telenor group

Q1 – 2018

Interim report
January – March 2018

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Entering 2018, I am pleased to see that we continue to grow and renew ourselves. We added close to 2 million customers in the first quarter; subscription and traffic revenues increased by 1% and EBITDA grew by 10%. Our digital transformation and focused efforts on efficiency improvements continue to deliver significant results. The performance in Scandinavia was robust, and we continue to see improving trends in developed Asia. After a soft start to the year in Bangladesh and Pakistan, growth picked up during the quarter and we expect revenue growth in those markets to improve going forward.

During the first quarter, we took two important steps in developing Telenor. We announced the disposal of our mobile operations in Central and Eastern Europe, which enables us to focus on developing our businesses in Scandinavia and Asia. We also strengthened digital positions by entering a strategic partnership to develop our financial services business in Pakistan. In Thailand, an important milestone was reached with the signing of the 2.3 GHz spectrum agreement.

In summary, another solid quarter and we continue our consistent execution of the strategy.

– Sigve Brekke, President and CEO

Key figures Telenor Group

(NOK in millions)	First quarter 2018	First quarter 2017	Year 2017	First quarter 2018 IFRS15
Revenues	27 113	27 596	112 069	27 138
Organic revenue growth (%)	(1.5)	0.3	0.5	
Subscription and traffic revenues	21 157	21 177	86 314	21 027
Organic subscription and traffic revenue growth (%)	1.0	1.2	2.4	
EBITDA before other income and other expenses	11 309	10 504	44 694	11 330
EBITDA before other income and other expenses/Revenues (%)	41.7	38.1	39.9	41.8
Net income attributable to equity holders of Telenor ASA	4 987	4 168	11 983	4 983
Capex excl. licences and spectrum/Revenues (%)	11.3	15.9	15.4	11.3
Capex/Revenues (%)	17.3	15.9	18.1	17.3
Free cash flow	2 575	2 166	24 867	2 575
Mobile subscriptions - Change in quarter/Total (mill.)	1.7	2.4	170	1.7

Discontinued operations: Telenor India, Hungary, Montenegro & Serbia and Bulgaria, Telenor Common Operation, Telenor Microfinance Bank and Telenor Banka. See note 3 for further information.

First quarter 2018 summary

- Total reported revenues fell by 2% to NOK 27.1 billion. On an organic basis, subscription and traffic revenues grew 1%.
- Organic EBITDA growth of 10%.
- Reported opex decreased by NOK 0.8 billion. Adjusted for currency effects, the reduction was NOK 0.7 billion or 7%.
- EBITDA before other items was NOK 11.3 billion, corresponding to an EBITDA margin of 41.7%, an increase of 4 percentage points from last year.
- Net income attributable to equity holders of Telenor ASA was NOK 5.0 billion, or NOK 3.35 earnings per share.
- Capex excluding spectrum and licences was NOK 3.1 billion, resulting in a capex to sales ratio of 11%.
- Free cash flow for the quarter was NOK 2.6 billion.

Shareholder remuneration

On 21 March Telenor communicated that the company had entered into an agreement for the divestment of its mobile businesses in Central and Eastern Europe. As a result of this, the Board of Directors proposes a special dividend of NOK 4.40, to be declared by the Annual General Meeting (AGM) on 2 May 2018, contingent upon the successful closing of the transaction. The Board of Directors has the intention to decide such additional dividends as soon as practicable after completion.

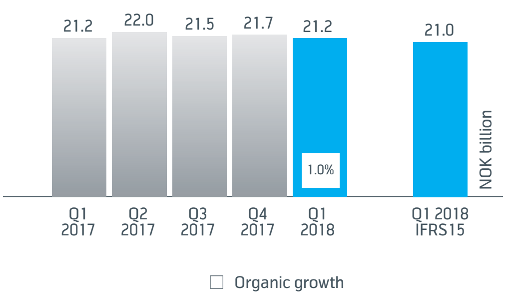
Outlook

For 2018, we expect an organic subscription and traffic revenue growth of 1-2%, and an organic EBITDA growth of 2-3%. Capex excluding licences and spectrum has been adjusted for the discontinuation of the Central and Eastern European operations, and is now expected to be NOK 17-18 billion.

Group performance in the first quarter 2018[1)]

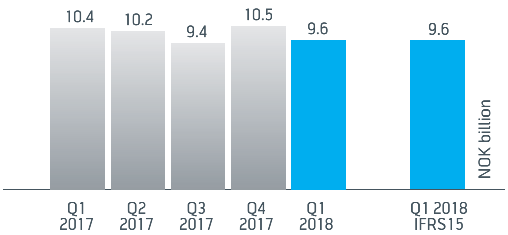
SUBSCRIPTION AND TRAFFIC REVENUES

Reported subscription and traffic revenues remained flat from last year. However, on an organic basis they grew by 1%. The growth in Bangladesh continues to be the largest positive driver this quarter, but also supported by growth in Digi and Scandinavia. Both total reported and organic revenues decreased by 2%, or NOK 0.5 billion and NOK 0.4 billion respectively.



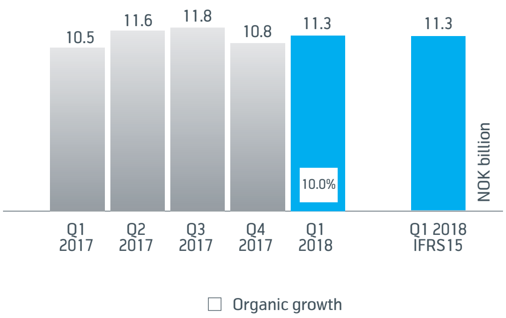
OPERATING EXPENDITURES (OPEX)

Reported opex decreased by NOK 0.8 billion. Currency adjusted opex decreased by NOK 0.7 billion or 7% as the traction on efficiency initiatives continues to yield good results across the Group. The cost reductions were most notable in Thailand, Norway and Sweden.



EBITDA BEFORE OTHER INCOME AND OTHER EXPENSES (EBITDA)

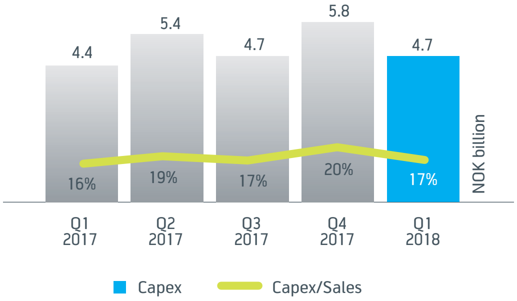
EBITDA was NOK 11.3 billion, an improvement of 10% on an organic basis. The increase was driven by continued opex reductions and growth in mobile subscription and traffic revenues. The EBITDA margin increased by 4 percentage points, closing the quarter at 42%.



[1)] The comments are related to Telenor's development in the first quarter of 2018 compared to the 2017 unless otherwise stated. Please refer to Definitions on page 23 for descriptions of alternative performance measures.

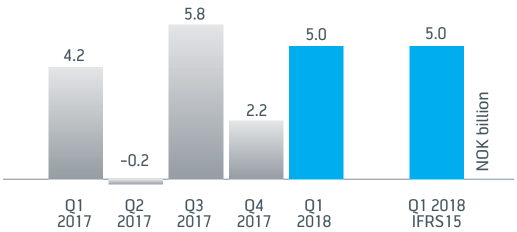
CAPITAL EXPENDITURES (CAPEX)

Capex was NOK 4.7 billion, of which network expansion in Norway and Thailand were still the largest drivers. Capex for the quarter includes the acquisition in Bangladesh of 2x5 MHz spectrum in the 1800 MHz frequency band auction and also conversion of existing spectrum to 4G for a total consideration of NOK 1.6 billion.



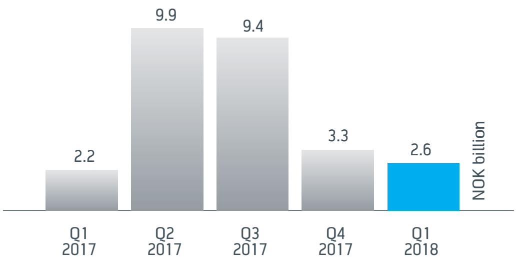
NET INCOME

Reported net income to equity holders of Telenor ASA in the first quarter was NOK 5.0 billion, which is an increase of NOK 0.8 billion.
This was primarily a result of improved EBITDA and positive net financial items, partly offset by higher depreciation and taxes.



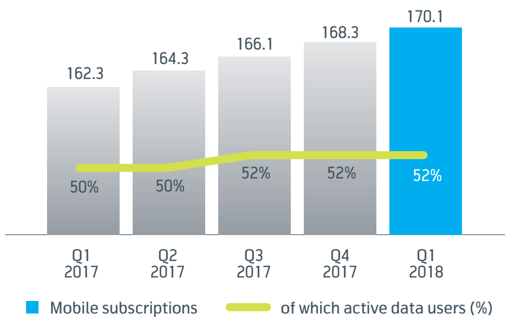
FREE CASH FLOW

Free cash flow in the first quarter was NOK 2.6 billion. This is an increase of NOK 0.4 billion from last year. Improved EBITDA, lower net interest payments and VEON dividends were partly offset by higher tax payments. Lower total capex paid, despite spectrum payments of NOK 1.2 billion in Bangladesh, partly offset the negative impact of NOK 0.8 billion from increased working capital this quarter.



MOBILE SUBSCRIPTIONS

The number of mobile subscriptions increased by close to 2 million during the quarter, raising the total subscription base to 170 million. The main contributors to the subscription growth were Bangladesh and Pakistan, adding 2.1 million and 1.0 million respectively. This increase was partly offset by a subscription loss of 0.8 million in Thailand and 0.5 million in Myanmar. The share of active data users in our subscription base remained stable at 52% from previous quarter.



