

Q2 – 2020

Interim report
January – June 2020



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Delivering critical services in demanding times

This quarter has brought unprecedented challenges for our customers and employees, as societies in the regions Telenor operates in have endured the COVID-19 pandemic and the impact of measures taken to stop it. In such a situation, providing our customers with critical services and ensuring our employees' health and safety has been our first priority. Despite the challenges, I am proud to say that during the past months, Telenor has taken a leap within digitalisation. We are now further increasing our focus on touch free operations, digital customer interactions and new ways of working.

Our operating model has given us flexibility to manage operations, cost and investments, contributing to an EBITDA growth of 1% and free cash flow of NOK 4 billion in the quarter. As expected, lockdowns have affected prepaid markets in Asia and global roaming revenues negatively. Combined with a reduction in new sales, this led to a decline in organic subscription and traffic revenues of 4%, which was offset by an opex reduction of 12%. The financial results this quarter are positively impacted by the strong performance of our operations in Norway and Finland, while Bangladesh and Pakistan, as expected, remain the most challenged prepaid markets.

Our strategy of growth, modernisation and responsible business has provided us with the ability to deliver critical services and manoeuvre in these demanding times. Going forward, we will use this experience to further enhance the execution of our modernisation journey. For 2020, we expect a low single digit percent decline in subscription and traffic revenues, stable organic EBITDA and around 13% capex to sales. We will continue to focus on cost management and capex to secure resilience in cash flow.

– Sigve Brekke, President and CEO



Key figures Telenor Group

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Revenues	30 903	26 917	61 856	53 505	113 666
Organic revenue growth (%)	(4.2)	0.9	(1.4)	0.7	1.2
Subscription and traffic revenues	23 753	20 480	47 620	40 867	85 954
Organic subscription and traffic revenue growth (%)	(3.6)	(0.4)	(0.9)	(0.1)	0.4
EBITDA before other income and other expenses	14 331	12 029	28 437	24 206	50 735
Organic EBITDA growth (%)	1.0	(3.5)	1.8	(3.4)	(2.7)
EBITDA before other income and other expenses/Revenues (%)	46.4	44.7	46.0	45.2	44.6
Net income attributable to equity holders of Telenor ASA	4 428	2 856	5 125	6 678	7 773
Capex excl. licences and spectrum	3 815	4 087	6 894	8 116	17 415
Total Capex	3 861	4 093	6 985	8 122	18 075
Free cash flow before M&A	3 995	(1 092)	6 659	495	3 831
Total free cash flow	3 579	(1 147)	7 353	1 404	(18 998)
Mobile subscriptions - Change in quarter/Total (mill.)	(3.2)	2.3	182.4	178.3	186.0

Second quarter 2020 summary¹⁾

- In the second quarter, subscription and traffic revenues decreased by 4% on an organic basis, driven by the loss of prepaid revenues in Asia as well as roaming revenues. Total reported revenues were NOK 30.9 billion. This is an increase of NOK 4.0 billion or 15%, driven by currency effects of NOK 2.8 billion as well as the consolidation of DNA.
- Currency adjusted opex excluding DNA decreased by NOK 1.1 billion or 12% in the second quarter. Reported opex increased by NOK 0.7 billion, as underlying cost reductions partly offset the increases related to the consolidation of DNA and currency development.
- EBITDA before other items grew by 1% or NOK 0.1 billion on an organic basis in the quarter, as substantial opex reductions were able to mitigate the revenue loss. Reported EBITDA before other items was NOK 14.3 billion and the EBITDA margin was 46%.
- Capex excluding licences, spectrum and leases was NOK 3.8 billion in the quarter, yielding a capex to sales ratio of 12%.
- Free cash flow before M&A was NOK 4.0 billion. Total free cash flow was NOK 3.6 billion.
- In May, Telenor ASA paid the first tranche of the dividend for 2019 to its shareholders of NOK 6.3 billion, or NOK 4.40 per share. The Annual General Meeting further approved to buy back shares from the Norwegian state related to the 2019/2020 share buyback programme, resulting in the recognition of an interest bearing liability of NOK 4.1 billion.
- The net debt to EBITDA ratio decreased from 2.3x at the end of the first quarter to 2.2x at the end of the second quarter.
- On 29 June 2020, the EFTA Surveillance Authority (ESA) issued a decision against Telenor concerning abuse of dominant position. Based on the decision, Telenor has recognised a provision of NOK 1.2 billion in the second quarter. The decision will be appealed to the EFTA court. See Note 6 *Legal disputes* for further information.

¹⁾ Please refer to Definitions on page 27 for descriptions of alternative performance measures. Some of the comments on the Group's financial results for the second quarter 2020 are made excluding DNA. Please refer to page 9 for the Group's consolidated figures in NOK for DNA.

COVID-19 impact on Telenor's business

As a consequence of the outbreak of the COVID-19 pandemic, all countries that Telenor operates in have implemented mobility restrictions and lockdown measures from March. While these restrictions have been relaxed towards the end of the second quarter, they have had visible impact on Telenor's business, both financially as well as with regard to risk management and Telenor's way of conducting day-to-day business.

The temporary lockdown of physical retail channels has led to a significant decline in sales, impacting revenues negatively especially in our Asian prepaid markets, as these are cash dominated societies dependent on people's ability to make physical transactions. While lockdowns have impacted sales negatively, the reduced market activity has led to significant savings in commissions and marketing costs. In some Asian markets, telecom operators have, together with local authorities, decided to temporarily offer free data packages, instantly compromising revenues, or local authorities have temporarily abolished price floors. Mobility and travel restrictions in all markets have led to a significant decrease in inbound and outbound roaming, affecting our Nordic operations in particular. The pressure on roaming revenues is likely to remain after travel restrictions are lifted, as consumers and companies might remain hesitant to travel abroad. Data traffic in our Nordic markets has shifted from mobile data to fixed fibre or DSL, as customers spend more time at home.

The oil price drop resulted in lower energy costs for fuelling parts of our networks, but also impacts the value of the Norwegian Krone (NOK). The NOK is particularly vulnerable towards strong currencies such as USD and EUR. A weak NOK will impact the value of investment in foreign operations when translating financial statements into Norwegian Kroner. Telenor Group seeks to hedge its net investment in foreign operations by allocating currency debt on the basis of relevant market values and market capabilities, and hence the currency volatility will also impact the reported net debt for the Group. Liquidity risk remains low and financial flexibility is maintained through a diversified set of funding sources including the multicurrency revolving credit facility refinanced in April. The weaker economic outlook and uncertain macroeconomic developments in many of Telenor's markets have so far not only led to increased volatility in the foreign exchange markets, but have also increased the risk for additional tax pressure in some countries.

In response to these developments, Telenor has shifted its sales activities towards digital channels to offset physical distribution risk, and will continue to focus on monetising the increasing demand for connectivity. The Group quickly implemented a taskforce for "Risk and Business Continuity" and has managed to successfully adjust opex and capex levels to preserve cash flow. Telenor has further been able to rapidly adjust to the mobility restrictions by enabling work-from-home solutions, ensuring seamless business continuity and employee safety, and has accelerated its digitalisation plans with regard to zero touch operations and automation. Telenor maintains its strategic direction, while closely monitoring revised expectations for economic development and changed risk profiles globally and in our markets.

For more details on the financial impact of COVID-19 on Telenor's business and financial results, please refer to pages 3–5 for a description of the impact on the Group's consolidated figures, the Interim report on Telenor's operations for market specific information, as well as Note 9 *COVID-19*.

Outlook for 2020

For 2020, we expect a low single digit percent decline in subscription and traffic revenues, stable organic EBITDA compared to 2019 and around 13% capex to sales. We will continue to focus on cost management and capex to secure resilience in cash flow.

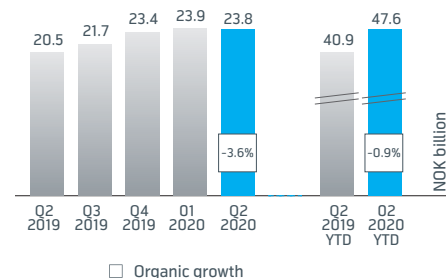
Group performance in the second quarter 2020¹⁾

SUBSCRIPTION AND TRAFFIC REVENUES

Reported subscription and traffic revenues grew by 16%. On an organic basis, subscription and traffic revenues declined by 4%. Lockdowns and reduced activity in all of our markets due to the COVID-19 pandemic weighed on prepaid and roaming revenues. April was most heavily impacted, with a gradual improvement towards the end of the quarter.

For Telenor Norway, continued strong fibre growth offset a roaming driven decline in mobile subscription and traffic revenues, resulting in 1% subscription and traffic revenue growth. Our operation in Myanmar reported 8% growth in subscription and traffic revenues, as both customer base and data usage continued to grow. Grameenphone in Bangladesh saw revenues being impacted substantially, as the lockdown was upheld until the end of May, followed by partial restrictions, strongly limiting sales activity in the market. In Thailand, dtac's subscription and traffic revenues fell by 4%, driven by the loss of prepaid customers and lower prepaid ARPU, with tourist-related revenues being reduced by almost 80%. Also Digi in Malaysia reported a revenue decline of 4%, driven by prepaid subscribers losses and lower roaming revenues. Telenor Pakistan reported a significant decline in subscription and traffic revenues as well, and recorded 70% lower gross customer intake during the lockdown. In Sweden, subscription and traffic revenues decreased by 7%, driven by further deterioration of mobile ARPU in both the consumer and business segment also due to the loss of roaming revenues.

In the first half of 2020, subscription and traffic revenues decreased by 1% on an organic basis.

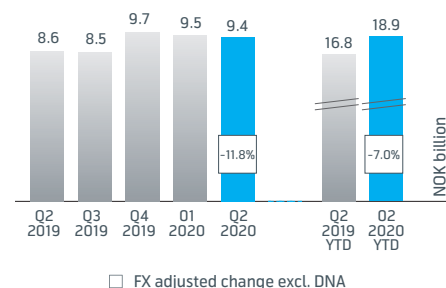


OPERATING EXPENSES (OPEX)

Reported opex increased by NOK 0.7 billion in the quarter, as the inclusion of DNA and currency effects offset underlying decreases across all operations. On a currency adjusted basis and excluding DNA, opex decreased by NOK 1.1 billion, or 12%.

Sales and marketing costs decreased in all Asian operations given lower market activity in the light of COVID-19 related lockdowns as well as a provision in Grameenphone last year. Structural modernisation initiatives across the Group both this year and last year resulted in lower personnel cost, especially in Norway and Corporate Functions, but also in dtac, Digi and Pakistan. In addition, business travel activity as well as consultancy costs have been reduced substantially during the quarter.

In the first half of 2020, opex decreased by NOK 1.3 billion on a currency adjusted basis and excluding DNA. A large part of this reduction was a result of lower commissions and marketing spend in all business units except for Myanmar. The other main contributors to the opex reductions were personnel costs reductions as well as lower travel and consultancy costs.



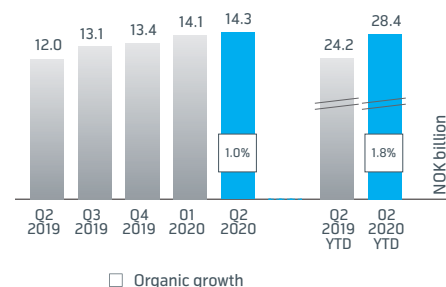
¹⁾ The comments are related to Telenor's development in the second quarter of 2020 compared to the second quarter of 2019 and are based on current Group structure unless otherwise stated. Please refer to Definitions on page 27 for descriptions of alternative performance measures.

EBITDA BEFORE OTHER INCOME AND OTHER EXPENSES (EBITDA)

Reported EBITDA increased by NOK 2.3 billion and the EBITDA margin was 46%, 2 percentage points higher than last year. On an organic basis, EBITDA grew by 1% or NOK 0.1 billion.

Good overall performance in Myanmar and Norway and cost reductions in dtac were the main contributors to the EBITDA improvement in the second quarter. In general, opex reductions in all business units and Corporate Functions mitigated the revenue loss to a large extent. In Digi and Telenor Sweden however, the top-line decline outweighed the cost reductions, leading to a significant decline in EBITDA.

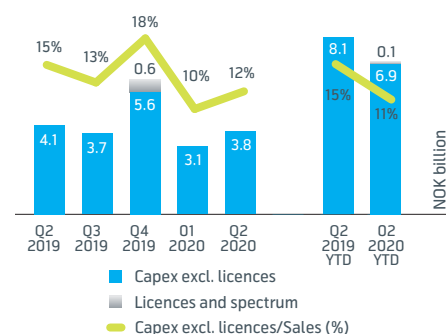
Year to date, EBITDA increased by 2% on an organic basis, despite the negative impact of COVID-19 on revenue development. The improvement was driven by good overall performance in the first quarter and substantial opex reductions in the second quarter. Reported EBITDA increased by NOK 4.2 billion to NOK 28.4 billion.



