

## © Telecommunications and Information Highways

# Telenor ASA

## 1. SYNOPSIS

Telenor is a Norwegian telecommunications group with operations in a number of countries in Europe and Southeast Asia. It is Norway's leading distributor of voice, information, knowledge and entertainment. Its services include fixed-line and mobile communication, IP services for the private and business markets, system integration and integrated packages for the business market and services based on distribution to end users' homes via TV. Telenor became a listed company in December 2000. The company underwent an organisational change in December 2002.

## 2. COMPANY INFORMATION

### Exhibit 1 – Telenor at a glance

Ownership	Norwegian State	77.9%
	Foreign investors	10.7%
	Public	11.6%
CEO	Jon Fredrik Baksaas	
Year established	1994	
Revenue 2002	NOK 48.7 billion (US\$7.02 billion)	
Export markets	Austria, Belgium, Czech Republic, Germany, Greece, Hungary, Ireland, Russia, Singapore, Slovakia, Ukraine, UK.	
Headquarters	Oslo	
Employees 2002	22,100	

(Source: Paul Budde Communication based on company and industry data)

Telenor is the largest telecommunications, IT and media company in Norway. From its position as a national telecom operator, Telenor has expanded to provide voice services, information, knowledge and entertainment through a range of communication services. These services employ a combination of wireless communication platforms, such as mobile telephony, satellite and broadcasting networks, as well as fixed platforms such as conventional telephony, Internet Protocol (IP) and cable networks.

The group's portfolio combines:

- fixed-line communication;
- mobile communication;
- standardised IP services for the private and business markets;
- system integration and integrated packages for the business market;
- services based on distribution to end users' homes via TV.

Telenor's mobile and IP-based services mainly target the international market, while the remainder of the portfolio primarily targets the domestic market in Norway and/or the Nordic region. Future operations in the Norwegian market will focus on the supply of advanced telephony services, by opening up internal value chains and distinguishing between service-related and network-related activities.

### 2.1 BRIEF HISTORY

Telenor, first known as the Norwegian Telegraph Administration, was founded in 1855. The name was changed in 1969 to the Norwegian Telecommunications Administration, in connection with the advent of data transmission via the telecommunications network.

From the mid-1980s, the company was known as Norwegian Telecom, or Televerket, and in November 1994, was established as a limited company, wholly owned by the Ministry of Trade and Industry. In

1995, the name was again changed to Telenor AS in connection with a comprehensive reorganisation, sparked by the deregulation of the telecommunications industry.

A number of new business areas were formed as a result of the deregulation and reorganisation which led Telenor to begin implementing a more offensive international strategy. The company expanded into several markets outside of Norway in the latter half of the 1990s, laying the foundation for a significant presence abroad.

In December 2000, Telenor was listed for the first time on the Oslo Stock Exchange and on NASDAQ in New York, USA. The Initial Public Offering (IPO) recorded the largest number of private shareholders in Norwegian history.

In October 2001, Telenor sold several of its subsidiaries and affiliates, including its Media Division. It also purchased Comsat Mobile Communications from Lockheed to become the world's largest operator of mobile satellite services, the remaining 50% of Canal Digital.

## 2.2 RESTRUCTURE

In December 2002, the group again restructured into three business areas:

- **Mobile** – encompassing all international mobile activities;
- **Networks** – encompassing fixed-network development and operation in Norway and overseas;
- **Broadcast** – encompassing all broadcast activities, such as content and interactive services for TV, including Canal Digital. It also includes those activities that are classified as 'other'.

To strengthen Telenor's position in the domestic market, a separate Norwegian market area was established, in which all sales and marketing activities for the mobile and fixed-network areas were joined.

## 2.3 YEAR 2002 RESULTS

Excluding gains on disposal of fixed assets and operations, revenues increased by 20%. This was largely due to Mobile activities where several companies were consolidated for the first time. These companies were DiGi.Com (from September 2001), Pannon (from February 2002), and Kyivstar (from September 2002). These generated 87% of the increase in Mobile's external revenues. Nevertheless, mobile operations both in Norway and internationally showed growth.

