TELENOR IT PARTNER A/S

Frederikskaj 8
2450 København SV

Annual report
1 January 2016 - 31 December 2016

The annual report has been presented and approved on the company's general meeting the

31/05/2017

Monna Maria Nielsen
Chairman of general meeting

Content

Company information

Reporting company	TELENOR IT PARTNER A/S Frederikskaj 8 2450 København SV	
	CVR-nr:	25674103
	Reporting period:	01/01/2016 - 31/12/2016
Auditor	ERNST & YOUNG GODKENDT REVISIONSPARTNERSELSKAB Osvald Helmuths Vej 4 2000 Frederiksberg DK Denmark	
	CVR-nr:	30700228
	P-number:	1013415044

Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of Telenor IT Partner A/S of the period 1 January – 31 December 2016.

The annual report is presented in accordance with the Danish Financial Statements Act. We consider the accounting policies applied appropriate, so that the annual report gives a true and fair view of the company’s assets and liabilities, its financial position as at 31 December 2016 and the results of the company’s activities for the financial year 1 January – 31 December 2016.

In our opinion, the management’s review gives a true and fair account of the matters addressed in the review.

We recommend that the annual report be adopted by the General Meeting.

Copenhagen, the 31/05/2017

Management

Georg Erling Svendsen
CEO

Board of directors

Jesper Steffen Hansen Chairman	Terje Borge
Jesper Kamp Andersen	

The independent auditor's report on financial statements

To the shareholders of TELENOR IT PARTNER A/S

Opinion

We have audited the financial statements of Telenor IT Partner A/S for the financial year 1 January – 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity, accounting policies and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

• Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 31/05/2017

State Authorised Public Accountant	State Authorised Public Accountant
Søren Skov Larsen	Allan Nørgaard
ERNST & YOUNG GODKENDT	ERNST & YOUNG GODKENDT
REVISIONSPARTNERSELSKAB	REVISIONSPARTNERSELSKAB
CVR: 30700228	CVR: 30700228

Management’s Review

Main activities
The company's activity is to develop and own IT systems to support European companies within the Telenor Group.

Development in activities and economic conditions
The annual report for 2016 shows a deficit of DKK 104,697 thousand against a loss of DKK 45,015 thousand in 2015.

The company's balance sheet at 31 December 2016 shows equity of DKK 32,726 thousand (DKK 37,424 thousand in 2015).

In 2017, the company expects a loss as the company still is in the process of developing the IT systems. The planned merger with Telenor A/S is expected to contribute to improved earnings.

Events following the financial year end
After the balance sheet date Telenor has planned a merger with Telenor IT Partner and the sister company Telenor A/S. At the balance sheet date the merger has not yet been approved. The expected merger will for accounting purposes be effective as per 1st of January 2017 with Telenor A/S as the continuing company.

Accounting Policies

The annual report has been prepared in accordance with the regulation applying to Reporting class B.

Generally

The annual report of Selskab B A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

1. Yearly reassessment of residual values of property, plant and equipment
2. Reserve for development costs

Re 1: In future, residual values of property, plant and equipment will be subject to annual reassessment. The change is made with future effect only as a change in accounting estimates with no impact on equity.

Re 2: An amount corresponding to development costs recognised are in future tied up in a special reserve under equity called "Reserve for development costs". The amount is tied up in a special reserve, which cannot be used to distribute dividend or cover losses. If the development costs recognised are sold or in some other way no longer form part of the Company's operations, the reserve will be dissolved or reduced by a transfer directly to distributable reserves under equity. If the recognised development costs are written down, part of the reserve for development costs must be reversed. The reversed portion corresponds to the write-down of the development costs. If a write-down of the development costs is subsequently reversed, the reserve for development costs must be re-established. The reserve for development costs is also reduced by amortisation charges. In doing so, the equity reserve will not exceed the amount recognised in the balance sheet as development costs.

None of the above changes affects the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

Recognition and measurement

Revenue

Revenue comprises the value of services provided and goods delivered in the period less value-added tax and price reductions directly associated with sales.

Income from the sale of goods and services is recognised in the income statement if delivery has taken place and all risk and rewards associated with the sold items have been transferred to the buyer.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the asset can be measured reliably. Liabilities are recognised in the balance sheet when they are probable and can be measured reliably. At the first measurement, assets and liabilities at cost. Subsequent measurement has taken place as described for each item below.

Recognition and measurement take into account predictable losses and risks that arise before the year end and which prove or disprove matters existing at the balance sheet date.

Foreign currency translation

Transactions in foreign currencies are translated into Danish kroner at the transaction date. Gains and losses arising between the transaction date and the date of payment are recognised in the income statement under financial items.

Receivables, debt and other monetary items in foreign currencies are translated at the closing exchange rates. Differences between the exchange and the rate at which the receivable or payable is created or recognised in the latest financial statements are recognised in the income statement under financial items.

Income statement

Financial income and expenses
Financial income and expenses comprise interest payments and amortisation of financial liabilities with the amounts that are attributable to the fiscal year.

Financial income and expenses also include the financial expenses of finance leasing, realised and unrealised foreign currency gains and losses as well as tax surcharge and tax relief under the Danish Tax Prepayment Scheme, etc.