CAPITAL EXPENSES (CAPEX)

Capex excluding licences and spectrum was NOK 3.8 billion in the quarter, which corresponds to a capex to sales ratio of 12%. Compared to the same period last year, capex decreased by NOK 0.3 billion. This was primarily due to prudent prioritisation and retention of funds in order to ensure flexibility for the remainder of 2020 given the uncertainty caused by the COVID-19 pandemic.

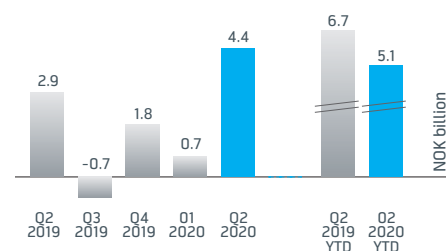
Year to date, capex excluding licences and spectrum decreased by NOK 1.2 billion to NOK 6.9 billion, yielding a capex to sales ratio of 11%. In addition to the relatively low spend in the second quarter, capex in the first quarter was low due to high investment levels in Thailand last year and import restrictions in Bangladesh in the beginning of this year.



NET INCOME

Reported net income to equity holders of Telenor ASA in the second quarter was NOK 4.4 billion, which is an increase of NOK 1.6 billion. Operating profit decreased by NOK 0.8 billion, mainly due to the provision of NOK 1.2 billion for the ESA fine and increased depreciations primarily in Norway and dtac. However, net income still increased as a result of improved net financial items due to net currency gains of NOK 1.5 billion in the quarter, as well as increased profits from discontinued operations given the gain on the disposal of Canal Digital of NOK 1.7 billion.

In the first half of the year, net income to equity holders of Telenor ASA decreased by NOK 1.6 billion to NOK 5.1 billion, primarily as a result of higher depreciations, the ESA fine provision and net currency losses of NOK 1.2 billion, partly offset by the gain on the disposal of Canal Digital.

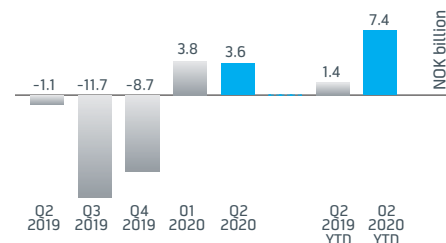


¹⁾ The comments are related to Telenor's development in the second quarter of 2020 compared to the second quarter of 2019 and are based on current Group structure unless otherwise stated. Please refer to Definitions on page 27 for descriptions of alternative performance measures.

FREE CASH FLOW

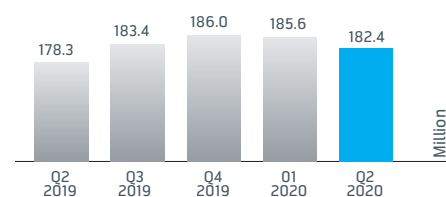
Free cash flow before M&A was NOK 4.0 billion in the second quarter, which is an increase of NOK 5.1 billion compared to last year. The increased cash flow was mainly a result of higher EBITDA, but also lower taxes paid and improved working capital. Free cash flow this year was negatively impacted by the second instalment on the deposit to BTRC in Bangladesh of NOK 1.1 billion, while cash flow last year was negatively impacted by the CAT settlement payment of over NOK 2 billion. Total free cash flow was NOK 3.6 billion, including negative net deconsolidation effects related to the recognition of Canal Digital as a joint venture of NOK 0.5 billion.

In the first half year, free cash flow before M&A was NOK 6.6 billion, which is NOK 6.2 billion higher than last year. The improvement was mainly a result of higher EBITDA as well as positive working capital development and lower taxes. Total free cash flow in the first half of 2020 was NOK 7.4 billion, including NOK 1.2 billion from the first of four instalments received related to the sale of our operations in Central and Eastern Europe in 2018, as well as the net deconsolidation effect related to Canal Digital.



MOBILE SUBSCRIPTIONS

The Group's mobile subscription base decreased by 3.2 million this quarter to 182 million. The decrease was entirely explained by substantial customer losses in Asia, almost solely prepaid customers. In Pakistan the subscriber base decreased by 1.4 million, while Grameenphone and dtac lost 0.8 million subscribers, respectively. Digi's mobile customer base fell by 0.4 million. Our operation in Myanmar however managed to further increase its customer base by another 0.2 million. Our Danish operation was able to build on the positive momentum from the last months and reported an increase in its mobile subscription base of 11,000.



¹⁾ The comments are related to Telenor's development in the second quarter of 2020 compared to the second quarter of 2019 and are based on current Group structure unless otherwise stated. Please refer to Definitions on page 27 for descriptions of alternative performance measures.

Interim report

Telenor's operations

The comments and financial figures for Telenor's segments are related to the development in the second quarter of 2020 compared to the second quarter of 2019 in local currency, unless otherwise stated. On 30 April 2020, the joint venture between Telenor Group and Nordic Entertainment Group (NENT Group), combining their satellite-based entertainment businesses, was approved by the European Commission and the transaction was closed on 5 May 2020. Consequently, Canal Digital is no longer classified as discontinued operations. See note 3 for further information. The previously reported Broadcast segment has been dissolved and the continued operations Telenor Satellite and other companies including holding companies have been moved to the Other units segment. Norkring has been demerged into two businesses, of which one was merged with Telenor Norway, while the other became part of the newly established infrastructure company Telenor Infra. Financial figures for both Norway and Other units have been restated. See note 10 for further information. Please refer to Definitions on page 27 for descriptions of alternative performance measures. All comments on EBITDA are made on development in EBITDA before other income and other expenses. Please refer to page 13 for 'Specification of other income and other expenses'. Additional information is available at: www.telenor.com/ir

Norway

In Norway, EBITDA increased by 1%, or 3% adjusted for the structural changes related to the Norkring merger and the establishment of Telenor Infra, despite the negative impact of the roaming revenue loss resulting from COVID-19 restrictions. The improvement was driven by continued growth in revenues and the effects of ongoing modernisation and efficiency initiatives, supported by significant investments in both the fixed and mobile network.

Mobile subscription and traffic revenues decreased by 1%. This includes a 3 percentage points negative impact from lower roaming revenues. Mobile ARPU increased by 2%, as lower roaming revenues were offset by increased demand for value added services like insurance and security. Mobile subscriptions decreased by 21,000 in the quarter, mainly from prepaid losses. Within the fixed segment, 14,000 fibre, 18,000 fixed wireless access and 8,000 new TV subscriptions were added, contributing to a 3% increase in fixed subscription and traffic revenues despite the continued decline in copper revenues. Total subscription and traffic revenues increased by 1%.

Opex decreased by 7% due to reductions across all cost categories resulting from modernisation and efficiency efforts. The EBITDA margin increased by 1 percentage point to 48%. The reduction in operating profit was mainly related to the provision for the ESA fine and increased depreciation resulting from the ongoing network modernisation.

NOK in million	Second quarter		First half year		Year 2019
	2020	2019	2020	2019	
Revenues mobile operation					
Subscription and traffic	2 746	2 765	5 520	5 488	11 140
Interconnect	108	121	217	236	475
Other mobile	270	245	526	505	1 027
Non-mobile	733	618	1 458	1 223	2 697
Total revenues mobile operation	3 858	3 750	7 721	7 452	15 339
Revenues fixed operation					
Telephony	212	249	433	523	1 018
Internet and TV	1 610	1 510	3 203	3 028	6 168
Data services	122	122	245	243	485
Other fixed	278	365	585	710	1 461
Total retail revenues	2 222	2 246	4 465	4 504	9 133
Wholesale	402	488	809	970	1 920
Total revenues fixed operation	2 625	2 734	5 274	5 474	11 053
Total revenues	6 482	6 483	12 995	12 926	26 392
Gross profit	5 009	5 118	10 062	10 230	20 532
Operating expenses	(1 923)	(2 055)	(3 852)	(4 073)	(7 920)
EBITDA before other items	3 086	3 063	6 210	6 158	12 612
Operating profit	369	1 751	1 685	3 494	7 135
EBITDA before other items/Total revenues (%)	47.6	47.2	47.8	47.6	47.8
Capex	1 482	1 452	2 822	2 488	5 854
Statistics (monthly in NOK):					
Mobile ARPU	335	330	335	326	332
Fixed Telephony ARPU	248	225	245	231	239
Fixed Internet ARPU	423	383	422	381	395
TV ARPU	328	326	328	331	329
No. of subscriptions – Change in quarter/Total (in thousands):					
Mobile	(21)	(19)	2 831	2 904	2 886
Fixed telephony	(22)	(16)	273	360	314
Fixed Internet	(2)	(7)	812	834	819
TV	8	-	586	556	571

Comparative figures for 2019 for Norway have been restated. Norkring, the provider of digital terrestrial TV and radio transmission, has been demerged into two businesses, of which one was merged with Telenor Norway, while the other became part of the newly established infrastructure company Telenor Infra. See note 10 for further information. Since 1 January 2020, Telenor Infra operates all passive infrastructure in Norway previously operated by Telenor Norway, Norkring and Telenor Real Estate. Hence, year on year developments in reported financial figures do not fully reflect Telenor Norway's underlying development and comments on the latter are made where deemed appropriate.

Sweden

In Sweden, price pressure persisted, and COVID-19 restrictions resulted in a substantial fall in roaming revenues. However, we saw positive signs with regard to subscriber development, with lower churn and a stabilisation of the mobile consumer subscriber base in the quarter.

Mobile subscription and traffic revenues decreased by 8%, driven primarily by lower ARPU, both in the business and the consumer segment, in addition to a lower customer base compared to the same period last year. Fixed subscription and traffic revenues fell by 4% as the decrease in legacy revenues was not fully compensated by growth in fibre revenues. High speed internet subscriptions increased by 9,000 in the period.

Opex decreased by 7%, driven by lower operations and maintenance cost as well as lower consultancy cost. EBITDA decreased 12% as a result of lower mobile revenues and lower margins in the fixed portfolio. This was partly offset by opex reductions.

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Revenues mobile operation					
Subscription and traffic	1 450	1 401	2 888	2 863	5 728
Interconnect	119	131	230	259	524
Other mobile	111	117	211	210	434
Non-mobile	510	440	1 002	931	2 046
Total revenues mobile operation	2 190	2 089	4 330	4 263	8 732
Revenues fixed operation					
Telephony	39	36	77	76	149
Internet and TV	706	652	1 391	1 310	2 632
Data services	42	40	83	78	151
Other fixed	59	61	115	139	281
Total retail revenues	847	788	1 666	1 603	3 212
Wholesale	79	61	153	119	251
Total revenues fixed operation	926	849	1 819	1 722	3 464
Total revenues	3 116	2 938	6 150	5 985	12 195
Gross profit	2 035	1 989	4 041	3 992	7 975
Operating expenses	(915)	(867)	(1 789)	(1 712)	(3 308)
EBITDA before other items	1 120	1 121	2 252	2 280	4 667
Operating profit	419	617	962	1 273	2 494
EBITDA before other items/Total revenues (%)	35.9	38.2	36.6	38.1	38.3
Capex	324	330	623	640	1 310
Investments in businesses	-	-	5	-	-
Statistics (monthly in NOK):					
Mobile ARPU	192	187	190	191	190
Fixed Telephony ARPU	36	32	33	33	32
Fixed Internet ARPU	240	212	234	212	214
TV ARPU	140	143	141	143	143
No. of subscriptions – Change in quarter/Total (in thousands):					
Mobile	(2)	13	2 721	2 741	2 760
Fixed telephony	(4)	(4)	123	140	131
Fixed Internet	3	2	692	685	685
TV	3	-	481	477	479
Exchange rate (NOK/SEK), average for the period			1.0065	0.9250	0.9302

Denmark

The combination of strengthened retail channels and sales through non-physical customer service resulted in the acquisition of 11,000 new mobile customers this quarter. The COVID-19 situation drove demand for larger data packs, only partly compensating for the decline in roaming revenues. As a result, ARPU fell by 3%, and subscription and traffic revenues decreased by 5%. Together with higher handset cost, this resulted in 9% lower EBITDA, despite continued opex reductions.