Networks' revenues decreased due to reduced traffic resulting from transition to Asymmetrical Digital Subscriber Line (ADSL), migration of fixed traffic to mobile traffic and internal preselection traffic. The increase in Plus' revenues was mainly due to the consolidation of Canal Digital from June 2002, increased sales of ADSL and Internet. The decrease in Business Solutions' revenues related primarily to the weak market for operating services and software.

External revenues in EDB Business Partner showed a marginal increase due to the effect of acquired businesses in its Operating area, while the underlying development was negative due to weak market conditions. The increase in external revenues for other business units was due to the acquisition of businesses in Satellite Services and increased sales in Satellite Networks, offset in part by the sale of Itworks.

Gains on disposal of fixed assets and operations of NOK158 million in 2002 were due primarily to the sale of properties and some operations in corporate functions and Group activities. The significantly higher figure of NOK 5.44 billion in 2001 was primarily related to the sale of Telenor Media and Norcom Network Communication.

Operating loss was NOK320 million (an operating profit of NOK3.18 billion in 2001). The reduction was primarily due to writedowns of NOK3.55 billion (NOK3.82 billion in 2001), mainly due to DiGi.Com, workforce reductions, lost contracts, exit from activities and previously granted pension benefits. The net loss was NOK4.30 billion compared with a loss of NOK 0.60 billion in 2001.

Net cash flow from operating activities increased 60% to NOK12.9 billion.

**Table 1 – Telenor revenue – 1995 - 2002**

Year ends Dec.	Revenue (NOK billion)
1995	20.0
1996	22.5
1997	25.9
1998	30.0
1999	33.6
2000	37.6
2001	46.0
2002	48.8

(Source: Paul Budde Communication base on company data)

**Table 2 – Revenue by segment – 2002**

Segment	Proportion	Annual change
Mobile	40%	+73%
Networks	28%	-2%
Plus	9%	+48%
Business Solutions	9%	-4%
EDB Business Partners	7%	+2%
Other	7%	-21%

(Source: Paul Budde Communication, based on company data)

### 3. OPERATIONS

Telenor's core activities are organised into three business areas, with associated companies both in Norway and abroad. In addition, a number of other business units are in operation both inside and outside Norway.

**Table 3 – Telenor operating statistics – 1996 - 2002**

(thousands)	1996	1997	1998	1999	2000	2001	2002
Fixed lines	2,440	2,320	2,170	1,910	1,680	1,530	1,470
ISDN connections	148	410	755	1,230	1,590	1,740	1,830
Mobile subscribers	534	871	1,260	1,780	2,160	3,740	9,020
• Contract subs	534	803	944	1,000	1,150	1,530	2,440
• Prepaid subs	n/a	68	316	781	1,010	2,210	6,580
Total pay TV subs	453	495	1,310	1,620	1,950	2,320	2,410
• Cable TV subs	230	244	270	282	357	561	571
• SMATV networks	n/a	n/a	686	937	1,090	1,110	1,100
• Satellite TV subs	223	250	352	405	506	657	738
Internet users	65	165	264	465	742	976	1,070
• % ADSL	n/a	n/a	n/a	n/a	n/a	2%	8%

(Source: Paul Budde Communication based on company data)

**Table 4 – Mobile phone subscribers by Country – 2002**

Country	Company	(thousands)		Market share
		Contract	Prepaid	
Norway	mNorway	1,220	1,120	38%
Hungary	Pannon	540	1,910	50%
Malaysia	DiGi.Com	97	1,520	19%
Ukraine	Kyivstar	384	1,472	50%

Bangladesh	GrameenPhone	206	563	69%
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(Source: Paul Budde Communication, based on company data)

### 3.1 TELENOR MOBILE

Telenor Mobile is responsible for development, sales and mobile service operations for voice, data, Internet, content services and electronic commerce in the Norwegian, Nordic and international markets. Activities in the Norwegian market are carried out through Telenor Mobil and Zalto, Telenor Mobil being the largest supplier in this market. Telenor Mobile's international operations are carried out through active ownership in selected mobile operations in individual markets in Europe and Asia, where Telenor invests in both the management and development of established companies, contributing to the development of new services and markets. Telenor Mobile was established in 1999 and has extensive international commitments. At the end of 2001, the business area had operations in 14 countries.