Interim report

Telenor's operations

The comments below are related to Telenor's development in the first quarter of 2018 compared to the first quarter of 2017 in local currency, unless otherwise stated. The financial figures presented below are based on the accounting principles for the Group's segment reporting. See note 7 for further information. Telenor's operations in Hungary, Montenegro & Serbia and Bulgaria as well as Telenor Common Operation, Telenor Microfinance Bank and Telenor Banka are classified as a discontinued operations, see note 3 for further information. Financial figures for several segments have been restated. See note 7 for further information. All comments on EBITDA are made on development in EBITDA before other income and other expenses. Please refer to page 10 for 'Specification of other income and other expenses'. Additional information is available at: www.telenor.com/ir

Norway

(NOK in millions)	First quarter 2018	First quarter 2017 Restated*	Year 2017 Restated*	First quarter 2018 IFRS15
Revenues mobile operation				
Subscription and traffic	2 696	2 655	11 029	2 675
Interconnect revenues	132	129	551	132
Other mobile revenues	219	275	1 177	219
Non-mobile revenues	596	454	2 314	591
Total revenues mobile operation	**3 643**	**3 514**	**15 072**	**3 616**
Revenues fixed operation				
Telephony	330	409	1 498	330
Internet and TV	1 480	1 421	5 850	1 481
Data services	131	123	504	131
Other fixed revenues	406	408	1 603	406
Total retail revenues	**2 347**	**2 361**	**9 455**	**2 348**
Wholesale revenues	329	366	1 437	329
Total revenues fixed operation	**2 677**	**2 727**	**10 892**	**2 678**
Total revenues	**6 319**	**6 241**	**25 965**	**6 293**
Operating expenditures	2 216	2 354	9 206	2 189
EBITDA before other items	**2 765**	**2 579**	**11 117**	**2 766**
Operating profit	**1 644**	**1 475**	**6 902**	**1 644**
EBITDA before other items/ Total revenues (%)	43.8	41.3	42.8	43.9
Capex	720	1 148	4 988	720
Investments in businesses	-	7	215	-
Statistics (monthly in NOK):				
Mobile ARPU	317	305	320	315
Fixed Telephony ARPU	239	254	246	239
Fixed Internet ARPU	375	360	369	345
TV ARPU	314	299	312	316
No. of subscriptions - Change in quarter/Total (in thousands):				
Mobile	(17)	(40)	2 984	(17)
Fixed telephony	(17)	(21)	472	(17)
Fixed Internet	(5)	-	859	(5)
TV	(2)	4	546	(2)

* Refer to note 7.

- Continued efforts on revenue renewal and efficiency improvements led to another strong quarter for our Norwegian operation.
- Mobile subscriptions decreased by 17,000 in the quarter from reduction in prepaid subscriptions and lower ARPU subscriptions in the consumer segment. The total number of mobile subscriptions decreased by 2% from same period last year.
- Mobile ARPU increased by 4%. Mobile subscription and traffic revenues increased by 2%, as the higher ARPU was partly offset by a lower subscriber base.
- Growth in fixed internet and TV revenues was more than offset by the declining trend for traditional telephony and wholesale products. Fibre connections increased by 8,000 in the quarter, taking the total number of high-speed subscribers to 634,000.
- Opex decreased by 6% mainly due to workforce reductions and lower sales and marketing costs.
- EBITDA increased by 7% or 4% adjusted for the launch of data rollover in the first quarter of 2017. The EBITDA margin improved by 2 percentage points to 44%.
- Capex continued to be driven by 4G network expansion and fibre roll-out.

Sweden

(NOK in millions)	First quarter 2018	First quarter 2017	Year 2017	First quarter 2018 IFRS15
Revenues mobile operation				
Subscription and traffic	1 527	1 482	6 123	1 527
Interconnect revenues	133	187	596	133
Other mobile revenues	90	86	379	90
Non-mobile revenues	542	496	2 219	542
Total revenues mobile operation	**2 293**	**2 251**	**9 317**	**2 292**
Revenues fixed operation				
Telephony	58	75	285	58
Internet and TV	659	619	2 660	662
Data services	40	40	201	40
Other fixed revenues	90	20	303	90
Total retail revenues	**847**	**754**	**3 448**	**850**
Wholesale revenues	54	51	172	54
Total revenues fixed operation	**901**	**805**	**3 620**	**904**
Total revenues	**3 193**	**3 056**	**12 938**	**3 196**
Operating expenditures	1 008	1 067	4 211	1 023
EBITDA before other items	**1 070**	**920**	**4 136**	**1 058**
Operating profit	**749**	**562**	**2 730**	**738**
EBITDA before other items/ Total revenues (%)	33.5	30.1	32.0	33.1
Capex	301	307	1 690	301
Investments in businesses	-	-	113	-
Statistics (monthly in NOK):				
Mobile ARPU	206	211	210	206
Fixed Telephony ARPU	53	69	67	53
Fixed Internet ARPU	217	210	213	218
TV ARPU	145	131	139	147
No. of subscriptions - Change in quarter/Total (in thousands):				
Mobile	(9)	24	2 689	(9)
Fixed telephony	(22)	(7)	185	(22)
Fixed Internet	(2)	11	679	(2)
TV	5	(5)	470	5
Exchange rate (SEK)	0.9668	0.9456	0.9680	0.9668

- In Sweden, we continued to see revenue growth combined with solid execution on cost efficiency initiatives, yielding strong financial results.
- The number of mobile subscription decreased by 9,000 in the quarter, mainly from the business segment. The subscription base is now 1% higher than first quarter last year. 8,000 fibre connections were added, taking the total number of high speed fixed internet subscriptions to 587,000, an increase of 8% from last year.
- Mobile subscription and traffic revenues increased by 1%, as the larger customer base more than offset the negative impact from roaming. Adjusted for the mobile termination rate settlement last year of NOK 55 million, ARPU decreased by 1%.
- Fixed revenues increased by 9% from growth in internet and TV revenues more than offsetting decline within legacy products, and the inclusion of the acquired system integrator Network Services Nordic AB.
- Opex decreased by 10% organically, mainly due to fewer employees, reduction in number of retail sales points and lower commissions. Consequently, EBITDA increased by 14% and the EBITDA margin increased by 3 percentage points to 33%.
- Capex was mainly related to IT digitalisation and mobile network investments.

Denmark

(NOK in millions)	First quarter 2018	First quarter 2017	Year 2017	First quarter 2018 IFRS15
Revenues mobile operation				
Subscription and traffic	753	695	2 903	740
Interconnect revenues	61	60	256	61
Other mobile revenues	43	43	199	43
Non-mobile revenues	246	313	1 251	238
Total revenues mobile operation	**1 103**	**1 111**	**4 610**	**1 083**
Revenues fixed operation				
Telephony	34	37	144	34
Internet and TV	91	95	367	91
Data services	6	6	26	6
Total revenues fixed operation	**131**	**138**	**537**	**131**
Total revenues	**1 234**	**1 249**	**5 147**	**1 213**
Operating expenditures	503	512	2 136	518
EBITDA before other items	**248**	**222**	**849**	**230**
Operating profit	**22**	**127**	**1 665**	**4**
EBITDA before other items/Total revenues (%)	20.1	17.8	16.5	18.9
Capex	93	108	651	93
Mobile ARPU - monthly (NOK)	150	138	144	147
No. of subscriptions - Change in quarter/Total (in thousands):				
Mobile	(28)	9	1 827	(28)
Fixed telephony	(5)	(2)	64	(5)
Fixed Internet	(1)	(1)	138	(1)
Exchange rate (DKK)	1.2936	1.2090	1.2539	1.2936

- The Danish market remains very competitive and our operation continues to execute on its transformation programme, reducing complexity and costs.
- The mobile subscription base was 1.8 million, slightly down from the end of last year following churn of low revenue generating subscriptions.
- Mobile subscription and traffic revenues increased by 1% as a result of improved performance in the consumer segment. Total revenues decreased due to lower sale of handsets and fixed products.
- EBITDA improved by 5%, leading to a margin expansion of 2 percentage points to 20% aided by a more efficient operation, lower sales and marketing costs as well as 10% fewer employees than last year.
- Capex was primarily related to 4G network, business support system and IT.

dtac – Thailand

(NOK in millions)	First quarter 2018	First quarter 2017	Year 2017	First quarter 2018 IFRS15
Revenues				
Subscription and traffic	3 933	3 840	15 620	3 908
Interconnect revenues	148	218	841	148
Other mobile revenues	55	62	184	55
Non-mobile revenues	644	630	2 444	672
Total revenues	**4 781**	**4 751**	**19 089**	**4 783**
Operating expenditures	1 708	1 835	6 969	1 717
EBITDA before other items	**2 073**	**1 656**	**7 413**	**2 067**
Operating profit	**398**	**193**	**1 086**	**392**
EBITDA before other items/ Total revenues (%)	43.4	34.9	38.8	43.2
Capex	615	1 076	4 027	615
No. of subscriptions – Change in quarter/ Total (in thousands):	(841)	(170)	22 652	(841)
ARPU – monthly (NOK)	61	55	58	60
Exchange rate (THB)	0.2483	0.2404	0.2435	0.2483

- In Thailand, we see continued growth in postpaid revenues from an increasing number of subscriptions and higher ARPU. However, subscription and traffic revenues decreased by 1% as a result of the sustaining pressure within prepaid.
- Total revenues declined by 3%, mainly as a result of reduced sale of handsets and lower interconnect revenues.
- The total number of subscriptions decreased by 0.8 million, as growth in postpaid subscriptions was unable to offset the decline in the prepaid segment.
- Opex decreased by 10%, mainly due to reduced regulatory cost and savings in personnel and market spend.
- EBITDA increased by 21%. The EBITDA margin improved by 8 percentage points, closing at 43% for the quarter. The margin expansion was mainly a result of improved device margin and reduced opex.
- Capex was prioritised towards densifying the 3G and 4G networks.