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Revenues mobile operation					
Subscription and traffic	751	692	1 487	1 405	2 833
Interconnect	69	58	136	114	230
Other mobile	81	77	146	138	266
Non-mobile	298	247	582	501	1 166
Total revenues mobile operation	1 199	1 073	2 351	2 158	4 495
Revenues fixed operation					
Telephony	31	28	59	57	112
Internet and TV	92	87	179	176	348
Data services	7	7	13	14	25
Total revenues fixed operation	130	122	251	246	485
Total revenues	1 328	1 195	2 602	2 404	4 980
Gross profit	817	765	1 613	1 530	3 012
Operating expenses	(489)	(448)	(961)	(905)	(1 755)
EBITDA before other items	328	317	652	625	1 257
Operating profit	52	188	126	230	353
EBITDA before other items/Total revenues (%)	24.7	26.5	25.1	26.	25.3
Capex	119	120	259	190	472
Statistics (monthly in NOK):					
Mobile ARPU	166	150	165	151	154
No. of subscriptions – Change in quarter/Total (in thousands):					
Mobile	11	(12)	1 654	1 659	1 637
Fixed telephony	(2)	(3)	33	41	38
Fixed Internet	(1)	(4)	107	115	107
Exchange rate (NOK/DKK), average for the period			1.4382	1.3031	1.3191

DNA – Finland¹⁾

In Finland, DNA continued to deliver solid growth in subscription and traffic revenues. Focus on the 5G roll-out is high, and DNA's 5G network now covers 20 cities, and the sale of 5G subscriptions is progressing well. COVID-19 restrictions mainly impacted handset sales.

Total subscription and traffic revenues grew by 3%. Mobile subscription and traffic revenues increased by 4% driven by continued upselling to higher speeds for existing mobile customers. Total revenues decreased by 2% due to lower handset sales and the impact from the sale of antenna customers to Digita in the first quarter this year.

EBITDA increased by 3% primarily driven by subscription and traffic revenue growth.

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Revenues mobile operation					
Subscription and traffic	1 377	-	2 681	-	1 756
Interconnect	114	-	221	-	141
Other mobile	27	-	56	-	38
Non-mobile	411	-	836	-	689
Total revenues mobile operation	1 929	-	3 794	-	2 623
Revenues fixed operation					
Telephony	52	-	94	-	60
Internet and TV	393	-	770	-	518
Other fixed	86	-	161	-	178
Total retail revenues	531	-	1 026	-	757
Wholesale	43	-	83	-	54
Total revenues fixed operation	574	-	1 109	-	811
Total revenues	2 503	-	4 903	-	3 434
Gross profit	1 883	-	3 667	-	2 391
Operating expenses	(1 000)	-	(1 949)	-	(1 361)
EBITDA before other items	883	-	1 718	-	1 030
Operating profit	250	-	519	-	205
EBITDA before other items/Total revenues (%)	35.3	-	35.0	-	30.0
Capex	379	-	557	-	854
Statistics (monthly in NOK):					
Mobile ARPU	185	-	180	-	160
Fixed Telephony ARPU	510	-	465	-	418
Fixed Internet ARPU	181	-	174	-	165
TV ARPU	55	-	58	-	61
No. of subscriptions – Change in quarter/Total (in thousands):					
Mobile	(14)	-	2 676	-	2 696
Fixed telephony	(1)	-	33	-	36
Fixed Internet	206	-	756	-	542
Fixed TV	(8)	-	284	-	330
Exchange rate (NOK/EUR), average for the period			10.7358	9.7277	9.8484

¹⁾ The table shows financial figures for 2019 from the time of consolidation (21 August 2019) for the year 2019. The comments above refer to the development in the second quarter 2020 compared to same period last year, based on DNA's actual figures.

dtac - Thailand

In Thailand, dtac's performance was negatively impacted by border closures and travel restrictions in response to COVID-19, which resulted in a significant drop in roaming and tourist revenues. As a COVID-19 relief measure, telecom operators came together with the Thai government and offered 10 GB of free data and 100 free voice minutes to customers. This initiative had further negative impact on revenues.

Subscription and traffic revenues declined by 4%. Postpaid revenues continued to grow, but at a slower pace as a result of lower customer intake, higher churn and a shift towards lower value subscriptions. The number of mobile subscriptions decreased by 0.8 million in the second quarter.

Opex decreased by 13% mainly due to lower sales and marketing costs, renegotiated rental rates and capitalisation of some lease contracts. These cost reductions were partly offset by increased operations and maintenance costs.

EBITDA improved by 5%, as the opex reduction more than offset the revenue decline.

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Revenues mobile operation					
Subscription and traffic	4 560	4 137	9 174	8 148	17 279
Interconnect	127	148	255	292	621
Other mobile	38	25	91	79	136
Non-mobile	1 289	1 168	2 590	2 242	5 013
Total revenues mobile operation	6 013	5 478	12 110	10 761	23 048
Total revenues	6 013	5 478	12 110	10 761	23 048
Gross profit	3 973	3 550	7 943	6 991	14 773
Operating expenses	(1 433)	(1 432)	(3 074)	(2 868)	(6 125)
EBITDA before other items	2 540	2 117	4 869	4 124	8 647
Operating profit	856	745	1 586	1 382	2 747
EBITDA before other items/Total revenues (%)	42.2	38.7	40.2	38.3	37.5
Capex	432	637	694	1 820	3 683
Statistics (monthly in NOK):					
Mobile ARPU	82	69	80	67	72
No. of subscriptions - Change in quarter/ Total (in thousands):					
Mobile	(835)	(93)	18 790	20 633	20 642
Exchange rate (NOK/THB), average for the period			0.3087	0.2724	0.2838

Digi - Malaysia

In Malaysia as well, the lockdown, border closures and travel restrictions in response to COVID-19 impacted Digi's revenues negatively. Telecom operators came together with the Malaysian government and offered 1 GB of free daily data to customers until the beginning of June as a relief measure, putting additional pressure on revenues.

Subscription and traffic revenues declined by 4%. Postpaid revenues increased, but this improvement was outweighed by the prepaid decline.

Opex decreased by 7%, driven by a reduction in sales and marketing costs, fully offsetting increase in network related costs. However, these cost savings were more than offset by the decrease in gross profit resulting from the revenue decrease and the shift in product mix towards lower margin revenues. As a result, EBITDA declined by 9%.

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Revenues mobile operation					
Subscription and traffic	2 933	2 743	5 943	5 512	11 336
Interconnect	57	86	114	169	347
Other mobile	29	36	62	69	120
Non-mobile	345	362	784	640	1 572
Total revenues mobile operation	3 364	3 228	6 903	6 390	13 375
Total revenues	3 364	3 228	6 903	6 390	13 375
Gross profit	2 626	2 585	5 265	5 113	10 328
Operating expenses	(841)	(811)	(1 756)	(1 660)	(3 304)
EBITDA before other items	1 786	1 774	3 509	3 453	7 025
Operating profit	1 029	1 128	2 058	2 170	4 463
EBITDA before other items/Total revenues (%)	53.1	55.0	50.8	54.0	52.5
Capex	412	538	727	894	1 599
Statistics (monthly in NOK):					
Mobile ARPU	93	83	93	83	90
No. of subscriptions - Change in quarter/ Total (in thousands):					
Mobile	(385)	112	10 623	11 364	11 281
Exchange rate (NOK/MYR), average for the period			2.2912	2.0900	2.1239

Grameenphone - Bangladesh

In Bangladesh, Grameenphone's continuous revenue growth turned into a decline in the second quarter. This was a result of the lockdown and restrictions as a COVID-19 countermeasure, leading to an economic downturn.

Subscription and traffic revenues decreased by 8% mainly due to the decline in voice revenues. The revenue development also reflects the impact of lower customer intake in the first quarter due to the number series scarcity, the supplementary duty increase and SIM tax increase from mid-2019 and restrictions on equipment import approvals imposed by regulator until the end of the first quarter. On 11 June 2020, the National Board of Revenue (NBR) increased the supplementary duty by another 5 percentage points from 10% to 15%. In the quarter, Grameenphone lost 0.8 million subscribers.

Opex decreased by 25% as a result of lower sales and marketing costs given lower market activity, also positively impacted by the provision of NOK 0.3 billion last year. EBITDA increased by 2%, but decreased by 10% when excluding the provision last year and a COVID-19 related donation this year.

Following an Appellate Division order, Grameenphone deposited the second instalment of NOK 1.1 billion of the NOK 2.2 billion deposit to BTRC on 19 May 2020. The first instalment was paid during first quarter. See note 6 for further details. The import restrictions imposed by BTRC have been gradually lifted since the end of March after Grameenphone had complied with the order.

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Revenues mobile operation					
Subscription and traffic	3 684	3 466	7 506	6 814	14 053
Interconnect	172	172	349	337	691
Other mobile	6	3	13	7	17
Non-mobile	50	42	101	95	220
Total revenues mobile operation	3 913	3 683	7 970	7 253	14 980
Total revenues	3 913	3 683	7 970	7 253	14 980
Gross profit	3 656	3 471	7 468	6 838	14 098
Operating expenses	(1 215)	(1 396)	(2 464)	(2 518)	(4 879)
EBITDA before other items	2 441	2 075	5 005	4 321	9 218
Operating profit	1 672	1 475	3 583	3 079	6 668
EBITDA before other items/Total revenues (%)	62.4	56.3	62.8	59.6	61.5
Capex	288	363	332	788	1 825
Statistics (monthly in NOK):					
Mobile ARPU	17	16	17	16	16
No. of subscriptions - Change in quarter/ Total (in thousands):					
Mobile	(802)	1 277	74 531	75 330	76 462
Exchange rate (NOK/BDT), average for the period			0.1151	0.1023	0.1043

Pakistan

In Pakistan, subscription and traffic revenues declined by 11%, mainly caused by the COVID-19 lockdown impacting prepaid sales, in addition to lower ARPU. Gross subscriber intake declined significantly in April and May, leading to a loss of 1.4 million subscribers in the quarter. The mobile customer base closed at 45.1 million, which is 3% higher than last year.

EBITDA decreased by 1%, as opex reductions due to lower market activity and stringent cost control were not sufficient to fully offset the revenue decline. Non-recurring items this quarter had a positive impact on EBITDA of approximately 11 percentage points.

The renewal of Telenor Pakistan's GSM license, which expired on 25 May 2019, is still not concluded. A hearing was scheduled for 9 April 2020, however the hearing has been postponed for the time being due to the COVID-19 situation. In the second quarter, Telenor Pakistan paid an instalment of approximately NOK 0.6 billion for the deposit related to the licence renewal.

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Revenues mobile operation					
Subscription and traffic	1 214	1 317	2 508	2 792	5 190
Interconnect	201	210	397	403	796
Other mobile	5	6	9	11	19
Non-mobile	62	56	123	126	227
Total revenues mobile operation	1 483	1 589	3 037	3 332	6 232
Total revenues	1 483	1 589	3 037	3 332	6 232
Gross profit	1 304	1 345	2 641	2 825	5 274
Operating expenses	(479)	(547)	(957)	(1 071)	(2 106)
EBITDA before other items	825	798	1 685	1 754	3 168
Operating profit	310	365	638	906	1 374
EBITDA before other items/Total revenues (%)	55.7	50.3	55.5	52.6	50.8
Capex	227	422	588	808	1 446
Statistics (monthly in NOK):					
Mobile ARPU	10	12	11	12	11
No. of subscriptions - Change in quarter/ Total (in thousands):					
Mobile	(1 400)	(408)	45 078	43 851	45 389
Exchange rate (NOK/PKR), average for the period			0.0611	0.0604	0.0588

Myanmar

Telenor Myanmar reported a solid quarter driven by high demand for data services and connectivity. At the same time, the regulatory requirement to re-register SIM cards led to lower SIM sales. Furthermore, the price floor regulation has been temporarily abolished until the end of the third quarter, leading to lower prices in the market.

Subscription and traffic revenue growth was solid 8%, albeit lower than in the first quarter, as the temporarily lifted price regulation and SIM registration had negative impact. The ongoing rapid transition from voice to data services contributed to lower traffic costs and, combined with prudent cost management, led to an EBITDA improvement of 11%.

To comply with the directives issued by the Myanmar Post & Telecommunication Department, Telenor has deactivated non-compliant SIMs. This will be reflected in the subscription base in the third quarter.

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Revenues mobile operation					
Subscription and traffic	1 740	1 240	3 378	2 365	5 013
Interconnect	189	181	384	367	733
Other mobile	8	9	14	18	44
Non-mobile	2	2	3	7	11
Total revenues mobile operation	1 939	1 433	3 780	2 757	5 801
Total revenues	1 951	1 438	3 802	2 766	5 825
Gross profit	1 751	1 267	3 399	2 425	5 113
Operating expenses	(626)	(488)	(1 189)	(939)	(1 996)
EBITDA before other items	1 125	779	2 209	1 486	3 116
Operating profit	367	229	775	370	701
EBITDA before other items/Total revenues (%)	57.7	54.2	58.1	53.7	53.5
Capex	128	120	214	323	625
Statistics (monthly in NOK):					
Mobile ARPU	27	25	27	25	24
No. of subscriptions - Change in quarter/ Total (in thousands):					
Mobile	233	1 411	23 516	19 806	22 255
Exchange rate (NOK/MMK), average for the period			0.0070	0.0056	0.0059

Other units

Revenues in Other Units remained stable as the inclusion of the infrastructure company Infra and growth in Tapad offset the top line pressure in Global Wholesale, Telenor Maritime and Satellite.

