	15.7%	185	17.6%	77	87
	294	38.3%	265	39.3%	150	19.6%	119	17.6%	86	93
	341	35.0%	328	35.7%	214	21.9%	227	24.7%	98	102
	1 431	30.9%	1 544	30.2%	174	3.7%	550	10.8%	1 003	731
	1 541	45.2%	1 660	45.5%	1 245	36.5%	1 342	36.8%	344	425
	1 507	50.8%	1 416	53.8%	948	32.0%	945	35.9%	462	638
	904	42.2%	598	31.4%	616	28.8%	340	17.9%	3 688	292
	151	9.7%	26	1.9%	(132)	nm	(90)	nm	203	253
	827	45.9%	479	42.0%	614	34.1%	374	32.8%	766	863
	499	31.9%	477	31.4%	323	20.7%	342	22.5%	93	1 537
	(287)	(14.2%)	(128)	nm	(466)	nm	(260)	nm	479	246
	-	-	-	-	1	-	(1)	-	-	-
	<b>11 258</b>	<b>34.7%</b>	<b>10 536</b>	<b>33.5%</b>	<b>6 196</b>	<b>19.1%</b>	<b>6 193</b>	<b>19.7%</b>	<b>9 004</b>	<b>6 781</b>

	EBITDA				Operating profit (loss)				Investments <sup>2)</sup>	
	2016	Margin	2015	Margin	2016	Margin	2015	Margin	2016	2015
	5 291	41.3%	5 425	41.0%	3 454	26.9%	3 644	27.5%	2 192	1 887
	1 881	30.3%	1 633	27.3%	1 066	17.2%	907	15.2%	672	658
	289	11.6%	309	12.4%	148	5.9%	(71)	nm	203	262
	681	30.7%	672	31.3%	362	16.3%	393	18.3%	123	155
	581	38.1%	521	38.3%	288	18.9%	292	21.5%	119	205
	638	33.1%	612	34.6%	383	19.9%	411	23.2%	180	207
	3 172	32.1%	3 295	31.2%	689	7.0%	1 330	12.6%	2 142	2 044
	2 973	43.6%	3 332	44.5%	2 356	34.6%	2 713	36.2%	696	837
	3 190	53.1%	2 779	54.0%	2 072	34.5%	1 900	36.9%	1 466	1 008
	1 747	40.8%	1 370	36.7%	1 162	27.1%	858	23.0%	4 003	618
	(365)	nm	(24)	nm	(3 232)	nm	(249)	nm	612	362
	1 545	43.8%	632	33.1%	1 142	32.4%	407	21.3%	1 331	1 304
	1 229	37.0%	935	30.7%	764	23.0%	668	21.9%	189	1 612
	(600)	nm	(199)	nm	(940)	nm	(449)	nm	3 791	652
	-	-	-	-	2	-	2	-	-	-
	<b>22 252</b>	<b>34.0%</b>	<b>21 293</b>	<b>33.9%</b>	<b>9 716</b>	<b>14.8%</b>	<b>12 757</b>	<b>20.3%</b>	<b>17 719</b>	<b>11 811</b>



# Responsibility statement

We confirm that, to the best of our knowledge, the condensed financial statements for the first half of 2016 which have been prepared in accordance with IAS 34 Interim Financial Reporting give a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations. To the best of our knowledge, the interim report for the first half of 2016 includes a fair review of important events that have occurred during the period and their impact on the condensed financial statements, the principal risks and uncertainties for the remaining half of 2016, and major related party transactions.

Fornebu, 18 July 2016



Gunn Wærsted  
Chair



Jon Erik Reinhardsen  
Board member



Jacob Aqraou  
Board member



Siri Beate Hatlen  
Board member



Sally Davis  
Board member



Dag J. Opedal  
Deputy Chair



Ashok Vaswani  
Board member



Regi Aalstad  
Board member




Per Gunnar Salomonsen  
Board member



Ase Selfjord  
Board member



Harald Stavn  
Board member



Sigve Brekke  
President & CEO

# Definitions

## Alternative performance measures

Telenor Group's financial information is prepared in accordance with international financial reporting standards (IFRS). In addition it is management's intent to provide alternative performance measures that are regularly reviewed by management to enhance the understanding of Telenor's performance, but not instead of, the financial statements prepared in accordance with IFRS. The alternative performance measures presented may be determined or calculated differently by other companies.

### Organic revenue growth

Organic revenue is defined as revenue adjusted for the effects of acquisition and disposal of operations and currency effects. We believe that the measure provides useful and necessary information to investors and other related parties for the following reasons:

- it provides additional information on underlying growth of the business without the effect of certain factors unrelated to its operating performance;
- it is used for internal performance analysis; and
- it facilitates comparability of underlying growth with other companies (although the term "organic" is not a defined term under IFRS and may not, therefore, be comparable with similarly titled measures reported by other companies).