Digi – Malaysia

(NOK in millions)	First quarter 2018	First quarter 2017	Year 2017	First quarter 2018 IFRS15
Revenues				
Subscription and traffic	2 819	2 624	10 685	2 774
Interconnect revenues	116	146	581	116
Other mobile revenues	35	36	132	35
Non-mobile revenues	221	183	789	337
Total revenues	**3 191**	**2 989**	**12 188**	**3 263**
Operating expenditures	967	928	3 720	972
EBITDA before other items	**1 474**	**1 353**	**5 556**	**1 542**
Operating profit	**1 013**	**1 019**	**4 035**	**1 081**
EBITDA before other items/ Total revenues (%)	46.2	45.3	45.6	47.2
Capex	362	368	2 570	362
No. of subscriptions – Change in quarter/ Total (in thousands):	10	(524)	11 747	10
ARPU – monthly (NOK)	83	77	79	82
Exchange rate (MYR)	1.9966	1.8988	1.9222	1.9966

- In Malaysia, revenues increased by 2% driven by strong data growth, more than offsetting the continuous decline of voice revenues.
- Subscription and traffic revenues increased by 2% driven by prepaid internet revenue uptake and postpaid revenue growth, ending a nine consecutive quarter negative trend.
- At the end of the quarter, the total subscriptions remained flat as increase of 0.4 million postpaid subscribers offset the 0.4 million decline of prepaid subscribers.
- EBITDA increased by 4% due to strong postpaid and data development, combined with cost reductions.
- Capex for the quarter was prioritised towards improving the 4G network both in terms of capacity and quality.

Grameenphone – Bangladesh

(NOK in millions)	First quarter 2018	First quarter 2017	Year 2017	First quarter 2018 IFRS15
Revenues				
Subscription and traffic	2 704	2 896	11 748	2 704
Interconnect revenues	199	225	882	199
Other mobile revenues	1	6	14	1
Non-mobile revenues	47	150	512	47
Total revenues	**2 952**	**3 277**	**13 156**	**2 952**
Operating expenditures	1 090	1 076	4 310	1 097
EBITDA before other items	**1 701**	**1 903**	**7 791**	**1 695**
Operating profit	**1 116**	**1 284**	**5 124**	**1 110**
EBITDA before other items/Total revenues (%)	57.6	58.1	59.2	57.4
Capex	1 977	480	1 483	1 977
Investments in businesses	-	-	19	-
No. of subscriptions – Change in quarter/ Total (in thousands):	2 128	1 914	65 329	2 128
ARPU – monthly (NOK)	15	18	17	15
Exchange rate (BDT)	0.0943	0.1068	0.1022	0.0943

- In February, 4G services were launched in all major cities and will be expanded during 2018 to strengthen Grameenphone's superior network position.
- The number of subscriptions increased by 2.1 million during the quarter, taking the total base to 67.5 million. The subscription base was 13% higher than first quarter last year.
- The subscription and traffic revenues increased by 6% as the growth in subscriptions was partly offset by a 6% decline in ARPU due to competitive pressure on data. Total revenues increased by 2%, negatively impacted by the change in contract modality to net accounting treatment for handsets and value added services. Adjusted for this impact, total revenues increased by 5%.
- EBITDA grew by 1% as gross profit uplift was offset by increased opex from 4G related spending, larger network footprint and appeal deposit fee for SIM replacement tax. EBITDA margin remained stable at 58%.
- Capex was prioritised towards rolling out 4G services and building sufficient data capacity.
- In February Grameenphone acquired 2x5MHz 4G license in the 1800MHz frequency band and in addition they converted existing spectrum holdings to technology neutral spectrum for a total consideration of NOK 1.6 billion.

Pakistan

(NOK in millions)	First quarter 2018	First quarter 2017	Year 2017	First quarter 2018 IFRS15
Revenues				
Subscription and traffic	1 465	1 640	6 644	1 469
Interconnect revenues	248	295	1 174	248
Other mobile revenues	5	6	20	5
Non-mobile revenues	53	87	342	53
Total revenues	**1 772**	**2 029**	**8 181**	**1 775**
Operating expenditures	651	739	2 788	651
EBITDA before other items	**844**	**989**	**4 204**	**860**
Operating profit	**357**	**615**	**2 678**	**374**
EBITDA before other items/ Total revenues (%)	47.6	48.7	51.4	48.5
Capex	247	402	1 438	247
No. of subscriptions - Change in quarter/ Total (in thousands):	1 023	623	41 625	1 023
ARPU - monthly (NOK)	14	16	16	14
Exchange rate (PKR)	0.0705	0.0806	0.0785	0.0705

- In Pakistan, the revenues experienced a slowdown at the beginning of the year, however more promising trends were observed from March. In addition, the removal of data tax exemption in one of the regions last year contributed negatively to the reported growth numbers.
- The number of subscriptions increased by 1.0 million during the quarter, taking the total base to 43 million, 6% higher than first quarter last year.
- Subscription and traffic revenues increased by 2% as the subscriptions growth was offset by a 4% decline in ARPU. Data revenues continue to support growth and adjusted for the negative impact from data tax exemption, the subscription and traffic revenue growth was 6%. Total revenues were flat following a decline in international interconnect traffic and lower handset sales.
- As a result of continued execution of efficiency initiatives, opex just slightly increased by 1%. Adjusted for reversal of accruals last year, opex decreased by 3%. The EBITDA margin was 48%.
- Capex was prioritised towards expanding the 4G network footprint with a 4G population coverage increase to 41%.

Myanmar

(NOK in millions)	First quarter 2018	First quarter 2017	Year 2017	First quarter 2018 IFRS15
Revenues				
Subscription and traffic	1 312	1 451	5 585	1 312
Interconnect revenues	222	260	941	222
Other mobile revenues	6	21	39	6
Non-mobile revenues	13	18	78	13
Total revenues	**1 554**	**1 749**	**6 643**	**1 554**
Operating expenditures	654	726	2 763	654
EBITDA before other items	**667**	**746**	**2 869**	**667**
Operating profit	**337**	**502**	**1 796**	**337**
EBITDA before other items/Total revenues (%)	42.9	42.7	43.2	42.9
Capex	206	270	2 545	206
No. of subscriptions - Change in quarter/ Total (in thousands):	(538)	543	19 474	(538)
ARPU - monthly (NOK)	27	31	29	27
Exchange rate (MMK)	0.0058	0.0062	0.0060	0.0058

- In Myanmar, the competition remains intense as the operators are positioning themselves for the entry of a fourth player.
- The revenue trend from reduced voice usage and price reductions continued this quarter and resulted in revenue decline of 6% compared to last year.
- The subscription base decreased by 0.5 million during the quarter and the total base ended at 18.9 million, a slight increase of 1% from the same period last year.
- ARPU decreased by 9% as the decline in voice and interconnect, was slightly offset by data monetisation.
- EBITDA decreased by 6% as a result of the reduction in revenues, partly offset by reduced opex. The cost reduction was primarily within operation and maintenance, commission and a one-time effect related to tower lease.
- Capital expenditure continues to be driven by network expansion and 4G roll-out.

Broadcast

(NOK in millions)	First quarter 2018	First quarter 2017	Year 2017	First quarter 201 IFRS15
Revenues				
Canal Digital DTH	1 134	1 099	4 557	1 125
Satellite	209	227	892	209
Norkring	265	280	1 095	265
Other/Eliminations	(119)	(118)	(472)	(119)
Total revenues	**1 489**	**1 488**	**6 071**	**1 480**
Operating expenditures	**423**	**455**	**1 771**	**434**
EBITDA before other items				
Canal Digital DTH	231	173	844	212
Satellite	135	152	585	135
Norkring	140	141	601	140
Other/Eliminations	(2)	(5)	(33)	(2)
Total EBITDA before other items	**504**	**461**	**1 997**	**484**
Operating profit				
Canal Digital DTH	211	151	760	192
Satellite	59	60	613	59
Norkring	64	62	300	64
Other/Eliminations	(2)	-	(32)	(2)
Total operating profit	**332**	**274**	**1 641**	**312**
EBITDA before other items/ Total revenues (%)	33.8	31.0	32.9	32.7
Capex	71	94	409	71
No. of subscriptions - Change in quarter/Total (in thousands):				
DTH TV	(15)	(7)	838	(15)

- In the first quarter, Canal Digital launched a new set-up box, OnePlace, based on the Google Android TV platform.
- Total revenues in Broadcast were stable, as increased revenues in Canal Digital were offset by shut down of FM broadcasting in Norway and change to a financial lease for a satellite transponder.
- EBITDA increased by 9%, primarily a result of 7% opex reduction and lower hardware cost in Canal Digital. The opex reduction was driven by lower sales and customer service cost in Canal Digital, and reduced repair and maintenance cost in Norkring.
- Capital expenditure was primarily driven by roll-out of sites for mobile operators, expansion of the DAB network in Norway, and platform investments in Canal Digital.