EBITDA improved by NOK 0.2 billion mainly explained by better performance in Tapad and the inclusion of Infra as well as lower costs in Corporate Functions.

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Revenues					
Corporate Functions	448	497	883	994	1 894
Infra	434	-	862	-	-
Satellite	206	245	414	474	950
Other Businesses	1 029	1 398	2 066	2 723	5 276
Eliminations	(39)	(61)	(84)	(122)	(206)
Total revenues	2 078	2 079	4 141	4 069	7 914
Operating expenses	(1 068)	(1 167)	(2 108)	(2 295)	(4 546)
EBITDA before other items					
Corporate Functions	(95)	(164)	(180)	(176)	(524)
Infra	230	-	453	-	-
Satellite	143	170	286	324	672
Other Businesses	146	202	320	313	729
Eliminations	-	(1)	-	(1)	-
Total EBITDA before other items	423	208	880	460	877
Operating profit (loss)					
Corporate Functions	(153)	(347)	(301)	(389)	(841)
Infra	104	-	208	-	-
Satellite	76	86	152	168	382
Other Businesses	48	66	137	266	535
Eliminations	-	-	-	-	-
Total operating profit (loss)	76	(195)	196	45	77
Capex	69	111	169	171	407
Investments in businesses	-	-	-	-	27 807

Comparative figures for 2019 for Other units have been restated. Northing has been demerged into two businesses, of which one was merged with Telenor Norway, while the other became part of the newly established infrastructure company Telenor Infra. See note 10 for further information.

Group performance 2020

The comments below are related to Telenor's development in 2020 compared to 2019. From the fourth quarter 2019, Canal Digital has been classified as discontinued operations, but is no longer included in the Group's consolidated figures following the approval of the transaction (Joint venture with NENT Group) by the European Commission and subsequent closing. See note 3 for further information.

Specification of other income and other expenses

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
EBITDA before other income and other expenses	14 331	12 029	28 437	24 206	50 735
EBITDA before other income and other expenses (%)	46.4	44.7	46.0	45.2	44.6
Other income	5	40	10	40	46
Gains on disposals of fixed assets and operations	52	149	123	367	696
Losses on disposals of fixed assets and operations	(85)	(41)	(144)	(79)	(283)
Workforce reductions, onerous (loss) contracts and other	(1 342)	(249)	(1 670)	(432)	(917)
EBITDA	12 960	11 927	26 756	24 102	50 276
EBITDA margin (%)	41.9	44.3	43.3	45.0	44.2

In the second quarter, Telenor recognised a provision of NOK 1.2 billion based on the decision from ESA concerning the alleged insufficient margins between Telenor's wholesale prices and prices for mobile broadband to residential customers when sold on a stand-alone basis, see Note 6 *Legal disputes*. Additional other expenses consisted mainly of workforce reductions (of which NOK 76 million in Grameenphone and NOK 66 million in Telenor Sweden). In the second quarter last year, other expenses consisted mainly of workforce reductions and loss contracts (of which NOK 157 million in Corporate functions and NOK 46 million in Telenor Norway), partly offset by a gain in Telenor Denmark of NOK 119 million related to sale and partial leaseback of assets.

For the first half year 2020, other expenses consisted mainly of the above mentioned provision of NOK 1.2 billion, workforce reductions (of which NOK 199 million in Telenor Norway, NOK 95 million in Telenor Sweden and NOK 77 million in Grameenphone), partly offset by gains on disposals of fixed assets and operations in Telenor Real Estate of NOK 59 million. In the first half of 2019, other expenses were mainly related to workforce reductions and loss contracts (of which NOK 174 million in Corporate Functions and NOK 113 million in Telenor Norway), partly offset by a NOK 208 million gain on partial disposal of Digital Money Myanmar (Wave Money), and the above mentioned gain of NOK 119 million in Telenor Denmark.

Operating profit

Reported operating profit decreased by NOK 0.7 billion to NOK 12.0 billion. EBITDA improved by NOK 2.7 billion to NOK 26.8 billion, of which NOK 1.7 billion were a result of the consolidation of DNA. The provision for the ESA fine as well as higher depreciations more than offset this positive development. The increase in depreciations was mainly due to currency effects of NOK 0.7 billion and the consolidation of DNA with an effect of NOK 0.6 billion. In addition, fibre investments and accelerated depreciation on copper infrastructure in Norway as well as higher capitalisation in Thailand increased depreciation by NOK 0.3 billion and NOK 0.1 billion, respectively.

Financial items

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Financial income	175	187	344	721	1 354
Financial expenses	(1 263)	(1 291)	(2 517)	(2 430)	(5 031)
Net currency gains (losses)	1 486	151	(1 168)	568	(282)
Net change in fair value of financial instruments	(108)	70	(626)	8	60
Net gains (losses and impairment) of financial assets and liabilities	12	(1)	13	18	15
Net financial income (expenses)	303	(884)	(3 953)	(1 114)	(3 884)
Gross interest expenses related to interest bearing liabilities and lease liabilities	(1 042)	(1 160)	(2 116)	(2 179)	(4 561)
Net interest expenses	(909)	(1 013)	(1 855)	(1 904)	(3 917)

Net financial items in the first half of 2020 amounted to negative NOK 4.0 billion, compared to negative NOK 1.1 billion last year. Financial income in the first half of 2019 includes dividend from VEON of NOK 375 million.

Net currency losses were NOK 1.2 billion, compared to a gain of NOK 0.6 billion last year. The net currency losses are mainly related to liabilities denominated in USD. Liabilities in other currencies than USD are to a large extent used for net investment hedges, and related currency losses are classified within other comprehensive income. The Norwegian Krone has strengthened against strong currencies such as USD and EUR during second quarter of 2020, partly reversing the net currency losses from first quarter.

Net change in fair value of financial instruments in the first half of 2020 includes a loss of NOK 0.3 billion related to discontinuation of fair value hedge accounting.

Taxes

The effective tax rate for the first half of the year increased to 35%, compared to 32% in the first quarter mainly due to the recognition of a provision based on the decision from ESA, see Note 6 *Legal disputes*.

The underlying tax rate for the year is estimated to 32%, slightly above last year mainly due to a mix effect following from significant currency losses in Norway during the first half of the year, which are deductible at a rate of 22%. The effective tax rate for the year 2020 is expected to be around 32%, taking into account the non-taxable gain from the planned divestment of development properties in Norway during third quarter.

Cash flow

Net cash inflow from operating activities during the first half of 2020 was NOK 21.6 billion, an increase of 6.0 billion compared to 2019. Adjusted for cash flows from DNA, operating cash flow increased by NOK 4.5 billion compared to 2019 mainly due to improvements in working capital, lower taxes paid (see note 9) and positive currency translation effects. Net cash flow from operating activities in 2020 includes payment of the deposit to BTRC of NOK 2.2 billion, while cash flow from operating activities in 2019 includes payments related to the CAT settlement in Thailand of NOK 2.3 billion.

Net cash outflow to investing activities during the first half of 2020 was NOK 9.6 billion, a decrease of NOK 0.1 billion compared to 2019. Payments of PPE and intangibles during the first half of 2020 were NOK 0.7 billion lower compared to 2019. During the first half of 2020 net proceeds from sale and purchases of businesses and other investments are including NOK 1.1 billion received for the sale of CEE and deconsolidation of Canal Digital of NOK 0.4 billion while in 2019 net proceeds are mainly related to the sale of VEON shares of NOK 1.8 billion and deconsolidation of Telenor Banka and Digital Money Myanmar (Wave Money) of NOK 0.8 billion.

Net cash outflow to financing activities during the first half of 2020 was NOK 10.8 billion. This was explained primarily by repayments of lease obligations of NOK 2.7 billion, net receipt of borrowings of NOK 0.2 billion and dividends paid of NOK 7.8 billion (6.3 billion were paid to Telenor ASA shareholders and NOK 1.5 billion to non-controlling interests).

Cash and cash equivalents increased by NOK 2.3 billion during the first half of 2020 to NOK 16.3 billion as of 30 June 2020.

Financial position

During the first half of 2020, total assets increased by NOK 15.5 billion to NOK 264.4 billion. The increase was primarily caused by depreciation of Norwegian Krone against all relevant currencies.

Net debt increased by NOK 14.9 billion to NOK 121.9 billion compared to the end of last year, but remained stable compared to the end of the first quarter of 2020. Interest-bearing liabilities excluding licence obligations increased by NOK 18.2 billion primarily driven by the depreciation of the Norwegian Krone against all relevant currencies with an impact of approximately NOK 12.9 billion and the share buyback liability of NOK 4.1 billion paid in July 2020, related to the share buyback from the Norwegian state. Cash and cash equivalents increased by NOK 2.8 billion.

Total equity decreased by NOK 9.3 billion to NOK 34.0 billion. The decrease was due to dividends to equity holders of Telenor ASA and non-controlling interests of NOK 13.7 billion, share buyback of NOK 4.1 billion and pension re-measurement loss (net of tax) of NOK 0.9 billion. This was partly offset by positive net income from operations of NOK 7.1 billion and positive currency translation effects of NOK 2.4 billion.

Transactions with related parties

For detailed information on related party transactions, please refer to Note 33 *Related parties* in the Group's Annual Report 2019.

Risks and uncertainties

The 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.

The regulatory environment in Bangladesh developed to be challenging for Grameenphone and Telenor during 2019. This relates to BTRC and their conducted audit covering the period 1997 until 2014. Please see Note 6 *Legal disputes* for further details.

From the latter part of March we have seen impact from the global spread of COVID-19 on our performance. A major risk is the duration of the COVID-19 impact. In addition, the weaker economic outlook and uncertain geopolitical situation has led to increased volatility in the foreign exchange markets, exposing us to currency fluctuations, as well as increased the risk for additional tax pressure in some countries. For further information related to COVID-19, see page 2 and Note 9 *COVID-19*.

For additional explanations regarding risks and uncertainties, please refer to the following sections in the Group's Annual Report 2019: the Risk Management section in the Board of Directors Report, Note 13 *Income taxes*, Note 29 *Financial Risk Management* and Note 34 *Legal Disputes* and contingencies. Readers are also referred to the Disclaimer below.

For new developments of legal disputes and contingencies since the publication of the Group's Annual Report for 2019, see Note 6 *Legal disputes*.

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, 15 July 2020
The Board of Directors of Telenor ASA

Interim condensed financial information

Consolidated income statement

Telenor Group

NOK in million except earnings per share	Note	Second quarter		First half year		Year
		2020	2019	2020	2019	2019
Revenues	2	30 903	26 917	61 856	53 505	113 666
Total cost of materials and traffic charges		(7 211)	(6 271)	(14 565)	(12 460)	(27 912)
Salaries and personnel costs		(2 987)	(2 620)	(5 961)	(5 268)	(10 803)
Other operating expenses		(6 374)	(5 997)	(12 893)	(11 570)	(24 215)
Other income		57	188	133	407	741
Other expenses		(1 427)	(290)	(1 814)	(510)	(1 200)
EBITDA		12 960	11 927	26 756	24 102	50 276
Depreciation and amortisation		(7 579)	(5 767)	(14 731)	(11 401)	(24 527)
Impairment losses		-	17	(8)	(2)	(47)
Operating profit		5 380	6 176	12 017	12 699	25 702
Share of net income from associated companies and joint ventures		(95)	(69)	(204)	(156)	(849)
Net financial items		303	(884)	(3 953)	(1 114)	(3 884)
Profit/Loss before Taxes		5 588	5 223	7 859	11 429	20 968
Income taxes		(2 021)	(1 869)	(2 739)	(3 662)	(9 033)
Profit from continuing operations		3 566	3 354	5 120	7 767	11 936
Profit (loss) from discontinued operations	3	1 782	242	1 977	555	(742)
Net income		5 348	3 596	7 097	8 322	11 194

Net income attributable to:

Non-controlling interests	920	739	1 971	1 644	3 421
Equity holders of Telenor ASA	4 428	2 856	5 125	6 678	7 773

Earnings per share in NOK

Basic/diluted from continuing operations	1.88	1.81	2.22	4.21	5.91
Basic/diluted from discontinued operations	1.26	0.17	1.40	0.38	(0.52)
Basic/diluted from total operations	3.14	1.97	3.62	4.60	5.40