### Reconciliation

(NOK in millions)	Change second quarter	Change YoY	Change first half year	Change YoY
Reported revenue growth	1 071	3.4%	2 638	4.2%
Impact using exchange rates for 2016	(726)	(2.3%)	(1 731)	(2.8%)
Mergers and acquisition	(166)	(0.5%)	(240)	(0.4%)
<b>Organic revenue growth</b>	<b>179</b>	<b>0.6%</b>	<b>667</b>	<b>1.0%</b>

### EBITDA before other income and other expenses

Earnings before interest, tax, depreciations and amortizations (EBITDA) is a key financial parameter for Telenor. EBITDA before other income and other expenses is defined as EBITDA less gains and losses on disposals of fixed assets and operations, workforce reductions, onerous contracts and one time pension costs, and is reconciled in the section Group overview. This measure is useful to users of Telenor's financial information in evaluating operating profitability on a more variable cost basis as it excludes depreciations and amortization expense related primarily to capital expenditures and acquisitions that occurred in the past, as well as evaluating operating performance in relation to Telenor's competitors.

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

### Organic EBITDA growth

Organic EBITDA growth is defined as EBITDA (before other income and other expenses) adjusted for the effects of acquisition and disposal of operations and currency effects.

### Reconciliation

(NOK in millions)	Change second quarter	Change YoY	Change first half year	Change YoY
Reported EBITDA growth	850	7.9%	1 740	8.1%
Impact using exchange rates for 2016	(193)	(1.8%)	(535)	(2.5%)
Mergers and acquisition	51	0.5%	74	0.3%
<b>Organic EBITDA growth</b>	<b>708</b>	<b>6.4%</b>	<b>1 278</b>	<b>5.8%</b>

### Capital expenditure

Capital expenditure (capex) is investments in tangible and intangible assets, excluding business combinations and asset retirement obligations.

(NOK in millions)	Second quarter		First half year		Year
	2016	2015	2016	2015	2015
Purchases of PPE and intangible assets (cash flow statement)	6 685	4 741	12 908	9 639	21 168
Working capital movement in respect of capital expenditure	1 957	1 927	1 332	1 753	4 041
Less:					
Asset retirement obligations	(25)	56	(46)	55	(16)
<b>Capex</b>	<b>8 616</b>	<b>6 724</b>	<b>14 194</b>	<b>11 447</b>	<b>25 193</b>
Licence and spectrum fee – capitalized	(3 365)	(5)	(3 397)	(70)	(1 581)
<b>Capex excl. licence and spectrum fee</b>	<b>5 252</b>	<b>6 719</b>	<b>10 798</b>	<b>11 376</b>	<b>23 612</b>
Revenue	32 477	31 406	65 490	62 852	128 175
<b>Capex excl. licences and spectrum/Revenues (%)</b>	<b>16.2%</b>	<b>21.4%</b>	<b>16.5%</b>	<b>18.1%</b>	<b>18.4%</b>

### Investments in business (business combinations)

Investments in businesses comprise acquisitions of shares and participations, including acquisitions of subsidiaries and businesses not organised as separate companies.

### Net interest-bearing debt excluding licence obligations (Net debt)

Net debt consists of both current and non-current interest-bearing liabilities, excluding license obligations, less related current and non-current hedging instruments, financial instruments, such as debt instruments and derivatives, and cash and cash equivalents.

Net debt is a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess both the Group's cash position and its indebtedness. The use of the term 'net debt' does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure.

Net debt is considered to be an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate interest-bearing liabilities (both current and non-current) and cash and cash equivalents. A reconciliation from these to net debt is provided below.

(NOK in millions)	30 June 2016	31 December 2015	30 June 2015
<b>Non-current interest-bearing liabilities</b>	<b>57 913</b>	<b>63 802</b>	<b>57 555</b>
<b>Current interest-bearing liabilities</b>	<b>23 178</b>	<b>12 626</b>	<b>10 055</b>
Less:			
Cash and cash equivalents	(13 327)	(13 956)	(12 691)
Adjustments:			
Licence obligations	(5 052)	(4 879)	(5 104)
Hedging instruments	(2 650)	(2 519)	(1 840)
Financial instruments	(1 094)	(969)	(863)
<b>Net interest-bearing debt excluding licence obligations</b>	<b>58 969</b>	<b>54 106</b>	<b>47 113</b>

## 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 or until there has been no revenues or outgoing/incoming traffic during the last three months. 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/multi SIM cards are excluded. Total subscriptions are voice SIM cards plus data only SIM cards used for mobile broadband.

#### Active mobile internet users

Active mobile internet users are subscriptions with at least 150 KB of data during the last three months.

#### 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 less data only 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, traffic charges and connection fees for xDSL, cable and fibre, in addition to revenues from TV services. High-speed connections include fibre, cable and VDSL.

#### Data services

Consist of Nordic Connect/IP-VPN and security.

#### Other

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

#### Wholesale

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

### Key figures

#### Subscriptions

Telephony consist of PSTN, ISDN and VoIP subscriptions. Internet consists of broadband access over xDSL, fibre and cable. TV consists of TV services over fibre and cable. 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

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

#### Norkring

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



**Second quarter 2016**

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](mailto:ir@telenor.com)

**[www.telenor.com](http://www.telenor.com)**