Other units

(NOK in millions)	First quarter 2018	First quarter 2017 Restated*	Year 2017 Restated*	First quarter 2018 IFRS15
Revenues				
Global Wholesale	718	811	2 995	718
Corporate Functions	897	802	3 178	897
Digital Businesses incl. Financial services	324	256	1 221	324
Other / eliminations	58	95	366	58
Total revenues	**1 997**	**1 963**	**7 760**	**1 997**
Operating expenditures	**1 289**	**1 345**	**5 299**	**1 289**
EBITDA before other items				
Global Wholesale	46	24	135	46
Corporate Functions	(67)	(137)	(547)	(67)
Digital Businesses incl. Financial services	(26)	(131)	(403)	(26)
Other / eliminations	(1)	4	16	(1)
Total EBITDA before other items	**(47)**	**(240)**	**(799)**	**(47)**
Operating profit (loss)				
Global Wholesale	25	10	56	25
Corporate Functions	(157)	(215)	(421)	(157)
Digital Businesses incl. Financial services	(68)	(165)	(2 600)	(68)
Other / eliminations	(14)	56	25	(14)
Total operating profit (loss)	**(214)**	**(314)**	**(2 940)**	**(214)**
Capex	94	132	531	94
Investments in businesses	32	78	1 905	32

* Refer to note 7.

- In Global Wholesale, revenues decreased by NOK 93 million primarily driven by price continuous decreases, slightly offset by revenues from messaging and connectivity. EBITDA increased by NOK 22 million.
- In Corporate Functions, EBITDA improved due to lower cost from a more focused agenda.
- In Digital Businesses, revenues increased by 27% or NOK 68 million in the quarter. This was primarily due to inclusion of the Asian Online Classifieds operations from 1 July last year, strong growth in financial services in Myanmar and higher traffic revenues in our IoT business Telenor Connexion. EBITDA improved by NOK 105 million mainly due to cost reductions in Tapad and workforce reductions in Digital Businesses staff functions.

Group performance 2018

The comments below are related to Telenor's development in 2018 compared to 2017. From first quarter 2018, Telenor's operations in Hungary, Montenegro & Serbia and Bulgaria as well as Telenor Common Operation, Telenor Microfinance Bank and Telenor Banka are classified as discontinued operations. Consequently, historical consolidated income statement has been re-presented accordingly. Please refer to note 3 for further information.

Specification of other income and other expenses

	First quarter		Year
(NOK in millions)	2018	2017	2017
EBITDA before other income and other expenses	11 330	10 504	44 694
EBITDA before other income and other expenses (%)	41.8	38.1	39.9
Other income	-	-	140
Gains on disposals of fixed assets and operations	36	76	1 166
Losses on disposals of fixed assets and operations	(31)	(38)	(231)
Workforce reductions, onerous (loss) contracts and one-time pension costs	(181)	(171)	(941)
EBITDA	**11 155**	**10 371**	**44 828**
EBITDA margin (%)	41.1	37.6	40.0

In the first quarter of 2018 'Other income and other expenses' consisted mainly of:
- Workforce reductions of NOK 181 million (Telenor Norway NOK 91 million, Group Functions NOK 38 million).
- Gain on disposals is related to partial divestment of Video Communication AS from a subsidiary to be an associated company.

In the first quarter of 2017 'Other income and other expenses' consisted mainly of:
- Gain on disposals related to divestment of ABC Startsiden.
- Workforce reductions in Telenor Norway.

Operating profit
- Reported operating profit increased from last year from improved EBITDA, partly offset by higher depreciations.

Financial items

	First quarter		Year
(NOK in millions)	2018	2017	2017
Financial income	452	131	1 564
Financial expenses	(469)	(765)	(2 991)
Net currency gains (losses)	1 226	(64)	1 030
Net change in fair value of financial instruments	779	(193)	425
Net gains (losses and impairment) of financial assets and liabilities	-	2	(181)
Net financial income (expenses)	**1 988**	**(889)**	**(152)**
Gross interest expenses	(369)	(655)	(2 600)
Net interest expenses	(298)	(588)	(2 198)

- Financial income in the first quarter of 2018 includes dividend from VEON of NOK 345 million.
- Net currency gains in the first quarter of 2018 are mainly due to revaluation of liabilities in foreign currency. The Norwegian Krone has appreciated against all currencies the Group holds significant liabilities in.
- Net change in fair value of financial instruments in the first quarter 2018 includes a NOK 825 million gain on the financial derivative features of the bond exchangeable into VEON ADSs, compared to a loss of NOK 111 million in the same quarter last year.

Taxes
- The underlying tax rate remains stable around 29%. For the first quarter of 2018 the effective tax rate is 30%.
- The effective tax rate is higher than the underlying tax rate mainly due to recognition of tax provision of NOK 194 million in Q1. The provision made is based on a decision received from the Norwegian Tax Authorities claiming that an impairment loss on receivable made in Cinclus in 2011 is not tax deductible.
- The effective tax rate for the year 2018 is estimated to be around 30%.

Cash flow
- Net cash inflow from operating activities during the first quarter of 2018 was NOK 8.6 billion, a decrease of NOK 0.3 billion compared to 2017. Higher EBITDA in Norway, dtac, Sweden and Digi as well as dividends from VEON were more than offset by changes in working capital and other as well as higher taxes paid.
- Net cash outflow to investing activities during the first quarter of 2018 was NOK 5.5 billion, a decrease of NOK 0.4 billion compared to 2017. This is mainly due to lower cash outflows related to purchases of PPE, intangible assets and licence investments.
- Net cash outflow to financing activities during the first quarter of 2018 was NOK 3.0 billion. This is explained by net payments of borrowings of NOK 1.6 billion, share buyback of NOK 0.9 billion and payments to minority interest of NOK 0.4.
- Cash and cash equivalents decreased by NOK 0.2 billion during 2018 to NOK 22.1 billion as of 31 March 2018.

Financial position

- During the first quarter of 2018, total assets decreased by NOK 5.3 billion to NOK 196.4 billion. This was mainly due to strengthening of Norwegian Krone against all relevant currencies and reduction in the fair value of VEON shares. This was partly offset by increase in assets due to IFRS 15 implementation (see note 2 for further information).
- Net debt decreased by NOK 4.7 billion to NOK 42.2 billion. Interest-bearing liabilities excluding licence obligations decreased by NOK 7.1 billion partially offset by the decrease in cash and cash equivalents by NOK 1.6 billion, fixed income investments by NOK 0.5 billion and fair value hedge instrument receivables by NOK 0.3 billion.
- Total equity increased by NOK 3.5 billion to NOK 65.9 billion. This was mainly due to positive net income from operations of NOK 5.7 billion and IFRS 15 implementation effect of NOK 3.5 billion (see note 2 for further information), partially offset by decline in the fair value of VEON shares of NOK 2.8 billion, negative currency translation effects of NOK 1.7 billion and share buyback of NOK 0.9 billion.

Transactions with related parties

For detailed information on related party transactions refer to Note 32 in Telenor's Annual Report 2017.

Risk and uncertainties

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

A significant share of Telenor's revenues and profits is derived from operations outside Norway. Currency fluctuations may influence the reported figures in Norwegian Kroner significantly. 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 2017, section Risk Factors and Risk Management, and Telenor's Annual Report 2017 Note 13 Income taxes, Note 28 Financial Risk Management and Note 33 Legal Disputes and Contingencies. Readers are also referred to the disclaimer at the end of this section.

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' 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, 23 April 2018
The Board of Directors of Telenor ASA

Interim condensed financial information

Consolidated income statement

Telenor Group

(NOK in millions except earnings per share)	First quarter 2018 IFRS 15	First quarter 2017 IAS 18	Year 2017 IAS 18
Revenues	27 138	27 596	112 069
Costs of materials and traffic charges	(6 183)	(6 713)	(26 928)
Salaries and personnel costs	(2 783)	(2 959)	(11 412)
Other operating expenses	(6 841)	(7 419)	(29 034)
Other income	36	76	1 306
Other expenses	(212)	(209)	(1 172)
EBITDA	**11 155**	**10 371**	**44 828**
Depreciation and amortisation	(5 355)	(4 719)	(19 621)
Impairment losses	(1)	-	(833)
Operating profit	**5 799**	**5 652**	**24 374**
Share of net income from associated companies and joint ventures	1	1 117	531
Gain (loss) on disposal of associated companies	-	-	(5 148)
Net financial income (expenses)	1 988	(889)	(152)
Profit before taxes	**7 788**	**5 880**	**19 605**
Income taxes	(2 297)	(1 605)	(6 491)
Profit from continuing operations	**5 491**	**4 275**	**13 114**
Profit (loss) from discontinued operations	260	587	1 784
Net income	**5 751**	**4 862**	**14 898**
Net income attributable to:			
Non-controlling interests	768	694	2 915
Equity holders of Telenor ASA	**4 983**	**4 168**	**11 983**
Earnings per share in NOK			
Basic from continuing operations	3.17	2.39	6.80
Diluted from continuing operations	3.17	2.39	6.80
Earnings per share in NOK			
Basic from discontinued operations	0.17	0.39	1.19
Diluted from discontinued operations	0.17	0.39	1.19
Earnings per share in NOK			
Basic from total operations	3.35	2.78	7.99
Diluted from total operations	3.35	2.78	7.99