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

Consolidated statement of comprehensive income

Telenor Group

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Net income	5 348	3 596	7 097	8 322	11 194
Translation differences on net investment in foreign operations	(3 683)	(990)	6 571	(1 734)	(138)
Amount reclassified from other comprehensive income to income statement on partial disposal	(191)	-	(191)	(9)	(244)
Net gain (loss) on hedge of net investment	1 941	46	(5 335)	536	59
Income taxes	(427)	(10)	1 174	(118)	(13)
Share of other comprehensive income (loss) of associated companies and joint ventures	(2)	-	(3)	-	-
Items that may be reclassified subsequently to income statement	(2 362)	(954)	2 215	(1 325)	(335)
Net gain (loss) on equity investments	(30)	920	104	360	(26)
Remeasurement of defined benefit pension plans	171	(136)	(1 120)	(167)	713
Income taxes	(38)	30	246	37	(157)
Items that will not be reclassified to income statement	104	814	(770)	229	530
Other comprehensive income (loss) for the period, net of tax	(2 257)	(140)	1 445	(1 096)	194
Total comprehensive income	3 091	3 455	8 542	7 226	11 388
Total comprehensive income attributable to:					
Non-controlling interests	554	732	2 368	1 636	3 670
Equity holders of Telenor ASA	2 536	2 723	6 174	5 590	7 717

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

Consolidated statement of financial position

Telenor Group

NOK in million	Note	30 June 2020	31 December 2019	30 June 2019
Deferred tax assets		2 773	2 445	2 480
Goodwill		30 031	27 451	14 137
Intangible assets		11 760	11 370	6 289
Right-of-use assets		63 602	59 381	54 780
Property, plant and equipment		85 296	83 179	71 005
Associated companies and joint ventures		7 631	4 299	2 194
Other non-current assets		16 531	13 916	17 309
Total non-current assets		217 624	202 040	168 196
Prepaid taxes		1 687	1 334	1 278
Inventories		1 283	1 485	1 154
Trade and other receivables		26 508	25 773	20 426
Other current financial assets		589	910	841
Assets classified as held for sale	3	-	3 489	-
Cash and cash equivalents		16 699	13 867	42 373
Total current assets		46 766	46 858	66 071
Total assets		264 390	248 899	234 267
Equity attributable to equity holders of Telenor ASA		27 821	38 054	39 498
Non-controlling interests		6 219	5 286	4 906
Total equity		34 040	43 339	44 404
Non-current lease liabilities		34 928	32 002	33 554
Non-current interest-bearing liabilities	4	102 520	83 987	62 769
Non-current non-interest-bearing liabilities		2 542	1 549	1 036
Deferred tax liabilities		5 074	4 902	2 783
Pension obligations		3 201	2 386	2 841
Provisions and obligations		8 022	7 701	5 516
Total non-current liabilities		156 287	132 527	108 499
Current lease liabilities		10 167	9 295	4 867
Current interest-bearing liabilities	4	12 030	14 761	24 996
Trade and other payables		34 510	35 691	32 825
Dividend payable		6 018	-	5 750
Current tax payables		3 587	4 863	5 359
Current non-interest-bearing liabilities		2 040	2 227	4 468
Provisions and obligations		2 335	1 219	1 325
Liabilities classified as held for sale	3	3 375	4 976	1 772
Total current liabilities		74 062	73 032	81 363
Total equity and liabilities		264 390	248 899	234 267

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

Consolidated statement of cash flows

Telenor Group

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Profit before taxes from total operations ¹⁾	7 371	5 465	9 838	11 984	20 318
Income taxes paid	(1 006)	(2 205)	(3 724)	(4 467)	(10 512)
Net (gains) losses from disposals, impairments and change in fair value of financial assets and liabilities	(1 520)	(74)	(1 027)	(294)	(471)
Depreciation, amortisation and impairment losses	7 579	5 765	14 739	11 433	24 625
Loss (profit) from associated companies and joint ventures	95	69	204	156	849
Dividends received from associated companies	-	62	-	63	63
Currency (gains) losses not related to operating activities	(1 616)	(447)	1 771	(816)	(226)
Changes in working capital and other	313	(2 552)	(214)	(2 508)	(425)
Net cash flow from operating activities	11 218	6 084	21 588	15 550	34 222
Purchases of property, plant and equipment (PPE) and intangible assets	(4 673)	(4 899)	(10 167)	(10 879)	(21 986)
Purchases of subsidiaries, associated companies and joint ventures, net of cash acquired	5	-	-	-	(25 957)
Proceeds from disposal of PPE, intangible assets, associated companies and businesses, net of cash disposed	(455)	280	(353)	(618)	(688)
Proceeds from sale and purchases of other investments	61	(14)	966	1 876	5 106
Net cash flow from investing activities	(5 062)	(4 633)	(9 554)	(9 622)	(43 526)
Proceeds from and repayments of borrowings	804	25 782	222	29 618	32 261
Payments of lease liabilities related to spectrum licenses	(159)	(149)	(409)	(380)	(1 080)
Payments of lease liabilities related to other lease contracts	(1 314)	(1 218)	(2 710)	(2 395)	(4 282)
Net payments of supply chain financing	(22)	81	(83)	(40)	(5)
Purchase of treasury shares	(11)	(828)	(45)	(995)	(6 114)
Dividends paid to and purchases of shares from non-controlling interests	(1 082)	(1 312)	(1 479)	(1 709)	(4 327)
Dividends paid to equity holders of Telenor ASA	(6 260)	(6 416)	(6 260)	(6 416)	(12 121)
Net cash flow from financing activities	(8 044)	15 940	(10 763)	17 683	4 332
Effects of exchange rate changes on cash and cash equivalents	(348)	(190)	1 037	(226)	641
Net change in cash and cash equivalents	(2 237)	17 201	2 308	23 385	(4 330)
Cash and cash equivalents at the beginning of the period	18 542	24 512	13 997	18 328	18 328
Cash and cash equivalents at the end of the period²⁾	16 305	41 714	16 305	41 714	13 997
Of which cash and cash equivalents in assets held for sale at the end of the period	-	-	-	-	735
Cash and cash equivalents in continuing operations at the end of the period	16 305	41 714	16 305	41 714	13 262

¹⁾ Profit before taxes from total operations consists of:

Profit before taxes from continuing operations	5 588	5 223	7 859	11 429	20 968
Profit before taxes from discontinued operations	1 784	242	1 979	555	(651)
Profit before taxes from total operations	7 371	5 465	9 838	11 984	20 318

²⁾ As of 30 June 2020, restricted cash was NOK 26 million, while as of 30 June 2019, restricted cash was NOK 210 million.

Cash flow from discontinued operations

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Net cash flow from operating activities	(123)	250	158	577	1 006
Net cash flow from investing activities	(476)	(44)	(490)	(748)	(779)
Net cash flow from financing activities	2	-	-	(4)	(4)

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 million	Attributable to equity holders of the parent				Total	Non-controlling interests	Total equity
	Total paid in capital	Other reserves	Retained earnings	Cumulative translation differences			
Equity as of 1 January 2019	8 818	(15 630)	58 425	(2 168)	49 446	5 009	54 455
Net income for the period	-	-	7 773	-	7 773	3 421	11 194
Other comprehensive income for the period	-	522	-	(578)	(56)	250	194
Total comprehensive income for the period	-	522	7 773	(578)	7 717	3 670	11 388
Disposal of VEON shares	-	3 586	(3 586)	-	-	-	-
Acquisition of subsidiaries with NCI	-	-	-	-	-	651	651
Disposal of subsidiaries with non-controlling interests	-	-	-	-	-	(52)	(52)
Transactions with non-controlling interests	-	(476)	(506)	-	(982)	(653)	(1 635)
Dividends	-	-	(12 125)	-	(12 125)	(3 339)	(15 464)
Share buy back	(213)	(5 738)	-	-	(5 951)	-	(5 951)
Sale of shares, share issue, and share options to employees	-	(56)	-	-	(56)	-	(56)
Equity as of 31 December 2019	8 605	(17 792)	49 982	(2 746)	38 051	5 286	43 339
Net income for the period	-	-	5 125	-	5 125	1 971	7 097
Other comprehensive income for the period	-	(773)	-	1 821	1 048	397	1 445
Total comprehensive income for the period	-	(773)	5 125	1 821	6 174	2 368	8 542
Equity adjustments in associated companies	-	2	-	-	2	-	2
Dividends	-	-	(12 277)	-	(12 277)	(1 435)	(13 712)
Share buy back	(139)	(3 974)	-	-	(4 113)	-	(4 113)
Sale of shares, share issue, and share options to employees	-	(18)	-	-	(18)	-	(18)
Equity as of 30 June 2020	8 466	(22 554)	42 830	(925)	27 822	6 219	34 041

NOK in million	Attributable to equity holders of the parent				Total	Non-controlling interests	Total equity
	Total paid in capital	Other reserves	Retained earnings	Cumulative translation differences			
Equity as of 1 January 2019	8 818	(15 630)	58 425	(2 168)	49 446	5 009	54 455
Net income for the period	-	-	6 678	-	6 678	1 644	8 322
Other comprehensive income for the period	-	229	-	(1 317)	(1 088)	(7)	(1 096)
Total comprehensive income for the period	-	229	6 678	(1 317)	5 590	1 636	7 226
Disposal of VEON shares	-	1 568	(1 568)	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	(58)	(58)
Dividends	-	-	(12 150)	-	(12 150)	(1 681)	(13 831)
Share buy back	(124)	(3 161)	-	-	(3 285)	-	(3 285)
Sale of shares, share issue, and share options to employees	-	(102)	-	-	(102)	-	(102)
Equity as of 30 June 2019	8 694	(17 096)	51 384	(3 486)	39 499	4 906	44 405

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 2020, 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 for 2019 (Annual Report 2019). Key developments in risks and uncertainties, including COVID-19, are described in the section Risks and uncertainties on page 14.

The accounting policies applied 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 2019. For information about standards, amendments to standards and interpretations

effective from 1 January 2020, please refer to note 1 in the Group's Annual Report 2019. None of the standards, amendments or interpretations effective from 1 January 2020 has a significant impact on the Group's consolidated interim financial statements. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. A lessee may apply the amendment for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. EU has not yet approved the amendment. Management anticipates that the amendment will be adopted when approved by the EU, and that early application will be elected by the Group.

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 10. For further information on the categories, please refer to note 6 in the Group's Annual Report 2019.

Second quarter 2020

NOK in million	Norway	Sweden	Denmark	DNA - Finland	dtac - Thailand	Digi Malaysia	Grameen-phone Bangladesh	Pakistan	Myanmar	Other units	Eliminations	Group
Type of good/ services												
Mobile operation	3 815	2 142	1 192	1 920	5 278	3 317	3 867	1 453	1 937	-	(318)	24 604
Services	3 264	1 727	907	1 570	4 851	3 049	3 865	1 442	1 937	-	(318)	22 295
Goods	551	415	285	350	427	268	2	11	-	-	-	2 309
Fixed operation	2 444	924	130	574	-	-	-	-	12	528	(152)	4 460
Services	2 345	918	130	574	-	-	-	-	12	528	(137)	4 370
Goods	99	6	-	-	-	-	-	-	-	-	(15)	90
Other	178	-	-	-	-	-	-	-	-	1 086	(472)	792
Services	178	-	-	-	-	-	-	-	-	1 084	(472)	790
Goods	-	-	-	-	-	-	-	-	-	2	-	2
Sum type of good/ services	6 438	3 066	1 321	2 494	5 278	3 317	3 867	1 453	1 950	1 614	(942)	29 856
Type of mobile subscription												
Contract	2 818	1 528	820	1 435	3 152	2 205	194	44	16	-	(14)	12 198
Prepaid	36	42	-	56	1 534	784	3 662	1 371	1 912	-	(119)	9 280
Other ¹⁾	410	158	87	79	164	60	9	27	8	-	(185)	817
Sum services in Mobile operation	3 264	1 727	907	1 570	4 851	3 049	3 865	1 442	1 937	-	(318)	22 295
Timing of revenue recognition												
Over time	5 787	2 645	1 037	2 144	4 851	3 049	3 865	1 442	1 949	1 609	(927)	27 455
At a point in time	651	421	285	350	427	268	2	11	-	2	(15)	2 401
Total revenue from contract with customers	6 438	3 066	1 321	2 494	5 278	3 317	3 867	1 453	1 950	1 611	(942)	29 856
Other revenues ²⁾	45	50	7	9	735	47	46	29	2	468	(386)	1 047
Total revenue	6 483	3 116	1 328	2 503	6 013	3 364	3 913	1 483	1 951	2 078	(1 328)	30 903
Segment revenue as presented in note 10	6 483	3 116	1 328	2 503	6 013	3 364	3 913	1 483	1 951	2 078	(1 328)	30 903