In October 2003, Telenor and eight other independent mobile companies announced the formation of the *Mobile Alliance* to provide seamless, enhanced voice and data solutions for business and consumer customers across Europe. The other operators were Amena (Spain), O2 (Germany, UK and Ireland), One (Austria), Pannon GSM (Hungary), sunrise (Switzerland) and Wind (Italy).

Telenor Mobile is organised into three divisions:

- mNorway;
- mHorizon;
- mFuture.

#### 3.1.1 mNorway

This division manages Telenor's mobile activities within Norway, where Telenor Mobil is the major activity. Telenor also has a majority share in Zalto Communications, a mobile service provider aimed at young people.

##### 3.1.1.1 Telenor Mobil

The company was established in 1993 and is Norway's leading supplier of mobile telephony, personal paging and mobile data communication. It provides its services through three mobile networks and one personal pager network. At the start of 2002, the company was the largest GSM operator in the Norwegian market, and the only company to provide analogue mobile services in Norway. A nationwide GSM network upgraded with General Packet Radio Service (GPRS) was launched in February 2001. By 2005, Telenor Mobile will have developed a Universal Mobile Telecommunications Services (UMTS) system. The first part of this network opened in December, 2001.

Initially, NMT-450 was Europe's first fully automatic mobile network when it was established in 1981 and closed in 2001. The GSM 900 network was opened in 1995, with the GSM 1800 network following in 1998. The GSM network currently covers 97% of all Norwegian households. Telenor Mobile's GSM 900 licence is valid until 2005; and the GSM 1800 licence until 2010. Both can be extended. The personal pager network, established in 1984, will be phased out in 2003.

Telenor provides a number of digital mobile telephony services. Customers are offered five subscription alternatives and an extensive portfolio of additional services. The use of services such as SMS and the mobile Internet grew significantly throughout 2001. Telenor Mobile continues to develop new services, with particular focus on the mobile Internet and mobile data services. It manages a number of brand name products:

- **djuice.no** is the company's brand name for the mobile Internet, providing access to a broad range of services via the mobile telephone;
- **OYO.no** is Telenor Mobil's Website for young people;

- **Nomade** is a mobile subscription covering all mobile communication needs offering the fastest transmission speed available on the market;
- **RingKontant** is the dominant prepaid subscription solution on the Norwegian market.

### 3.1.2 *mHorizon*

This division manages mobile companies outside Norway, including the Nordic region, Europe and Southeast Asia. The interest ownerships in Ireland and Germany were realized in 2001.

#### 3.1.2.1 *Pannon GSM, Hungary*

Established in 1994, Pannon GSM is the second largest of three mobile operators in Hungary. Telenor was involved in establishing the company, and in February 2002, increased its ownership from 25.8% to 100% when it bought the holdings of KPN, Sonera and Tele Danmark Communications.

Pannon GSM started commercial operations for its GSM-900 network in 1994, and opened its GSM-1800 network early in 2001. It provides prepaid services and subscriptions, Short Message Service (SMS) and international calls via IP and Wireless Application Protocol (WAP). Internet Service Provision (ISP) services were launched in September 2000, and GPRS in July 2001. The company plans to apply for a UMTS licence when they are auctioned, but the data has not yet been set.

#### 3.1.2.2 *Connect Austria*

Connect Austria (17.45% owned) is one of the four operating mobile operators in the Austrian market. It is a joint venture among E.ON (50.1%), Orange (17.45%), TeleDanmark (15%) and Telenor. It offers a full range of mobile services including prepaid, voicemail, SMS, high-speed data transmission and WAP. GPRS was launched in 2002. In November 2000, it acquired a UMTS licence.

#### 3.1.2.3 *ProMonte GSM*

ProMonte GSM (44.1% owned) is a mobile operator in Montenegro, held through Telenor's 44.1% interest in ETL Luxembourg, which holds 100% of ProMonte. ProMonte commenced providing basic mobile telephony services in July 1996 and launched prepaid services at the end of June 2000.

#### 3.1.2.4 *OniWay*

OniWay (20% owned) is a mobile operator in Portugal. The other owners are Oni SGPS (68%) and Iberdrola (8%). It was awarded a UMTS licence in December 2000. With uncertainty regarding the profitability of UMTS, the major shareholder Oni arranged to sell the licence to another operator on Portugal without reference to the other shareholders.