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

Consolidated statement of comprehensive income

Telenor Group

	First quarter		Year
(NOK in millions)	2018	2017	2017
Net income	**5 751**	**4 862**	**14 898**
Translation differences on net investment in foreign operations	(2 635)	296	2 296
Income taxes	-	(4)	-
Amount reclassified from other comprehensive income to income statement on partial disposal	-	-	(7 744)
Income taxes reclassified	-	-	-
Net gain (loss) on hedge of net investment	1 199	(199)	(1 426)
Income taxes	(276)	48	342
Amount reclassified from other comprehensive income to income statement on partial disposal	-	-	4 094
Income taxes reclassified	-	-	(1 119)
Share of other comprehensive income (loss) of associated companies and joint ventures	(1)	(331)	(342)
Amount reclassified from other comprehensive income to income statement on disposal	-	-	12 282
Items that may be reclassified subsequently to income statement	**(1 713)**	**(191)**	**8 383**
Net gain (loss) on equity investments	(2 785)	1	(633)
Remeasurement of defined benefit pension plans	249	(50)	(63)
Income taxes	(48)	14	-
Items that will not be reclassified to income statement	**(2 583)**	**(35)**	**(696)**
Other comprehensive income (loss), net of taxes	**(4 296)**	**(226)**	**7 687**
Total comprehensive income	**1 455**	**4 636**	**22 585**
Total comprehensive income attributable to:			
Non-controlling interests	657	756	2 897
Equity holders of Telenor ASA	797	3 880	19 688

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

Consolidated statement of financial position

Telenor Group

(NOK in millions)	31 March 2018	31 December 2017	31 March 2017
Deferred tax assets	1 677	1 917	1 825
Goodwill	13 833	26 446	24 786
Intangible assets	25 292	30 601	31 682
Property, plant and equipment	68 272	75 557	73 216
Associated companies and joint ventures	521	480	14 100
Other non-current assets	13 242	13 297	5 069
Total non-current assets	**122 839**	**148 298**	**150 678**
Prepaid taxes	1 126	1 076	868
Inventories	1 464	1 773	1 710
Trade and other receivables	19 619	24 749	24 156
Other current financial assets	674	1 622	2 416
Assets classified as held for sale	29 767	1 701	3 553
Cash and cash equivalents	20 959	22 546	26 135
Total current assets	**73 608**	**53 468**	**58 837**
Total assets	**196 447**	**201 765**	**209 515**
Equity attributable to equity holders of Telenor ASA	60 433	57 496	54 813
Non-controlling interests	5 428	4 839	4 933
Total equity	**65 861**	**62 335**	**59 746**
Non-current interest-bearing liabilities	47 433	51 587	53 041
Non-current non-interest-bearing liabilities	668	1 105	3 176
Deferred tax liabilities	3 973	3 359	2 926
Pension obligations	2 121	2 565	2 438
Provisions and obligations	3 652	4 132	3 462
Total non-current liabilities	**57 846**	**62 747**	**65 042**
Current interest-bearing liabilities	20 102	22 710	32 452
Trade and other payables	34 119	40 295	39 635
Current tax payables	5 209	4 438	3 699
Current non-interest-bearing liabilities	2 075	3 253	3 397
Provisions and obligations	1 513	1 777	1 668
Liabilities classified as held for sale	9 723	4 210	3 876
Total current liabilities	**72 741**	**76 683**	**84 727**
Total equity and liabilities	**196 447**	**201 765**	**209 515**

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

Consolidated statement of cash flows

Telenor Group

(NOK in millions)	First quarter 2018	First quarter 2017 Restated	Year 2017 Restated
Profit before taxes from total operations[1]	8 119	6 532	21 751
Income taxes paid	(1 563)	(1 125)	(6 100)
Net (gains) losses from disposals, impairments and change in fair value of financial assets and liabilities	(775)	156	(1 212)
Depreciation, amortisation and impairment losses	5 842	5 117	22 166
Loss (profit) from associated companies and joint ventures	(1)	(1 117)	4 617
Dividends received from associated companies	8	-	24
Currency (gains) losses not related to operating activities	(1 131)	2	(1 072)
Changes in working capital and other	(1 891)	(706)	550
Net cash flow from operating activities	**8 607**	**8 857**	**40 723**
Purchases of property, plant and equipment (PPE) and intangible assets	(5 557)	(5 921)	(20 726)
Purchases of subsidiaries, associated companies and joint ventures, net of cash acquired	-	(5)	(2 000)
Proceeds from disposal of PPE, intangible assets, associated companies and businesses, net of cash disposed	-	92	7 511
Proceeds from sale and purchases of other investments	48	(82)	3 140
Net cash flow from investing activities	**(5 509)**	**(5 916)**	**(12 075)**
Proceeds from and repayments of borrowings	(1 579)	901	(12 574)
Payments on licence obligations	-	(149)	(973)
Net payments on supply chain financing	(166)	(284)	(221)
Share buyback by Telenor ASA	(947)	-	(1 435)
Dividends paid to and purchases of shares from non-controlling interests	(358)	(343)	(2 586)
Dividends paid to equity holders of Telenor ASA	-	(250)	(11 944)
Net cash flow from financing activities	**(3 049)**	**(124)**	**(29 733)**
Effects of exchange rate changes on cash and cash equivalents	(288)	213	454
Net change in cash and cash equivalents	**(239)**	**3 031**	**(632)**
Cash and cash equivalents at the beginning of the period	22 318	22 951	22 951
Cash and cash equivalents at the end of the period [2]	**22 079**	**25 982**	**22 319**
Of which cash and cash equivalents in assets held for sale at the end of the period	1 351	37	362
Cash and cash equivalents in continuing operations at the end of the period	**20 728**	**25 945**	**21 957**

[1] Profit before taxes from total operations consists of:			
Profit before taxes from continuing operations	7 788	5 880	19 605
Profit before taxes from discontinued operations	331	652	2 147
Profit before taxes from total operations	8 119	6 532	21 751

[2] As of 31 March 2018, restricted cash was NOK 426 million, while as of 31 March 2017, restricted cash was NOK 596 million.

Cash flow from discontinued operations

(NOK in millions)	First quarter 2018	First quarter 2017	Year 2017
Net cash flow from operating activities	102	383	3 589
Net cash flow from investing activities	(258)	(571)	(1 290)
Net cash flow from financing activities	484	(134)	(197)

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 standalone entities.

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

Consolidated statement of changes in equity

Telenor Group

(NOK in millions)	Total paid in capital	Other reserves	Retained earnings	Cumulative translation differences	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the parent						
Equity as of 1 January 2017	**9 078**	**(16 343)**	**58 000**	**144**	**50 879**	**4 517**	**55 396**
Net income for the period	-	-	11 983	-	11 983	2 915	14 898
Other comprehensive income for the period	-	11 247	-	(3 542)	7 705	(18)	7 687
Total comprehensive income for the period	**-**	**11 247**	**11 983**	**(3 542)**	**19 688**	**2 897**	**22 585**
Transactions with non-controlling interests	-	-	-	-	-	67	67
Equity adjustments in associated companies and joint ventures	-	(539)	586	-	47	-	47
Dividends	-	-	(11 694)	-	(11 694)	(2 642)	(14 335)
Share buyback	(52)	(1 424)	-	-	(1 476)	-	(1 476)
Share - based payment, exercise of share options and distribution of shares	-	52	-	-	52	-	52
Equity as of 31 December 2017 - as previously reported	**9 025**	**(7 006)**	**58 875**	**(3 398)**	**57 496**	**4 839**	**62 336**
Changes in accounting principles - Note 1	-	164	3 147	-	3 312	291	3 603
Equity as of 1 January 2018	**9 025**	**(6 842)**	**62 023**	**(3 398)**	**60 808**	**5 131**	**65 939**
Net income for the period	-	-	4 983	-	4 983	768	5 751
Other comprehensive income for the period	-	(2 603)	-	(1 582)	(4 185)	(111)	(4 296)
Total comprehensive income for the period	**-**	**(2 603)**	**4 983**	**(1 582)**	**797**	**657**	**1 455**
Transactions with non-controlling interests	-	-	-	-	-	4	4
Dividends	-	-	-	-	-	**(364)**	**(364)**
Share buyback	(30)	(875)	-	-	(906)	-	(906)
Share - based payment, exercise of share options and distribution of shares	-	(267)	-	-	(267)	-	(267)
Equity as of 31 March 2018	**8 995**	**(10 588)**	**67 005**	**(4 980)**	**60 433**	**5 428**	**65 861**

(NOK in millions)	Total paid in capital	Other reserves	Retained earnings	Cumulative translation differences	Total	Non-controlling interests	Total equity
Equity as of 1 January 2017	**9 078**	**(16 343)**	**58 000**	**144**	**50 879**	**4 517**	**55 396**
Net income for the period	-	-	4 168	-	4 168	694	4 862
Other comprehensive income for the period	-	(366)	-	77	(288)	62	(226)
Total comprehensive income for the period	**-**	**(366)**	**4 168**	**77**	**3 880**	**756**	**4 636**
Transactions with non-controlling interests	-	-	-	-	-	20	20
Equity adjustments in associated companies and joint ventures	-	47	-	-	47	-	47
Dividends	-	-	-	-	-	(360)	(360)
Share - based payment, exercise of share options and distribution of shares	-	8	-	-	8	-	8
Equity as of 31 March 2017	**9 078**	**(16 654)**	**62 169**	**221**	**54 813**	**4 933**	**59 746**

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 three months ending 31 March 2018, 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 2017. 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 2017, with the exceptions stated below.

- IFRS 15 *Revenue from Contracts w ith Customers* (effective from 1 January 2018). IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. The main implications from the implementation IFRS 15 for the Group are the following:

  - Allocation based on stand-alone selling prices: IFRS 15 requires allocation of the total consideration in a contract between elements in multiple elements arrangements based on the stand-alone selling prices for the goods and services included. The Group's past accounting policy was to cap the revenue of delivered items to the amount that is not contingent on delivery of additional items or other specified performance criteria. This change has a material impact on the revenue recognition where a significant discount is provided to the customer on day one. In such circumstances the new revenue recognition standard impacted the average revenue per subscription per month (ARPU) negatively and increased handset revenues. As a consequence and in isolation, recognised gross margins on handset sales will improved.