First half year 2020

NOK in million	Norway	Sweden	Denmark	DNA - Finland	dtac - Thailand	Digi Malaysia	Grameen-phone Bangladesh	Pakistan	Myanmar	Other units	Eliminations	Group
Type of good/ services												
Mobile operation	7 637	4 235	2 338	3 776	10 696	6 808	7 881	2 977	3 777	-	(611)	49 513
Services	6 545	3 420	1 788	3 058	9 766	6 193	7 876	2 957	3 777	-	(603)	44 777
Goods	1 092	815	550	718	930	615	5	20	-	-	(8)	4 737
Fixed operation	4 913	1 823	251	1 109	-	-	-	-	22	980	(319)	8 779
Services	4 683	1 804	251	1 109	-	-	-	-	22	980	(284)	8 566
Goods	230	19	-	-	-	-	-	-	-	-	(36)	214
Other	358	-	-	-	-	-	-	-	-	2 222	(1 046)	1 533
Services	358	-	-	-	-	-	-	-	-	2 219	(1 046)	1 530
Goods	-	-	-	-	-	-	-	-	-	3	-	3
Sum type of good/ services	12 908	6 058	2 589	4 885	10 696	6 808	7 881	2 977	3 799	3 201	(1 976)	59 826
Type of mobile subscription												
Contract	5 667	3 037	1 623	2 796	6 237	4 455	373	93	32	-	(30)	24 283
Prepaid	71	81	-	106	3 193	1 602	7 482	2 812	3 730	-	(211)	18 866
Other ¹⁾	808	302	165	155	336	136	21	52	15	-	(362)	1 628
Sum services in Mobile operation	6 545	3 420	1 788	3 058	9 766	6 193	7 876	2 957	3 777	-	(603)	44 777
Timing of revenue recognition												
Over time	11 586	5 224	2 039	4 167	9 766	6 193	7 876	2 957	3 799	3 199	(1 933)	54 872
At a point in time	1 322	834	550	718	930	615	5	20	-	3	(43)	4 954
Total revenue from contract with customers	12 908	6 058	2 589	4 885	10 696	6 808	7 881	2 977	3 799	3 201	(1 976)	59 826
Other revenues ²⁾	87	92	14	18	1 414	95	89	61	3	940	(781)	2 030
Total revenue	12 995	6 150	2 602	4 903	12 110	6 903	7 970	3 037	3 802	4 141	(2 757)	61 856
Segment revenue as presented in note 10	12 995	6 150	2 602	4 903	12 110	6 903	7 970	3 037	3 802	4 141	(2 757)	61 856

Second quarter 2019

NOK in million	Norway ³⁾	Sweden	Denmark	DNA - Finland	dtac - Thailand	Digi Malaysia	Grameen-phone Bangladesh	Pakistan	Myanmar	Other units ³⁾	Eliminations	Group
Type of good/ services												
Mobile operation	3 709	2 047	1 067	-	4 937	3 182	3 643	1 582	1 432	-	(216)	21 384
Services	3 211	1 689	834	-	4 401	2 920	3 639	1 556	1 432	-	(215)	19 467
Goods	498	358	234	-	536	262	4	26	-	-	-	1 917
Fixed operation	2 490	846	122	-	-	-	-	-	5	670	(184)	3 949
Services	2 347	834	122	-	-	-	-	-	5	670	(160)	3 817
Goods	144	12	-	-	-	-	-	-	-	-	(24)	132
Other	183	-	-	-	-	-	-	-	-	1 306	(715)	774
Services	183	-	-	-	-	-	-	-	-	1 302	(715)	770
Goods	-	-	-	-	-	-	-	-	-	4	-	4
Sum type of good/ services	6 383	2 893	1 189	-	4 937	3 182	3 643	1 582	1 437	1 976	(1 115)	26 107
Type of mobile subscription												
Contract	2 844	1 495	750	-	2 666	2 055	154	47	11	-	(21)	10 001
Prepaid	43	37	-	-	1 619	774	3 484	1 480	1 411	-	(79)	8 768
Other ¹⁾	324	157	84	-	116	91	2	30	10	-	(116)	698
Sum services in Mobile operation	3 211	1 689	834	-	4 401	2 920	3 639	1 556	1 432	-	(215)	19 467
Timing of revenue recognition												
Over time	5 741	2 523	956	-	4 401	2 920	3 639	1 556	1 437	1 970	(1 091)	24 054
At a point in time	641	370	234	-	536	262	4	26	-	4	(24)	2 053
Total revenue from contract with customers	6 382	2 893	1 189	-	4 937	3 182	3 643	1 582	1 437	1 974	(1 115)	26 107
Other revenue ²⁾	101	45	6	-	540	46	40	6	1	105	(80)	810
Total revenue	6 483	2 938	1 195	-	5 478	3 228	3 683	1 589	1 438	2 079	(1 195)	26 917
Segment revenue as presented in note 10	6 483	2 938	1 195	-	5 478	3 228	3 683	1 589	1 438	2 079	(1 194)	26 917

¹⁾ Other includes revenues from other mobile and non-mobile services, refer to Definitions on page 27.

²⁾ Other revenue includes mainly lease revenue.

³⁾ Figures for 2019 have been restated, see note 10 for more information.

First half year 2019

NOK in million	Norway ³⁾	Sweden	Denmark	DNA - Finland	dtac - Thailand	Digi Malaysia	Grameen-phone Bangladesh	Pakistan	Myanmar	Other units ³⁾	Eliminations	Group
Type of good/ services												
Mobile operation	7 369	4 180	2 146	-	9 803	6 302	7 172	3 319	2 755	-	(419)	42 626
Services	6 418	3 414	1 670	-	8 691	5 837	7 163	3 254	2 755	-	(419)	38 782
Goods	951	766	476	-	1 112	465	9	65	-	-	-	3 844
Fixed operation	4 991	1 716	246	-	-	-	-	-	9	1 231	(363)	7 830
Services	4 713	1 690	246	-	-	-	-	-	9	1 231	(327)	7 563
Goods	278	26	-	-	-	-	-	-	-	-	(36)	268
Other	369	-	-	-	-	-	-	-	-	2 628	(1 442)	1 555
Services	369	-	-	-	-	-	-	-	-	2 623	(1 442)	1 550
Goods	-	-	-	-	-	-	-	-	-	5	-	5
Sum type of good/ services	12 729	5 895	2 392	-	9 803	6 302	7 172	3 319	2 764	3 860	(2 225)	52 012
Type of mobile subscription												
Contract	5 640	3 050	1 518	-	5 241	4 079	296	93	20	-	(42)	19 896
Prepaid	85	72	-	-	3 199	1 602	6 855	3 102	2 712	-	(140)	17 486
Other ¹⁾	694	292	152	-	250	156	11	59	23	-	(237)	1 400
Sum services in Mobile operation	6 418	3 414	1 670	-	8 691	5 837	7 163	3 254	2 755	-	(419)	38 782
Timing of revenue recognition												
Over time	11 500	5 103	1 916	-	8 691	5 837	7 163	3 254	2 764	3 854	(2 188)	47 895
At a point in time	1 229	792	476	-	1 112	465	9	65	-	5	(36)	4 117
Total revenue from contract with customers	12 729	5 895	2 392	-	9 803	6 302	7 172	3 319	2 764	3 860	(2 224)	52 012
Other revenues ²⁾	197	90	12	-	958	87	81	14	1	211	(157)	1 494
Total revenue	12 926	5 985	2 404	-	10 761	6 390	7 253	3 332	2 766	4 069	(2 382)	53 505
Segment revenue as presented in note 10	12 926	5 985	2 404	-	10 761	6 390	7 253	3 332	2 766	4 069	(2 382)	53 505

Year 2019

NOK in million	Norway ³⁾	Sweden	Denmark	DNA - Finland	dtac - Thailand	Digi Malaysia	Grameen-phone Bangladesh	Pakistan	Myanmar	Other units ³⁾	Eliminations	Group
Type of good/ services												
Mobile operation	15 175	8 562	4 470	2 611	20 839	13 191	14 820	6 162	5 797	-	(891)	90 736
Services	12 999	6 850	3 358	2 004	18 439	11 984	14 802	6 052	5 796	-	(890)	81 394
Goods	2 176	1 712	1 112	608	2 400	1 207	18	109	-	-	(1)	9 342
Fixed operation	10 080	3 452	485	811	-	-	-	-	24	2 321	(766)	16 407
Services	9 496	3 400	485	811	-	-	-	-	24	2 321	(672)	15 865
Goods	585	51	-	-	-	-	-	-	-	-	(94)	542
Other	734	-	-	-	-	-	-	-	-	5 186	(2 748)	3 172
Services	734	-	-	-	-	-	-	-	-	5 174	(2 748)	3 160
Goods	-	-	-	-	-	-	-	-	-	12	-	12
Sum type of good/ services	25 990	12 013	4 955	3 422	20 839	13 191	14 820	6 162	5 821	7 507	(4 405)	110 315
Type of mobile subscription												
Contract	11 452	6 098	3 063	1 823	11 197	8 463	628	191	43	-	(78)	42 881
Prepaid	164	153	-	74	6 702	3 220	14 116	5 795	5 703	-	(323)	35 603
Other ¹⁾	1 384	598	295	107	539	301	58	67	50	-	(489)	2 910
Sum services in Mobile operation	12 999	6 850	3 358	2 004	18 439	11 984	14 802	6 052	5 796	-	(890)	81 394
Timing of revenue recognition												
Over time	23 229	10 250	3 843	2 815	18 439	11 984	14 802	6 052	5 821	7 495	(4 310)	100 419
At a point in time	2 761	1 764	1 112	608	2 400	1 207	18	109	-	12	(95)	9 896
Total revenue from contract with customers	25 990	12 013	4 955	3 422	20 839	13 191	14 820	6 162	5 821	7 507	(4 405)	110 315
Other revenue ²⁾	402	182	25	12	2 209	184	160	71	4	407	(305)	3 351
Total revenue	26 392	12 195	4 980	3 434	23 048	13 375	14 980	6 232	5 825	7 914	(4 709)	113 666
Segment revenue as presented in note 10	26 392	12 195	4 980	3 434	23 048	13 375	14 980	6 232	5 825	7 914	(4 709)	113 666

¹⁾ Other includes revenues from other mobile and non-mobile services, refer to Definitions on page 27.

²⁾ Other revenue includes mainly lease revenue.

³⁾ Figures for 2019 have been restated, see note 10 for more information.

Note 3 – Discontinued operations and assets held for sale

As announced on 22 October 2019, the Group entered into an arrangement with Nordic Entertainment Group (“NENT”) to combine their satellite-based entertainment businesses in a joint venture to extract synergies and deliver enhanced customer experience. The arrangement was approved by the European Commission on 30 April 2020 and the transaction was closed on 5 May 2020. Accordingly, the Group disposed of Canal Digital as a subsidiary and recognized its 50% share of the joint venture (“Allente”) at fair value of NOK 3.1 billion with a gain of NOK 1.7 billion recognised during the second quarter of 2020.

With effect from fourth quarter 2019, the Group’s Canal Digital operations was classified as asset held for sale and discontinued operations in the Group’s financial reporting. The comparative numbers for the income statement are re-presented.

During 2019, Telenor Banka in Serbia which was one of the two main contributors to the Financial Services segment, remained classified as asset held for sale and discontinued operations until it was disposed of on 20 February 2019.

The results of all disposal groups are presented as discontinued operations until disposal:

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Revenue	265	1 046	1 288	2 120	4 201
EBITDA	36	283	312	556	(645)
EBIT	36	269	312	527	(697)
Profit before tax	109	268	304	522	(623)
Income taxes	(2)	-	(2)	-	(91)
Profit after tax	107	268	302	522	(714)
Gain on disposal	1 675	(26)	1 675	33	(28)
Profit (loss) from discontinued operations	1 782	242	1 977	555	(742)

During the second quarter of 2020, Canal digital contributed with profit of NOK 34 million until its disposal as subsidiary (second quarter 2019: NOK 268 million). During 2020, Canal Digital contributed with profit of NOK 237 million until its disposal as subsidiary (2019: NOK 1.0 billion).

During 2019, a provision of NOK 1.7 billion was recognised after a ruling by the Supreme Court of India with regard to Adjusted Gross Revenue as basis for licence fee and spectrum usage charge.

The major classes of assets and liabilities of the disposal groups classified as held for sale as of 30 June 2020 and 31 December 2019:

NOK in million	30 June 2020	31 December 2019
Assets		
Property, plant and equipment	-	10
Goodwill	-	1 597
Intangible assets	-	183
Other non-current assets	-	338
Inventory	-	103
Trade and other receivables	-	525
Cash and cash equivalents	-	735
Total assets classified as held for sale	-	3 489
Liabilities		
Non-current liabilities	-	86
Current liabilities	3 375	4 890
Total liabilities held for sale	3 375	4 976

Liabilities held for sale includes provision of NOK 3.3 billion (NOK 3.4 billion as of 31 December 2019) representing the exposure to claims from the Indian Department of Telecommunications (DoT) related to the period the Group owned the business in India. A guarantee to Bharti Airtel was recognised at fair value as of closing date of the transaction with Bharti Airtel. Subsequent changes to the estimate are recognised on the discontinued operations line in the income statement.