In January 2003, Telenor and Iberdrola commenced legal proceedings against Oni SGPS to get full access to the agreement and to have the resolution approving such agreement passed at the general meeting of the shareholders declared null and void. Telenor has no further obligations to fund the company and has written off all of its investment in OniWay.

#### 3.1.2.5 *DiGi.Com Berhad, Malaysia*

Established in 1995, DiGi.Com is the third largest of five mobile operators in Malaysia. In 1999, Telenor became part owners, and at the end of 2002 held 61%. DiGi.Com is listed on the stock exchange in Kuala Lumpur. The company was the first to operate a completely digital mobile network on a commercial basis in Malaysia. It operates a GSM 1800 network, and provides mobile services,

international operator services, fixed-line services and fixed-line access services. djuiice was launched in Malaysia in 2000.

In March 2002, DiGi.Com entered into three joint venture agreements with Technology Resources Industries, owner of Celcom, to integrate their respective networks and infrastructure, establish national roaming and jointly submit a bid for the announced licences for 3G mobile services in Malaysia. DiGi.Com was not successful in its bid for one of Malaysia's two Third generation (3G) licences. However, it announced plans to operate as a Mobile Virtual Network Operator (MVNO) on one of the UMTS networks in addition to providing services over its own GSM/GPRS infrastructure.

#### *3.1.2.6 Grameen Phone Ltd., Bangladesh*

Established in 1997, Grameen Phone is the largest of four mobile operators in Bangladesh. Telenor became part owners in 1997, and at the end of 2002 held 51%. Grameen Phone launched its GSM 900 network in 1997 and provides contract subscriptions, prepaid services, SMS and mobile answering services.

#### *3.1.2.7 Sonofon Holding AS, Denmark*

Established in 1991, Sonofon is the second largest of four mobile operators in Denmark. Telenor became part owners in 2000, and at the end of 2002 held 53.5%. Sonofon operates national GSM 900 and 1800 networks, established in 1992 and 1997 respectively.

#### *3.1.2.8 Russian operations including VimpelCom*

Established in 1994, VimpelCom is the second largest supplier of mobile telephony in the Moscow area. Telenor became a 30% owner in 1999. The company is listed on the New York Stock Exchange. VimpelCom operates a Digital Advanced Mobile Phone Service (DAMPS) network in addition to a two-band GSM 900 and 1800 network, and launched GPRS in June 2001.

In November 2002, Telenor, VimpelCom and Alfa Group signed an agreement to invest a total of US\$175 million in the company VimpelCom-Region, owning one third each. The company will build and operate mobile services throughout Russia.

In December 2002, Telenor sold its 49% share in Russian regional mobile operator, Extel, to VimpelCom for NOK45 million (€6.16 million). The remaining 51% of the shares in Kaliningrad based Extel was also sold to VimpelCom.

In January 2003, Telenor sold its 49% stake in Russian regional mobile operator, StavTeleSot, to VimpelCom for US\$20.9 million, taking VimpelCom's holding to 90%.

In June 2003, Telenor took its holding in Comincom-Combella to 100%.

#### *3.1.2.9 Total Access Communication (DTAC), Thailand*

Established in 1991, DTAC is the country's second largest mobile operator. Telenor became part owners in 2000, and at the end of 2002 held 40.3%. DTAC is listed on the Singapore stock exchange. The company launched its AMPS 800 mobile service and GSM 1800 service in 1994.

#### 3.1.2.10 *Cosmote, Greece*

Established in 1998, Cosmote is the largest operator in the Greek mobile market. Telenor became part owners in 1998, and at the end of 2002 held 18%. Cosmote is listed on the stock exchanges in Athens and London. GPRS services were launched and the company was granted a UMTS licence in 2001.

In April 2003, Telenor sold 9% of its holding in Cosmote for NOK2.1 billion.

#### 3.1.2.11 *Kyivstar GSM, Ukraine*

Established in 1997, Kyivstar is the largest mobile operator in the Ukraine. Telenor became part owners in 1998. The company operates a GSM 900 network. In the summer of 2001, Kyivstar became market leader.