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

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

  - Transition methods: The Group has chosen to apply the modified approach for transition to IFRS 15, which implies:
    - Comparative figures for 2017 are not restated.
    - Disclosures reconciling each financial statement line item in 2018 with the current IFRS standards and interpretations, and explanations are provided for significant changes.
    - The cumulative effect of initially applying IFRS 15 was recognised as an adjustment to opening balance 1 January 2018, reflecting the contract asset and liability for open contracts as trade and other receivables and trade and other payables, and the capitalisation of cost of obtaining and fulfilling a contract as other non-current assets. Comparative numbers have not be restated and financial statements based on accounting policies for 2017 have been disclosed in note 2, together with the effect on opening balance 1 January 2018:

- Presentation in statement of cash flow. The Group has introduced supply chain financing for some vendors and in some circumstances the payment terms in the contract with the vendor are linked to the supply chain financing arrangement. In such circumstances, the payable for the services or goods delivered are reclassified from trade payables to current non-interest-bearing liabilities and the cash outflow to the financial institution has been presented as financing activities in the Statement of Cash Flows. As of 1 January 2018, the Group has changed the accounting policy for presenting such arrangements in the statement of cash flow. When the payable is reclassified from trade payable to current non-interest-bearing liability, the Group show a cash outflow from operating activities if it is related to operating activities and cash outflow from investing activities if it is related to investing activities. At the same time a cash inflow is recognised in financing activities, reflecting the required payment to the financial institution providing the supply chain financing arrangement. When the Group make the payment to the finance institution, it will be reflected as a repayment of debt in financing activities in the statement of cash flow. The comparative numbers are restated as followed:

(NOK in millions)	Reported First quarter 2017	Restated First quarter 2017	Reported Second quarter 2017	Restated Second quarter 2017	Reported Third quarter 2017	Restated Third quarter 2017	Reported Fourth quarter 2017	Restated Fourth quarter 2017	Reported Year 2017	Restated Year 2017
Cash flow from operating activities										
Changes in working capital and other	(400)	(706)	122	(186)	1 223	864	929	578	1 873	550
Cash flow from investing activities										
Purchases of property, plant and equipment (PPE) and intangible assets	(5 377)	(5 921)	(4 583)	(5 177)	(3 883)	(4 446)	(4 518)	(5 182)	(18 361)	(20 726)
Cash flow from financing activities										
Net payments on supply chain financing	(1 133)	(284)	(877)	25	(899)	23	(1 000)	15	(3 909)	(221)

- IFRS 9 *Financial Instruments* (effective from 1 January 2018). IFRS 9 replaces the old incurred loss model with an expected loss model. This new model had a minor increase in provision for bad debt, as a provision for bad debt will be recognised before any event has happened as required under an incurred loss model. The Group has elected to use the simplified approach as described in IFRS 9.

- Amendments to IFRS 2 *Share-based payments* (effective from 1 January 2018). The amendment changes the accounting for share-based payment arrangements where the Group is obligated to withhold an amount for an employee's tax obligation associated with a share-based payment and transfer that amount, normally in cash, to the tax authority on the employee's behalf. This part of the share-based payment arrangements, which previously has been recognised as a cash settled share-based payment transaction, is from 1 January 2018 accounted for as equity-settled share-based payment transactions. The liability of NOK 164 million as of 31 December 2017 has been reclassified to equity 1 January 2018.

For information about the standards and interpretations effective from 1 January 2018, please refer to Note 1 in the Group's Annual Report 2017. Except for the changes described in note 1 and 2, none of the standards and interpretations effective from 1 January 2018 have a significant impact on the Group's consolidated interim financial statements.

Note 2 – Disaggregation of revenue

In the following table revenue is disaggregated by major revenue streams divided into the reportable segments as shown in note 7.

(NOK in millions)	Norway	Sweden	Denmark	dtac Thailand	Digi Malaysia	Grameenphone Bangladesh	Pakistan	Myanmar	Broadcast	Other units	Eliminations	Group
Total revenue	**6 294**	**3 197**	**1 213**	**4 783**	**3 263**	**2 952**	**1 775**	**1 554**	**1 480**	**1 979**	**(1 355)**	**27 138**
Type of good/ services												
Mobile operation	**3 616**	**2 292**	**1 083**	**4 783**	**3 263**	**2 952**	**1 775**	**1 554**	**-**	**-**	**(189)**	**21 129**
Services	3 171	1 827	861	4 198	2 976	2 952	1 761	1 554	-	-	(189)	19 111
Goods	445	465	222	585	287	-	14	-	-	-	(0)	2 018
Fixed operation	**2 678**	**905**	**131**	**-**	**-**	**-**	**-**	**-**	**-**	**702**	**(261)**	**4 155**
Services	2 515	884	131	-	-	-	-	-	-	702	(261)	3 972
Goods	162	21	-	-	-	-	-	-	-	-	-	183
Satelitte and TV distribution	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1 480**	**-**	**(58)**	**1 423**
Services	-	-	-	-	-	-	-	-	1 442	-	(58)	1 384
Goods	-	-	-	-	-	-	-	-	39	-	-	39
Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1 276**	**(847)**	**429**
Services	-	-	-	-	-	-	-	-	-	1 276	(847)	429
Goods	-	-	-	-	-	-	-	-	-	-	-	-
Sum type of good/ services	**6 294**	**3 197**	**1 213**	**4 783**	**3 263**	**2 952**	**1 775**	**1 554**	**1 480**	**1 979**	**(1 355)**	**27 138**
Type of mobile subscription												
Contract	2 757	1 622	801	2 264	1 112	110	52	8	-	-	(27)	8 699
Prepaid	49	38	-	1 792	1 779	2 794	1 664	1 527	-	-	(76)	9 566
Other*	365	167	60	142	86	48	45	20	-	-	(86)	845
Sum mobile subscription	**3 171**	**1 827**	**861**	**4 198**	**2 976**	**2 952**	**1 761**	**1 554**	**-**	**-**	**(189)**	**19 111**
Timing of revenue recognition												
Over time	5 686	2 711	991	4 198	2 976	2 952	1 761	1 554	1 442	1 979	(1 355)	24 898
At a point in time	607	486	222	585	287	-	14	-	39	-	-	2 240
Total revenues	**6 294**	**3 197**	**1 213**	**4 783**	**3 263**	**2 952**	**1 775**	**1 554**	**1 480**	**1 979**	**(1 355)**	**27 138**

* Other inclues revenue from Interconnect, roaming, telemetrics and wholesale.

Impacts related to IFRS 15 Revenue from Contracts with Customers

The Group used the modified retrospective approach when implementing IFRS 15 Revenue from contracts with customers from 1 January 2018. The tables below show the impact from IFRS 15 on the opening balance and for the first quarter 2018.

Consolidated Income Statement

(NOK in millions)	Reported first quarter 2018 (IFRS 15)	Impact IFRS 15	Adjusted first quarter 2018 (IAS 18)	Reported first quarter 2017 (IAS 18)
Revenues	27 138	(25)	27 113	27 596
Cost of materials and traffic charges	(6 183)	(31)	(6 214)	(6 713)
Salaries and personnel costs	(2 783)	(8)	(2 791)	(2 959)
Other operating expenses	(6 841)	43	(6 799)	(7 419)
Other income	36		36	76
Other expenses	(212)		(212)	(209)
EBITDA	**11 155**	**(22)**	**11 133**	**10 371**
Depreciation and amortisation	(5 355)		(5 355)	(4 719)
Impairment losses	(1)		(1)	-
Operating profit	**5 799**	**(22)**	**5 777**	**5 652**
Share of net income from associated companies and joint ventures	1		1	1 117
Gain (loss) on disposal of associated companies	-		-	-
Net financial income (expenses)	1 988		1 988	(889)
Profit before taxes	**7 788**	**(22)**	**7 766**	**5 880**
Income taxes	(2 297)	(1)	(2 298)	(1 605)
Profit from Continuing operations	**5 491**	**(23)**	**5 468**	**4 275**
Profit (loss) from discontinued operations	260	27	287	587
Net income	**5 751**	**4**	**5 755**	**4 862**