Note 4 – Interest-bearing liabilities

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

NOK in million	30 June 2020	
	Carrying amount	Fair value
Interest-bearing liabilities ¹⁾	(114 550)	(118 604)
of which fair value level 1		(102 931)
of which fair value level 2		(15 673)

NOK in million	31 December 2019	
	Carrying amount	Fair value
Interest-bearing liabilities ¹⁾	(98 748)	(102 702)
of which fair value level 1		(91 441)
of which fair value level 2		(11 261)

NOK in million	30 June 2019	
	Carrying amount	Fair value
Interest-bearing liabilities ¹⁾	(87 765)	(91 586)
of which fair value level 1		(78 257)
of which fair value level 2		(13 329)

¹⁾ Excluding lease liabilities.

Note 5 – Fair value of financial instruments

Financial derivatives are recognised at fair value based on observable market data (level 2). See note 30 in the Annual Report 2019 for valuation methodologies. The financial derivatives are classified in the consolidated statement of financial position as disclosed in the table:

NOK in million	30 June 2020	31 December 2019	30 June 2019
Other non-current assets	2 751	1 984	1 907
Other current financial assets	272	368	477
Non-current non-interest-bearing financial liabilities	(2 338)	(1 398)	(978)
Non-current interest-bearing financial liabilities	-	(108)	-
Current non-interest-bearing liabilities	(673)	(787)	(880)
Total	12	59	526

Note 6 – Legal disputes

Grameenphone

Bangladesh Telecommunication Regulatory Commission (BTRC) has over several years conducted an information system audit of Grameenphone for the period 1997 to 2014. On 2 April 2019, Grameenphone received a demand notice from BTRC for payment of NOK 9.8 billion to BTRC (NOK 2.6 billion in principal and NOK 7.2 billion in interest), including some matters pending in ongoing formal resolution processes (sub-judice). These claims are unjustified from Telenor’s and Grameenphone’s position. In addition, BTRC has unauthorised and erroneously claimed NOK 4.7 billion, which mainly is related to an already resolved matter and other sub-judice matters with the National Board of Revenue (NBR). The total demand amounts to NOK 14.5 billion (the Demand). The need for provision has been assessed based on legal merits and is consistent with prior periods.

On 20 and 24 February 2020, the Appellate Division of Supreme Court (AD) ordered Grameenphone to make payment of a total deposit of NOK 2.2 billion to BTRC, the first installment of NOK 1.1 billion within 24 February 2020 and the second installment of NOK 1.1 billion within 31 May 2020. In default of such payment, the interim order of stay and injunction passed by the High Court Division of the Supreme Court (HCD) on 17 October 2019 would cease. Both installments have now been paid. Further, AD also directed BTRC to allow Grameenphone to carry on its business without any hindrance and fixed the matter on 31 May 2020 for passing further order. Due to the COVID-19 situation in Bangladesh, the meeting was postponed, and no new date has been set. BTRC has lifted a significant part of the operational restrictions on the import of network equipment etc, and Grameenphone expects BTRC to release the remaining restrictions soon.

The original Title suit (where the court is supposed to assess the merits of the Demand) is pending at the District Court. BTRC and the auditor have a deadline to reply by 21 July 2020.

Telenor Norway

Following an investigation that started in 2012, the EFTA Surveillance Authority (ESA) issued a decision against Telenor Norway and Telenor ASA on 29 June 2020 with a fine of NOK 1.2 billion (EUR 112 million) for abuse of dominant position. The investigation has covered a number of issues, but the final decision only concerns the alleged insufficient margins between Telenor's wholesale prices and prices for mobile broadband to residential customers when sold on a stand-alone basis between 2008 and 2012.

The case rests on a number of other legal, economic and factual considerations as well, on which ESA and Telenor have different opinions. The decision will be appealed to the EFTA Court within a deadline of two months from the decision date.

Note 7 – Equity information

Dividend

On 11 May 2020, the Annual General Meeting approved a dividend of NOK 8.70 to be paid out in two tranches of NOK 4.40 and NOK 4.30 in May and October 2020 respectively. The first tranche of NOK 4.40 was paid out on 25 May 2020, with ex-dividend date of 12 May 2020. The second tranche of NOK 4.30 will be paid out on or about 21 October 2020, with ex-dividend date of 8 October 2020.

Note 8 – Events after reporting period

Reduction of share capital

On 3 July 2020, Telenor ASA reduced the share capital with a total of NOK 257,999,994 in accordance with the resolution of the Annual General Meeting 11 May 2020. This was done by cancelling 19,794,961 own shares that were repurchased in the open market under the 2019-2020 share buyback programme, and by redeeming 23,205,038 shares held by the Kingdom of Norway through the Ministry of Trade, Industry and Fisheries. The share capital subsequent to the capital reduction is NOK 8,396,748,198 divided into 1,399,458,033 shares, each with a par value of NOK 6.00.

Agreement to sell properties

On 5 July, Telenor entered into an agreement to sell a portfolio consisting of 81 development properties in Norway. The divestment is part of Telenor's simplification and modernisation programme, and encompasses properties that are not needed once the planned copper net decommissioning is completed. Buyer under the agreement is a group of professional property owners and developers consisting of FagerStad Utvikling AS, Fredensborg AS, Fredensborg Bolig AS, Johan Johannson Eiendom AS and Norgesgruppen Eiendom AS. Completion of the transaction will take place on or about 1 September 2020. Telenor will then lease back the properties in their entirety for a period of up to 5 years. After the initial lease period, Telenor will rent small and limited areas to host fibre and mobile equipment.

Digi – Malaysia

On 13 July 2020, the Board of Directors of Digi declared the second interim dividend for 2020 of MYR 0.037 per share, which corresponds to approximately NOK 0.6 billion total dividend and approximately NOK 0.3 billion for Telenor's ownership share.

Grameenphone – Bangladesh

On 14 July 2020, the Board of Directors of Grameenphone Ltd. declared the interim dividend for 2020 of BDT 13.0 per share, which corresponds to approximately NOK 2.0 billion total dividend and approximately NOK 1.1 billion for Telenor's ownership share.

dtac – Thailand

On 15 July 2020, the Board of Directors in dtac declared the interim dividend for 2020 of THB 0.87 per share, which corresponds to approximately NOK 0.6 billion total dividend and approximately NOK 0.4 billion for Telenor's ownership share.

Note 9 – COVID-19

The spread of cross-border diseases such as COVID-19 may have an operational effect on Telenor Group due to, among other things, mobility restrictions and lockdown measures, change in consumption, usage patterns, potential disruptions in the supply chain of hardware and handsets, maintenance of infrastructure and access to resources as well as impact on employees. From the latter part of March and through second quarter, we have seen impact from the global spread of COVID-19 on our performance, as mobility restrictions and lockdown measures were implemented in all countries Telenor operates in. In addition, the weaker economic outlook and uncertain geopolitical situation has also led to increased volatility in the foreign exchange markets, exposing us to currency fluctuations, as well as increased the risk for additional tax pressure in some countries. A major risk is the duration of the COVID-19 impact. For comments on the impact on Telenor's business and financial results, please refer to page 2.

In light of the effects on financial results and outlook, Telenor has assessed whether there are indicators of impairment of cash-generating units (CGUs) with or without goodwill and associated companies in accordance with IAS 36 *Impairment of Assets*. The Group has not recognised any impairments of CGUs with or without goodwill or associated companies during first half of 2020. The need for additional provisions for expected credit losses related to trade receivables and contract assets has also been assessed. The level of provisions remain fairly stable.

Local authorities have implemented economic relief measures in all of Telenor's markets. The impact on Telenor has not been material, except for a NOK 0.8 billion positive impact on cash flows from delayed payments of corporate income taxes.

Note 10 – Segment information and reconciliation of EBITDA before other income and other expenses

With effect from fourth quarter 2019, the Group's Canal Digital operations was classified as asset held for sale and discontinued operations in the Group's financial reporting. Following the European Commission's approval of the arrangement with Nordic Entertainment Group ("NENT") on 30 April 2020 and the closing of the transaction on 5 May 2020 (see note 3), the Group disposed of Canal Digital as a subsidiary and recognised its 50% share of the joint venture ("Allente"). Consequently, the Broadcast segment has been dissolved. Telenor Satellite and other companies including holding companies previously reported as part of this segment are now reported as part of Other units. Norkring has been demerged into two businesses, of which one was merged with Telenor Norway, while the other became part of the newly established infrastructure company Telenor Infra. The segment information for 2019 has been restated to reflect this.

The segment information is reported in accordance with the reporting to Group Executive Management (chief operating decision makers) and is consistent with financial information used for assessing performance and allocating resources.

Second quarter 2020

NOK in million	Total revenues			of which internal		EBITDA before other income and other expenses ¹⁾				Investments ²⁾	
	2020	2019	Growth	2020	2019	2020	Margin	2019	Margin	2020	2019
Norway ³⁾	6 482	6 483	0.0%	199	104	3 086	47.6%	3 063	47.2%	1 482	1 452
Sweden	3 116	2 938	6.0%	15	16	1 120	35.9%	1 121	38.2%	324	330
Denmark	1 328	1 195	11.2%	22	32	328	24.7%	317	26.5%	119	120
DNA - Finland	2 503	-	-	2	-	883	35.3%	-	-	379	-
dtac - Thailand	6 013	5 478	9.8%	19	12	2 540	42.2%	2 117	38.7%	432	637
Digi - Malaysia	3 364	3 228	4.2%	15	5	1 786	53.1%	1 774	55.0%	412	538
Grameenphone - Bangladesh	3 913	3 683	6.2%	24	-	2 441	62.4%	2 075	56.3%	288	363
Pakistan	1 483	1 589	(6.7%)	72	49	825	55.7%	798	50.3%	227	422
Myanmar	1 951	1 438	35.7%	26	32	1 125	57.7%	779	54.2%	128	120
Other units ³⁾	2 078	2 079	(0.1%)	992	944	423	20.4%	208	10.0%	69	111
Eliminations	(1 328)	(1 194)	11.2%	(1 386)	(1 194)	(226)	17.0%	(225)	18.8%	-	-
Group	30 903	26 917	14.8%	-	-	14 331	46.4%	12 029	44.7%	3 861	4 093

First half year 2020

NOK in million	Total revenues			of which internal		EBITDA before other income and other expenses ¹⁾				Investments ²⁾	
	2020	2019	Growth	2020	2019	2020	Margin	2019	Margin	2020	2019
Norway ³⁾	12 995	12 926	0.5%	402	208	6 210	47.8%	6 158	47.6%	2 822	2 488
Sweden	6 150	5 985	2.8%	30	28	2 252	36.6%	2 280	38.1%	628	640
Denmark	2 602	2 404	8.3%	47	60	652	25.1%	625	26.0%	259	190
DNA - Finland	4 903	-	-	3	-	1 718	35.0%	-	-	557	-
dtac - Thailand	12 110	10 761	12.5%	39	27	4 869	40.2%	4 124	38.3%	694	1 820
Digi - Malaysia	6 903	6 390	8.0%	25	13	3 509	50.8%	3 453	54.0%	727	894
Grameenphone - Bangladesh	7 970	7 253	9.9%	30	-	5 005	62.8%	4 321	59.6%	332	788
Pakistan	3 037	3 332	-8.9%	134	82	1 685	55.5%	1 754	52.6%	588	808
Myanmar	3 802	2 766	37.5%	54	66	2 209	58.1%	1 486	53.7%	214	323
Other units ³⁾	4 141	4 069	1.8%	2 053	1 898	880	21.3%	460	11.3%	169	171
Eliminations	(2 757)	(2 382)	15.8%	(2 816)	(2 382)	(552)	20.0%	(454)	19.0%	-	-
Group	61 856	53 505	15.6%	-	-	28 437	46.0%	24 206	45.2%	6 990	8 122

Year 2019

NOK in million	Total revenues		of which internal		EBITDA before other income and other expenses ¹⁾		Investments ²⁾	
	2019	2019	2019	2019	2019	Margin	2019	2019
Norway ³⁾	26 392	26 392	448	448	12 612	47.8%	5 854	5 854
Sweden	12 195	12 195	66	66	4 667	38.3%	1 310	1 310
Denmark	4 980	4 980	109	109	1 257	25.3%	472	472
DNA - Finland	3 434	3 434	-	-	1 030	30.0%	854	854
dtac - Thailand	23 048	23 048	54	54	8 647	37.5%	3 683	3 683
Digi - Malaysia	13 375	13 375	41	41	7 025	52.5%	1 599	1 599
Grameenphone - Bangladesh	14 980	14 980	-	-	9 218	61.5%	1 825	1 825
Pakistan	6 232	6 232	203	203	3 168	50.8%	1 446	1 446
Myanmar	5 825	5 825	135	135	3 116	53.5%	625	625
Other units ³⁾	7 914	7 914	3 656	3 656	877	11.1%	28 214	28 214
Eliminations	(4 709)	(4 709)	(4 709)	(4 709)	(883)	18.7%	0	0
Group	113 666	113 666	-	-	50 735	44.6%	45 882	45 882

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

²⁾ Investments consist of capex and investments in businesses.