In July 2002, Telenor Mobile bought an additional 16.5% of Kyivstar GSM from the Sputnik Funds, and in September 2002, it agreed to sell 7.7% of its holding in Kyivstar to Storm LLC, taking Telenor Mobile's holding to 54.2%.

#### 3.1.3 *mFuture*

This comprises the units developing new mobile Internet and portal services in Norway and abroad. Through mFuture, the group seeks to develop new businesses within mobile communication. The mobile Internet portal djuice is its major accomplishment to date.

### 3.2 TELENOR NETWORKS

Telenor Networks is responsible for Telenor's expansion and management of infrastructure within telecommunications and data communication (telephony, data and broadband), in addition to the development and supply of communication solutions based on the fixed network. These are supplied to the private and business markets in Norway, as well as to the wholesale market both in Norway and abroad. In the private market, telephony is supplied directly to end users, mainly via agents and partners. In the wholesale market, Telenor Networks supplies a broad range of services – from access to basic infrastructure, to full value network services that are sold through resellers.

Telenor's domestic network is one of the most technologically advanced fixed-line networks in the world. It was one of the first in the world to be fully digitised and comprises a Trunk Transmission Network, an Access Network and Data Communications Networks.

Telenor is expanding its international wholesale network to include points of presence and offices in Amsterdam, New York, London, Copenhagen and Frankfurt, in addition to Oslo.

In 2000, the Group invested in the new TAT-14 transatlantic submarine cable, to provide connections between five cable stations in Europe and two in North America. In accordance with the TAT-14 Construction and Maintenance Agreement, Telenor owns a 3.5% interest in the cable, which extends for the life of the cable system. Services were launched on the TAT-14 in March 2001.

By 2002, 58% of all of Telenor's lines were capable of handling ADSL.

### 3.3 BROADCASTING

#### 3.3.1 *Telenor Plus*

Telenor Plus is responsible for the development, sales and distribution of Telenor's communication, entertainment and information services to the private market in Norway and the Nordic region. This

business area is the largest supplier of analogue and digital TV services within the Nordic region, and is a leading Nordic player in the development of interactive news and entertainment services to broadband users. Telenor Plus offers Internet access to the Norwegian private market and offers a number of services through several companies.

It is the largest provider of television services in the Nordic countries through home satellite dish (DTH), cable networks (CATV) and small antenna networks (SMATV) systems. Until the December 2002 reorganisation, it also managed the Internet access and services operations. These were subsequently transferred to Telenor Networks, with the exception of broadband Internet access via cable. It operates through Canal Digital, Avidi, Satellite Broadcasting, Norkring and Conax.

Content and Interactive Services include the development and distribution of TV- and IP-based (broadband) interactive services and content mainly through Zonavi and iCanal. It also includes the subsidiary Conax, which develops and markets conditional access systems, general security systems for content distribution, and electronic payment systems for television and Internet.

This business unit has been scaled down as a result of a slower than expected market development related to interactive TV and standardisation of technology.

### 3.3.2 Canal Digital

Canal Digital is the fastest growing European TV distribution company via satellite. From 1997 to 2001, Canal+ and Telenor Plus had equal joint-ownership of Canal Digital. Oslo-based Canal Digital Group is a holding company with subsidiaries in Norway, Sweden, Denmark and Finland, together with Multimedia Lab, the development facility for interactive services.

Following a dispute, Canal+ Group and Telenor Plus agreed in July 2001 that Canal+ Group would sell its 50% share of Canal Digital to Telenor for €290 million. This agreement also secured exclusive distribution of Canal+ Nordic's Premium channels and Kiosk pay-per-view service on Canal Digital in Sweden, Norway, Finland and Denmark.

## 3.4 TELENOR BUSINESS SOLUTIONS

Telenor Business Solutions is responsible for the development, sales and implementation of Telenor's communication and IT solutions for the Norwegian, Nordic and European business markets. Telenor Business Solutions is Norway's leading supplier of ICT solutions to the business market. The primary market is the Nordic region, but also extends to about ten European countries. This business area develops and supplies a broad range of telecommunication and data communication applications and solutions.