Consolidated statement of financial position

(NOK in millions)	Opening balance 31 December 2017 (IAS 18)	Impact IFRS 15	1 January 2018 (IFRS 15)	31 March 2018 Reported 31 March 2018 (IFRS 15)	Impact IFRS 15	Adjusted 31 March 2018 (IAS 18)
Deferred tax assets	1 917	(201)	1 716	1 677	46	1 723
Goodwill	26 446		26 446	13 833		13 833
Intangible assets	30 601		30 601	25 292		25 292
Property, plant and equipment	75 557		75 557	68 272		68 272
Associated companies and joint ventures	480		480	521		521
Other non-current assets	13 297	3 475	16 772	13 242	(3 069)	10 173
Total non-current assets	**148 298**	**3 273**	**151 571**	**122 839**	**(3 023)**	**119 816**
Prepaid taxes	1 076		1 076	1 126		1 126
Inventories	1 773		1 773	1 464		1 464
Trade and other receivables	24 749	1 026	25 775	19 619	(558)	19 061
Other current financial assets	1 622		1 622	674		674
Assets classified as held for sale	1 701		1 701	29 767	(757)	29 010
Cash and cash equivalents	22 546		22 546	20 959		20 959
Total current assets	**53 468**	**1 026**	**54 494**	**73 608**	**(1 315)**	**72 293**
Total assets	**201 765**	**4 300**	**206 065**	**196 447**	**(4 338)**	**192 109**
Equity attributable to equity holders of Telenor ASA	57 496	3 161	60 657	60 433	(3 068)	57 365
Non-controlling interests	4 839	291	5 130	5 428	(310)	5 118
Total equity	**62 335**	**3 453**	**65 788**	**65 861**	**(3 378)**	**62 482**
Non-current interest-bearing liabilities	51 587		51 587	47 433		47 433
Non-current non-interest-bearing liabilities	1 105		1 105	668		668
Deferred tax liabilities	3 359	820	4 179	3 973	(804)	3 169
Pension obligations	2 565		2 565	2 121		2 121
Provisions and obligations	4 132		4 132	3 652		3 652
Total non-current liabilities	**62 747**	**820**	**63 568**	**57 846**	**(804)**	**57 042**
Current interest-bearing liabilities	22 710		22 710	20 102		20 102
Trade and other payables	40 295	28	40 323	34 119	(61)	34 058
Current tax payables	4 438		4 438	5 209	(21)	5 189
Current non-interest-bearing liabilities	3 253		3 253	2 075		2 075
Provisions and obligations	1 777		1 777	1 513		1 513
Liabilities classified as held for sale	4 210		4 210	9 723	(74)	9 649
Total current liabilities	**76 683**	**28**	**76 710**	**72 741**	**(156)**	**72 585**
Total equity and liabilities	**201 765**	**4 300**	**206 065**	**196 447**	**(4 338)**	**192 109**

Note 3 – Discontinued operations and assets held for sale

As of 31 March 2018, the Group has classified the disposal groups Telenor India, Financial Services, consisting of Telenor Banka in Serbia and Telenor Microfinance Bank in Pakistan, and Central Eastern Europe as discontinued operations and held for sale. Details from each disposal group are described below.

The results of all three disposals group for the first quarter of 2017 and 2018, and the year 2017 are as follows:

	First quarter		Year
(NOK in millions)	2018	2017	2017
Revenue	3 848	4 176	17 059
EBITDA	841	994	4 002
EBIT	390	596	2 290
Profit before tax	**331**	**652**	**2 147**
Income taxes	(71)	(65)	(363)
Profit after tax	**260**	**587**	**1 784**

The major classes of assets and liabilities of the three disposal groups classified as held for sale as of 31 March:

(NOK in millions)	31 March 2018
Assets	
Property, Plant and Equipment	4 380
Goodwill	11 863
Intangible assets	4 582
Other non-current assets	1 286
Inventory	359
Trade and other receivables	5 940
Cash and cash equivalents	1 358
Total assets classified as held for sale	**29 767**
Liabilities	
Non-current liabilities	2 565
Current liabilities	7 158
Total liabilities held for sale	**9 723**

Central Eastern Europe

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

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

The transaction requires necessary regulatory approval. The transaction is expected to be completed within Q3 2018. With effect from first quarter 2018, the CEE operations are classified as asset held for sale and discontinued operations in Telenor Group's financial reporting. The comparative numbers for the income statement are represented. Based on exchange rates as of 31 March 2018, the transaction is estimated to result in an accounting gain after tax of around NOK 3 billion.

The results of the CEE operations for the first quarter of 2017 and 2018, and the year 2017 are as follows:

	First quarter		Year
(NOK in millions)	2018	2017	2017
Revenue	2 903	2 579	11 473
EBITDA	1 061	902	4 122
EBIT	622	521	2 522
Profit before tax	**628**	**524**	**2 482**
Income taxes	(85)	(62)	(339)
Profit after tax	**543**	**462**	**2 143**

The major classes of assets and liabilities of the CEE operations classified as held for sale as of 31 March are as follows:

(NOK in millions)	31 March 2018
Assets	
Property, Plant and Equipment	4 265
Goodwill	11 832
Intangible assets	4 335
Other non-current assets	225
Inventory	358
Trade and other receivables	3 475
Cash and cash equivalents	461
Total assets classified as held for sale	**24 952**
Liabilities	
Non-current liabilities	615
Current liabilities	2 704
Total liabilities held for sale	**3 319**

Financial Services

On 13 March 2018 the Group reached a strategic partnership agreement with Ant Financial Services Group ("Ant Financial") in Pakistan, where Ant Financial will invest over a two years period USD 184.5 million for a 45% stake in Telenor Microfinance Bank ("TMB"), a subsidiary of Telenor Group. The investment will be partly capital injection and partly consideration for sale of shares.

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

The results of the Financial Services classified as discontinued operations for the first quarter of 2017 and 2018, and the year 2017 are as follows:

	First quarter		Year
(NOK in millions)	2018	2017	2017
Revenue	305	288	1 240
EBITDA	13	16	(33)
EBIT	2	6	(131)
Profit before tax	**2**	**8**	**(128)**
Income taxes	(2)	(3)	(24)
Profit after tax	**(0)**	**5**	**(152)**

The major classes of assets and liabilities of Financial Services classified as held for sale as of 31 March are as follows:

(NOK in millions)	31 March 2018
Assets	
Property, Plant and Equipment	114
Goodwill	31
Intangible assets	4
Other non-current assets	745
Inventory	-
Trade and other receivables	2 091
Cash and cash equivalents	890
Total assets classified as held for sale	**3 875**
Liabilities	
Non-current liabilities	9
Current liabilities	3 509
Total liabilities held for sale	**3 518**

Telenor India

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

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

The transaction is expected to close within the second quarter 2018. Telenor India is presented as discontinued operation in the consolidated income statement and classified as held for sale in the consolidated statement of financial position.

The results of Telenor India for the first quarter of 2017 and 2018, the year 2017 are presented below:

	First quarter		Year
(NOK in millions)	2018	2017	2017
Revenue	640	1 308	4 346
EBITDA	(233)	76	(86)
EBIT	(233)	68	(100)
Profit before tax	**(282)**	**120**	**(207)**
Income taxes	-	-	-
Profit after tax	**(282)**	**120**	**(207)**

The major classes of assets and liabilities of Telenor India classified as held for sale as of 31 March 2018:

(NOK in millions)	31 March 2018
Assets	
Property, Plant and Equipment	-
Goodwill	-
Intangible assets	243
Other non-current assets	316
Inventory	1
Trade and other receivables	375
Cash and cash equivalents	7
Total assets classified as held for sale	**941**
Liabilities	
Non-current liabilities	1 941
Current liabilities	945
Total liabilities held for sale	**2 887**

Note 4 – Interest-bearing liabilities

Concurrently with the equity offering of the VEON ADSs on 15 September 2016, Telenor East Holding II AS, an indirectly wholly owned subsidiary of Telenor ASA ("Telenor"), placed USD 1,000 million aggregate principal amount of senior, unsecured bonds (the "Bonds") exchangeable into VEON ADSs.

The Bonds have an expected maturity life of 3 years and a fixed coupon of 0.25% per annum, payable semi-annually. The exchangeable bond is in the statement of financial position split into an interest-bearing liability recognised at amortised cost and a financial derivative recognised at fair value. As of the placement date the carrying amount of the interest-bearing liability was NOK 7.9 billion (USD 956 million).

Each USD 200,000 bond is exchangeable for 47,186 VEON ADSs (adjusted for VEON dividend and subject to further adjustments), which represents an exchange price of approximately USD 4.24. The initial exchange price represented a 40% premium to the reference equity offering price of USD 3.50 per ADS. Underlying the exchangeable bonds are approximately 236 million VEON ADSs (subject to certain adjustments), corresponding to approximately 13.4% of VEON's total share capital. Upon the maturity of the Bonds, the Issuer may redeem each USD 200,000 bond that has not been previously exchanged by paying cash, by transferring up to 70,779 ADSs (150% of 47,186 ADS underlying each bond) or by paying and transferring a mix of cash and ADSs, in each case with a market value of USD 200,000. Additionally, Telenor may redeem the bonds at their USD 200,000 principal amount, together with accrued interest, for cash at any time on or after 12 October 2018 provided that the market value of the 47,186 VEON ADSs underlying each Bond is at least USD 260,000, effectively encouraging bondholders to exercise their exchange right and accelerating Telenor's divestment of its VEON ADSs.

The Bonds are listed on the Open Market (Freiverkehr) segment of Frankfurt stock exchange.

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

	31 March 2017	
NOK in millions	Carrying amount	Fair value
Interest-bearing liabilities	(67 534)	(69 953)
of which fair value level 1		(52 019)
of which fair value level 2		(17 934)

	31 December 2017	
	Carrying amount	Fair value
Interest-bearing liabilities	(74 296)	(77 327)
of which fair value level 1		(58 556)
of which fair value level 2		(18 771)

	31 March 2017	
	Carrying amount	Fair value
Interest-bearing liabilities	(85 493)	(89 023)
of which fair value level 1		(61 505)
of which fair value level 2		(27 518)

Note 5 – 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 2017 for valuation methodologies. The financial derivatives are classified in the consolidated statement of financial position as disclosed in the table:

NOK in millions	31 March 2018	31 December 2017	31 March 2017
Other non-current assets	2 642	2 430	2 229
Other current financial assets	270	707	1 075
Non-current non-interest-bearing liabilities	(539)	(953)	(2 891)
Non-current interest-bearing liabilities	-	-	(20)
Current non-interest-bearing liabilities	(740)	(1 793)	(2 124)
Total	**1 633**	**391**	**(1 731)**

Note 6 – Events after the reporting period

Digi – Malaysia

On 13 April 2018, the Board of Directors of Digi declared the first interim dividend for 2018 of MYR 0.049 per share, which corresponds to approximately NOK 0.8 billion total dividend and approximately NOK 0.4 billion for Telenor ownership share.

dtac - Thailand

On 23 April 2018, Telenor and the state enterprise TOT signed the partnership agreement to launch 4G services on TOT's 2300 MHz spectrum. TOT holds 60 MHz of TDD spectrum in the 2300 MHz frequency band. dtac will build a network based on this spectrum and have the right to utilize up to 60% of the capacity in this network, for a fixed annual fee of THB 4.5 billion (approx. NOK 1.1 billion). The collaborative framework last through 2025.