³⁾ Financial figures for 2019 have been restated.

Reconciliation

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Profit before taxes	5 588	5 223	7 859	11 429	20 968
Share of net income from associate companies and joint ventures	(95)	(69)	(204)	(156)	(849)
Net financial items	303	(884)	(3 953)	(1 114)	(3 884)
Operating profit	5 380	6 176	12 017	12 699	25 702
Depreciation and amortisation	(7 579)	(5 767)	(14 731)	(11 401)	(24 527)
Impairment losses	-	17	(8)	(2)	(47)
EBITDA	12 960	11 927	26 756	24 102	50 276
Other income	57	188	133	407	741
Other expenses	(1 427)	(290)	(1 814)	(510)	(1 200)
EBITDA before other income and other expenses	14 331	12 029	28 437	24 206	50 735

Responsibility statement

We confirm that, to the best of our knowledge, the condensed consolidated interim financial statements for the first half of 2020, which have been prepared in accordance with IFRS as adopted by EU and 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 2020 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 2020, and major related party transactions.

Fornebu, 15 July 2020



Gunn Wærsted
Chair



Jørgen Kildahl
Vice Chair of the Board



Jon Erik Reinhardsen
Board member



Jacob Agraou
Board member



Pieter Cornelis Knook
Board member



Astrid Simonsen Joos
Board member




Sally Davis
Board member



Esben Smistad
Employee representative



Anita Helen Steine
Employee representative



Jan Otto Eriksen
Employee representative



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 stakeholders 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 million	Change second quarter 2020	Change YoY	Change second quarter 2019	Change YoY	Change YTD 2020	Change YTD
Total revenue growth	3 986	14.8%	603	2.3%	8 352	15.6%
Impact using exchange rates for 2020 and 2019	(2 841)		(394)		(4 434)	
M&A	(2 384)		33		(4 717)	
Organic revenue growth	(1 238)	(4.2%)	242	0.9%	(799)	(1.4%)

Organic subscription and traffic revenue growth

Subscription and traffic revenues consist of revenues from mobile subscription and traffic, fixed telephony, fixed Internet/TV and fixed data services. 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 stakeholders 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 million	Change second quarter 2020	Change YoY	Change second quarter 2019	Change YoY	Change YTD 2020	Change YTD
Subscription and traffic revenue growth	3 273	16.0%	267	1.3%	6 753	16.5%
Impact using exchange rates for 2020 and 2019	(2 303)		(348)		(3 605)	
M&A	(1 776)		-		(3 546)	
Organic subscription and traffic revenue growth	(806)	(3.6%)	(82)	(0.4%)	(398)	(0.9%)

Subscription and traffic revenues

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Mobile subscription and traffic	20 448	17 755	41 072	35 373	74 304
Fixed telephony	334	313	664	657	1 339
Fixed Internet/TV	2 806	2 249	5 552	4 515	9 672
Fixed data services	165	162	332	322	638
Subscription and traffic revenues	23 753	20 480	47 620	40 867	85 954
Other revenues	7 150	6 437	14 237	12 638	27 712
Total revenues	30 903	26 917	61 856	53 505	113 666

Gross profit

Gross profit is a key financial parameter for Telenor and is the difference between total revenue and costs of materials and traffic charges. Gross profit reflects the profitability contribution of Telenor's revenue growth in its markets and therefore describes Telenor's potential for sustainable value creation, making gross profit a key financial parameter to follow. It is also used for internal performance analysis.

Reconciliation

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Total revenues	30 903	26 917	61 856	53 505	113 666
Costs of materials and traffic charges	(7 211)	(6 271)	(14 565)	(12 460)	(27 912)
Gross profit	23 692	20 646	47 291	41 044	85 754
Gross profit FX adjusted	23 277	22 410	47 291	44 432	
Gross profit FX adjusted excl. DNA	21 441	22 410	43 624	44 432	
Change	(969)		(808)		
Change (%)	(4.3%)		(1.8%)		

Operating expenses (opex)

Operating expenses (opex) is a key financial parameter for Telenor and consists of salaries and personnel cost and other operating expenses. Telenor's continuous effort to improve efficiency makes opex a key financial parameter to follow. It is also used for internal performance analysis.

Reconciliation

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Salaries and personnel cost	(2 987)	(2 620)	(5 961)	(5 268)	(10 803)
Other operating expenses	(6 374)	(5 997)	(12 893)	(11 570)	(24 215)
Operating expenses	(9 361)	(8 617)	(18 855)	(16 838)	(35 019)
Operating expenses FX adjusted	(9 197)	(9 319)	(18 855)	(18 172)	
Operating expenses FX adjusted excl. DNA	(8 221)	(9 319)	(16 905)	(18 172)	
Change	1 098		1 266		
Change (%)	11.8%		7.0%		

Positive change indicates opex reduction

EBITDA before other income and other expenses and EBITDA margin

Earnings before interest, tax, depreciation and amortisation (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. EBITDA margin is defined as EBITDA before other income and expenses divided by total segment revenues. These measures are useful to investors and other stakeholders in evaluating operating profitability on a more variable cost basis as they exclude depreciation and amortisation expenses related primarily to capital expenses and acquisitions that occurred in the past and non-recurring items, as well as evaluating operating performance in relation to Telenor's competitors. EBITDA margin enables comparison between segments and other operators.

EBITDA margin

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Total revenues	30 903	26 917	61 856	53 505	113 666
EBITDA before other items	14 331	12 029	28 437	24 206	50 735
EBITDA margin	46.4%	44.7%	46.0%	45.2%	44.6%

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 stakeholders 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 million	Change second quarter 2020		Change second quarter 2019		Change YTD 2020	Change YTD
	Change YoY		Change YoY			
EBITDA growth	2 301	19.1%	(211)	(1.9%)	4 231	17.5%
Impact using exchange rates for 2020 and 2019	(1 321)		(174)		(2 064)	
M&A	(854)		(11)		(1 692)	
Organic EBITDA growth	126	1.0%	(395)	(3.5%)	474	1.8%

Capital expenses

Capital expenses (capex) are derived from the balance sheet and consist of 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 investors and other stakeholders in evaluating the capital intensity of the operations. Capex and capex/revenues is deemed to better gauge the actual investments committed in the period than the purchases of property, plant and equipment (PPE) and intangible assets in the cash flow statement.

Capex excluding licences and spectrum is relevant to users to measure the level of underlying investments. Historically, licence and spectrum investments have varied significantly between reporting periods.

Reconciliation

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Purchases of PPE and intangible assets	4 673	4 899	10 167	10 879	21 986
Working capital movement in respect of capital expenses	(885)	(798)	(3 523)	(2 795)	(4 341)
Deferred licence obligations	73	(9)	340	37	476
Less:					
Discontinued operations	-	-	-	-	(46)
Capex	3 861	4 093	6 985	8 122	18 075
Licence and spectrum acquisition	(46)	(7)	(91)	(7)	(660)
Capex excl. licence and spectrum	3 815	4 087	6 894	8 116	17 415
Total revenues	30 903	26 917	61 856	53 505	113 666
Capex excl. licence and spectrum/Revenues (%)	12.3%	15.2%	11.1%	15.2%	15.3%
Total Capex/Revenues (%)	12.5%	15.2%	11.3%	15.2%	15.9%

Investments

Investments consist of capex and investments in businesses. Investments in businesses comprise acquisitions of shares and participations, including acquisitions of subsidiaries and businesses not organised as separate companies. Investments (or total investments) is deemed to better gauge the actual investments for the period than in the purchases of property, plant and equipment (PPE) and intangible assets line items in the cash flow statement.

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Capital expenses	3 861	4 093	6 985	8 122	18 075
Investments in businesses	-	-	5	-	27 807
Investments	3 861	4 093	6 990	8 122	45 882

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

Net debt is derived from the balance sheet and consists of both current and non-current interest-bearing liabilities, current and non-current lease liabilities less related current and non-current hedging instruments, financial instruments, such as debt instruments and derivatives, and cash and cash equivalents. Net debt is adjusted for licence obligations.

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.

Reconciliation

NOK in million	30 June 2020	30 June 2019	31 December 2019
Non-current interest bearing liabilities	102 520	62 769	83 987
Non-current lease liabilities	34 928	33 554	32 002
Current interest-bearing liabilities	12 030	24 996	14 761
Current lease liabilities	10 167	4 867	9 295
Less:			
Cash and cash equivalents	(16 699)	(42 373)	(13 867)
Hedging instruments	(2 601)	(1 862)	(1 988)
Financial instruments	(278)	(314)	(485)
Adjustments:			
Non-current licence obligations	(13 573)	(14 673)	(12 309)
Current licence obligations	(4 567)	(953)	(4 421)
Net interest-bearing debt excluding licence obligations	121 927	66 012	106 977
Less:			
Net interest-bearing debt in discontinued operations		829	
Net interest-bearing debt excluding licence obligations	121 927	66 841	106 977

Net debt/EBITDA

Telenor aims to maintain a solid balance sheet through keeping Net debt/EBITDA before other items in the range of 1.8x to 2.3x, in order to maintain financial flexibility and ensure cost efficient funding.

EBITDA before other items is the 12 months rolling EBITDA before other items as of the end of the reporting period.

The measure provides useful information about the strength of our financial position and is regularly reported internally. For comparability, the 12 months rolling EBITDA before other items includes proforma figures for DNA for the periods before consolidation. Note that the Net debt figure for the second quarter 2019 has been adjusted to reflect discontinuation of Canal Digital.

NOK in million	First half year		Year
	2020	2019	2019
Net debt	121 927	66 841	106 977
EBITDA before other items	55 425	46 394	52 691
of which EBITDA before other items proforma DNA	459		1 956
Net debt/EBITDA before other items	2.2	1.4	2.0

Free cash flow

Telenor makes use of free cash flow and free cash flow before M&A activities as important performance measures when presenting and discussing our reported results. We believe it is both useful and necessary to communicate free cash flow and free cash flow before M&A activities for the following reasons:

- Free cash flow and free cash flow before M&A activities allow us and investors to evaluate Telenor's liquidity and cash generated by our operations.
- Free cash flow excludes items that are deemed discretionary, such as financing activities. In addition, free cash flow before M&A activities excludes cash flows relating to acquisitions and disposals of businesses.
- Free cash flow facilitates comparability with other companies, although our measure of free cash flow may not be directly comparable to similar titled measures used by other companies.
- These measures are used for management planning, reporting and incentive purposes.

A reconciliation of net cash flow from operating activities and net cash flow from investing activities to free cash flow and free cash flow before M&A activities is provided in the table below.

Reconciliation

NOK in million	Second quarter		First half year		Year
	2020	2019	2020	2019	2019
Net cash flows from operating activities	11 218	6 084	21 588	15 550	34 221
Net cash flows from investing activities	(5 062)	(4 633)	(9 554)	(9 622)	(43 526)
Payments of lease liabilities related to spectrum licenses	(159)	(149)	(409)	(380)	(1 080)
Repayments of borrowings - supply chain financing	(22)	81	(83)	(40)	(5)
Dividends paid to and purchase of shares from non-controlling interest	(1 082)	(1 312)	(1 479)	(1 709)	(4 327)
Payments of lease liabilities related to other lease contracts	(1 314)	(1 218)	(2 710)	(2 395)	(4 282)
Free cash flow	3 579	(1 147)	7 353	1 404	(18 998)
M&A activities	(416)	(55)	695	909	(22 829)
Free cash flow before M&A activities	3 995	(1 092)	6 659	495	3 831

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 subscriptions and services related to machine-to-machine (M2M) / Internet of Things (IoT), i.e. industrial mobile data applications directed at communication between machines.

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, fibre and fixed wireless access, in addition to revenues from TV services. High-speed fixed internet includes fibre, cable, VDSL and fixed wireless access.

Data services

Consist of Nordic Connect/IP-VPN and security.

Other

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

Wholesale and broadcasting

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. Broadcasting consist of revenues from terrestrial radio and TV transmission.

Key Figures

Subscriptions

Telephony consists of PSTN, ISDN and VoIP subscriptions. Internet consists of broadband access over xDSL, fibre, cable and fixed wireless access. 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.

Other

Revenues

Satellite

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

Infra

Consist of revenues from passive infrastructure services in Norway.



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