It provides both basic and value-added communication services, and managed services to the business market in the countries in which it operates, specialising in data communication, Virtual Private Network (VPN), telephony, advanced network solutions, managed IT-services, messaging and Internet services. It also offers consulting services, primarily for technology implementing project management, including the marketing, sale and implementation of large and complex outsourcing contracts.

Telenor Business Solutions consists of five key focus areas:

- **Access, business network and communication services** – provides services within advanced networks, IP-based communication, data communication and value adding telephony services to the Norwegian business market;
- **Operating services, Application Service Provider – ASP, software sales and consultancy services** – includes operating local networks, applications, service integration, e-business solutions and consultancy work;
- **Business Solutions Sweden** – provides telephony, advanced networks, IP-based communication, data communication and application services to the Swedish business market;
- **Nextra International** – provides IP-based services in Great Britain, Switzerland, the Czech Republic and Slovakia;

- **Comincom/Combella** – provides telecommunication services to the Russian market, primarily in the Moscow area. In June 2003, Telenor acquired full ownership of this company.

### 3.5 OTHER BUSINESS UNITS

In addition to the core activities in the main business areas, Telenor has active ownership in other businesses, most notably in EDB Business Partner ASA, Bravida ASA, Telenor Satellite Mobile and Telenor Satellite Networks and Teleservice AS.

#### 3.5.1.1 EDB Business Partner ASA

This is a supplier of software solutions, consultancy and operating services in Norway and abroad. It resulted from a merger between Telenor Programvare and EDB in May 1999, and was listed on the Oslo Stock Exchange in 1997. Telenor owns 51.8%. At the end of 2001, EDB Business Partner was represented in Sweden, Denmark, the Benelux countries, France, Great Britain, Poland, Hungary, Spain, Switzerland and the US.

#### 3.5.1.2 Teleservice AS

This is responsible for the products Directory Enquiries 1881, MeetAt 119 (telephone and data conferences), and Contact Centre services.

#### 3.5.1.3 Telenor Satellite Networks

This provides satellite-based communication solutions to the business markets in Europe, the Middle East and Africa. Its communication solutions encompass network design, implementation, operations and service, and are provided via subsidiaries in Norway, the Netherlands, Poland, Slovakia and the Czech Republic.

#### 3.5.1.4 Telenor Satellite Services

Telenor Satellite Services (formerly COMSAT Mobile communications) is fully owned by Telenor and supplies satellite-based speech and data services for use on land, in the maritime industry and in aviation. Subsequent to its acquisition in January 2002 and that of Marlink (formerly Sait Communications) in March 2001, it has become one of the world's major suppliers of global, mobile communications solutions via satellite. The services are marketed through a broad international chain of distributors as well as from its own offices around the world.

#### 3.5.1.5 Telenor Key Partner AS

Part of the company's former personnel activities has been transferred to Telenor Key Partner AS, which supplies services to business areas and group units.

#### 3.5.1.6 Telenor Eiendom

This is the company's property management company.

### 3.5.1.7 Telenor Research and Development

This is Norway's largest research environment for information and communications technology. The activities are long-term and managed in multidisciplinary research programs and projects. In 2001, R&D participated in a number of international projects, mainly under the direction of the European Union (EU) and EURESCOM.

R&D activities carried out in 2001 included various projects within technology and business models for future communication networks, services and platforms, in addition to the development of customer-oriented solutions and applications. The biggest research project was the development and establishment of solutions for the next generation broadband access for the transmission of TV signals.

## 4. CONTACT DETAILS

**Telenor ASA**  
N-1331 Fornebu  
NORWAY

Tel: +47 6789 2470  
Website: www.telenor.com

## 5. RELATED REPORTS

For information relating to:

- worldwide activities in the telecommunications industry, see [Global Overviews](#);
- the global telecommunications industry, see [Technologies, Terminology and Glossary](#);
- telecommunication companies in Europe, see [Companies in Europe](#);
- activities in Europe, see [Europe](#).

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2643 George Downes Drive, BUCKETTY NSW 2250 AUSTRALIA  
Telephone: +61 2 4998 8144 Fax: +61 2 4998 8247  
E-mail: [pbcbudde.com.au](mailto:pbcbudde.com.au) Web: [www.budde.com.au](http://www.budde.com.au)