Note 7 – Segment information and reconciliation of ebitda before other income and other expenses

Telenor Capture AS, previously reported as part of Other units, is now reported as part of Telenor Norway. Telenor Capture AS delivers apps like MyTelenor and MyContacts. The segment information for 2017 has been restated to reflect this.

The segment information is reported in accordance with the reporting to Group Executive Management (chief operating decisionmakers) and is consistent with financial information used for assessing performance and allocating resources. For the period 2017 and 2018 the accounting principles as applied in the financial statements for 2017 are used, meaning the effect of IFRS 15 in 2018 is excluded in the segment reporting.

The operations

First quarter

	Total revenues			of which internal		EBITDA before other income and other expenses[1]				Investments[2]	
(NOK in millions)	2018	2017 Restated	Growth	2018	2017 Restated	2018	Margin	2017 Restated	Margin	2018	2017 Restated
Norway	6 319	6 241	1.3%	84	89	2 765	43.8%	2 579	41.3%	720	1 155
Sweden	3 193	3 056	4.5%	10	11	1 070	33.5%	920	30.1%	301	307
Denmark	1 234	1 249	(1.2%)	23	20	248	20.1%	222	17.8%	93	108
dtac - Thailand	4 781	4 751	0.6%	20	29	2 073	43.4%	1 656	34.9%	615	1 076
Digi - Malaysia	3 191	2 989	6.8%	2	5	1 474	46.2%	1 353	45.3%	362	368
Grameenphone - Bangladesh	2 952	3 277	(9.9%)	-	-	1 701	57.6%	1 903	58.1%	1 977	480
Pakistan	1 772	2 029	(12.7%)	36	29	844	47.6%	989	48.7%	247	402
Myanmar	1 554	1 749	(11.2%)	56	68	667	42.9%	746	42.7%	206	270
Broadcast	1 489	1 488	0.1%	58	51	504	33.8%	461	31.0%	71	94
Other units	1 997	1 963	1.7%	1 080	894	(47)	nm	(240)	nm	126	210
Eliminations	(1 369)	(1 196)	(14.4%)	(1 369)	(1 196)	10	nm	(85)	nm	-	-
Group (IAS18)	27 113	27 596	(1.8%)	-	-	11 309	41.7%	10 504	38.1%	4 719	4 470
IFRS15 adjustments	25	-	-	-	-	22	nm	-	nm	-	-
Group (IFRS15)	**27 138**	**27 596**	**(1.7%)**	**-**	**-**	**11 330**	**41.8%**	**10 504**	**38.1%**	**4 719**	**4 470**

[1] The segment profit is EBITDA before other income and other expenses.

[2] Investments consist of capex and investments in businesses.

Reconciliation

	First quarter		Year
(NOK in millions)	2018	2017	2017
EBITDA	**11 155**	**10 371**	**44 828**
Other income	36	76	1 306
Other expenses	(212)	(209)	(1 172)
EBITDA before other income and other expenses	**11 330**	**10 504**	**44 694**

Definitions

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.

The principles for measurement of the alternative performance measures are in accordance with the principles used both for segment reporting in Note 7 and internal reporting to Group Executive Management (chief operating decisionmakers) and are consistent with financial information used for assessing performance and allocating resources.

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 first quarter 2018	Change YoY	Change first quarter 2017	Change YoY
Reported revenue growth	(483)	(1.8%)	(879)	(3.1%)
Impact using exchange rates for 2018	243		970	
M&A	(170)		(12)	
Organic revenue growth	**(410)**	**(1.5%)**	**79**	**0.3%**

Organic subscription and traffic revenue growth

Subscription and traffic revenues consist of revenues from mobile subscription and traffic, fixed telephony, fixed Internet/TV, fixed data services and Canal Digital DTH.

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

- it refers to the core revenue streams of the business making up more than 75% of total revenues and almost the entire gross profit for the Group;
- it provides additional information on underlying growth of the business within these core revenue streams, without the effect of certain factors unrelated to its operating performance;
- it is used for internal performance analysis; and
- it facilitates comparability of underlying growth with other companies (although neither "subscription and traffic revenues" nor the term "organic" are defined terms under IFRS and may not, therefore, be comparable with similarly titled measures reported by other companies).

Reconciliation

(NOK in millions)	Change first quarter 2018	Change YoY	Change first quarter 2017	Change YoY
Reported subscription and traffic revenue growth	(20)	(0.1%)	(544)	(2.5%)
Impact using exchange rates for 2018	231		799	
M&A	-		-	
Organic subscription and traffic revenue growth	**211**	**1.0%**	**255**	**1.2%**

Subscription and traffic revenues

	First quarter		Year
(NOK in millions)	2018	2017	2017
Mobile subscription and traffic	17 218	17 270	70 290
Fixed telephony	422	525	1 942
Fixed Internet/TV	2 229	2 133	8 873
Fixed data services	165	160	697
Canal Digital DTH	1 123	1 090	4 513
Subscription and traffic revenues	**21 157**	**21 177**	**86 314**
Other revenues	5 956	6 419	25 755
Total revenues	**27 113**	**27 596**	**112 069**

Operating expenditures (opex)

Operating expenditures (opex) is a key financial parameter for Telenor and is derived directly from the income statement, consisting of salaries and personnel cost and other operating expenses. Telenor's continuously effort to improve efficiencies makes opex a key financial parameter to follow. It is also used for internal performance analysis.

Reconciliation

(NOK in millions)	First quarter 2018	First quarter 2017	Year 2017
Salaries and personnel cost	(2 791)	(2 959)	(11 412)
Other operating expenditures	(6 799)	(7 419)	(29 034)
Operating expenditures	**(9 590)**	**(10 378)**	**(40 446)**

EBITDA before other income and other expenses

Earnings before interest, tax, depreciations and amortisations (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 amortisation expense related primarily to capital expenditures and acquisitions that occurred in the past, non-recurring items, as well as evaluating operating performance in relation to Telenor's competitors.

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

Organic EBITDA growth

Organic EBITDA growth is defined as EBITDA (before other income and other expenses) adjusted for the effects of acquisition and disposal of operations and currency effects. We believe that the measure provides useful and necessary information to investors, and other related parties for the following reasons:

- it provides additional information on underlying growth of the business without the effect of certain factors unrelated to its operating performance;
- it is used for internal performance analysis.

Reconciliation

(NOK in millions)	Change first quarter 2018	Change YoY	Change first quarter 2017	Change YoY
Reported EBITDA growth	804	7.7%	(142)	(1.3%)
Impact using exchange rates for 2018	217		357	
M&A	5		39	
Organic EBITDA growth	**1 026**	**10.0%**	**253**	**2.5%**

Capital expenditures

Capital expenditures (capex) are investments in tangible and intangible assets, excluding business combinations and asset retirement obligations. Capex is a measure of investments made in the operations in the relevant period and is useful to users of Telenor's financial information in evaluating the capital intensity of the operations. Capex is deemed to better gauge the actual investments committed in the period than in the purchases of property, plant and equipment (PPE) and intangible assets in the cash flow statement.

(NOK in millions)	First quarter 2018	First quarter 2017	Year 2017
Purchases of PPE and intangible assets (cash flow statement)	5 556	5 921	20 726
Working capital movement in respect of capital expenditure	(687)	(1 438)	940
Less:			
Asset retirement obligations	(23)	37	(377)
Discontinued operations	(160)	(134)	(983)
Capital expenditures	**4 687**	**4 386**	**20 307**
Licence and spectrum fee - capitalized	(1 616)	-	(3 052)
Capital expenditures excluding licence and spectrum fee	**3 070**	**4 386**	**17 255**
Revenue	27 113	27 596	112 069
Capex excl. Licences and spectrum/Revenues (%)	**11.3%**	**15.9%**	**15.4%**

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 licence obligations, less related current and non-current hedging instruments, financial instruments, such as debt instruments and derivatives, and cash and cash equivalents.

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

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

31 March 2017	31 March 2018	31 December 2017	31 December 2016
Non-current interest-bearing liabilities	47 433	51 587	53 041
Current interest-bearing liabilities	20 102	22 710	32 452
Less:			
Cash and cash equivalents	(20 959)	(22 546)	(26 135)
Adjustments:			
Licence obligations	(2 575)	(2 257)	(2 582)
Hedging instruments	(1 504)	(1 777)	(2 086)
Financial instruments	(340)	(849)	(1 004)
Net interest-bearing debt excluding licence obligations	**42 157**	**46 868**	**53 686**

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

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

Reconciliation

	First quarter		Year
(NOK in millions)	2018	2017	2017
Net cash flows from operating activities	8 607	8 857	40 723
Net cash flows from investing activities	(5 509)	(5 916)	(12 075)
Repayments of borrowings - licence obligations	-	(149)	(973)
Repayments of borrowings - supply chain financing	(166)	(284)	(221)
Dividends paid to and purchase of shares from non-controlling interest	(358)	(343)	(2 586)
Free cash flow	**2 575**	**2 166**	**24 867**

Mobile operations

Revenues

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

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 'Mobile 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 fixed internet 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 consists 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 and households in SMATV networks.

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

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