Tax
The company and its Danish group entities are jointly taxed. The tax is allocated in accordance with the full allocation method.

The tax for the year, consisting of the current tax for the year and the change in deferred tax for the year, is recognised in the income statement. Changes in deferred tax concerning equity items are credited or charged directly to equity. Danish corporation tax with any tax surcharge and tax relief is consequently allocated among Danish entities, whether they realise profits or losses, proportionally to their taxable income.

Balance sheet

Software
Software is measured at cost less accumulated amortisation and impairment losses. Cost comprises the acquisition price and costs directly related to the acquisition until the time when the asset is ready for its intended use. Own-developed software comprises costs and salaries directly attributable to the company’s software development activities as well as finance costs in the production period. Own-developed software that is clearly defined and identifiable, where technical utilisation, sufficient resources and a potential future market or possible use in the company can be demonstrated and where it is intended to produce, market or use the project, is recognised as intangible assets if the cost can be reliably determined and there is adequate assurance that the future earnings can cover the costs of production, sale and administration as well as the actual development costs.

Other development costs are charged to the income statement as and when incurred. Activated own-developed software is measured at cost less accumulated amortisation and impairment losses.

After completed development work, own-developed software is amortised on a straight-line basis over its estimated useful life. The amortisation period is usually 3-5 years. The basis of amortisation is reduced by any impairment losses.

Tangible assets
Tangible assets are measured at cost less accumulated depreciation and impairment losses. Cost comprises the acquisition price and costs directly related to the acquisition until the time when the asset is ready for its intended use. For own-manufactured assets, the cost includes direct labour, materials, parts purchased and services rendered by subcontractors as well as interest costs in the production period. Furthermore, the cost includes estimated costs of restoration if these costs also meet the criteria for recognition of provisions. The cost of a single asset is divided into separate components that are depreciated individually if the individual components have different useful lives.

Straight-line depreciation is applied, based on the estimated useful lives which are determined at the time of acquisition and reassessed annually. The estimated useful lives are:

- Plant and machinery 3-10 years
- Other fixtures and fittings, tools and equipment 3-10 years

The basis of depreciation is determined with consideration of the asset’s scrap value and is reduced by any impairment losses. The scrap value is determined at the time of acquisition and reassessed annually.

Depreciation ceases if the scrap value exceeds the carrying amount of the asset.

Receivables
Receivables primarily include trade receivables and short-term advances to group entities.

Trade receivables are initially measured at cost and subsequently at amortised cost or a lower value subject to an individual assessment of the exposure to loss. Receivables from interest-free instalment sales are recognised at the present value of the future payments based on a risk-free and customer-specific rate of interest. The interest element is carried as income as and when the loan is repaid.

Fixed-interest short-term advances to group entities are measured at amortised cost as they are held until maturity. Receivables are measured at amortised cost.

Tax
Current tax liabilities and current tax receivables are recognised in the balance sheet as calculated tax of the year's taxable income adjusted for tax of previous years' taxable income and tax paid on account.

Deferred tax is recognised and measured under the balance sheet liability method on all temporary differences between the carrying amount and tax-based value of assets and liabilities. However, deferred tax is not recognised for temporary differences relating to the tax base of non-depreciable office properties. In cases where the tax base can be calculated in accordance with alternative taxation rules, deferred income tax is measured on the basis of the management's planned utilisation of the asset or settlement of the obligation, respectively.

Deferred tax assets, including the tax base of a tax loss allowed for carryforward, are measured under other non-current asset investments at the expected use value of the asset, either by elimination in tax of future income or by offsetting against deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax is measured based on the tax rules and rates which will be applicable under the legislation in force at the balance sheet date, when the deferred tax is expected to be realised as current tax. Changes in deferred tax in consequence of changes in tax rates are recognised in the income statement.

Income statement 1 Jan 2016 - 31 Dec 2016

	Disclosure	2016	2015
		kr.	**kr.**
Revenue		63,565,000	37,079,000
Cost of sales		-1,031,000	-1,013,000
Other external expenses		-100,231,000	-52,457,000
Gross Result		**-37,697,000**	**-16,391,000**
Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets	1	-86,241,000	-44,165,000
Profit (loss) from ordinary operating activities		**-123,938,000**	**-60,556,000**
Other finance income	2	420,000	15,000
Other finance expenses	3	-3,417,000	-2,239,000
Profit (loss) from ordinary activities before tax		**-126,935,000**	**-62,780,000**
Tax expense	4	22,238,000	17,765,000
Profit (loss)		**-104,697,000**	**-45,015,000**

Proposed distribution of results

Retained earnings		-104,697,000	-45,015,000
Proposed distribution of profit (loss)		**-104,697,000**	**-45,015,000**

Balance sheet 31 December 2016

Assets

	Disclosure	2016 kr.	2015 kr.
Acquired intangible assets		327,890,000	309,347,000
Development projects in progress		52,527,000	70,742,000
Intangible assets	**5**	**380,417,000**	**380,089,000**
Land and buildings		1,241,000	1,083,000
Plant and machinery		25,450,000	47,900,000
Property, plant and equipment in progress		22,000	2,656,000
Property, plant and equipment	**6**	**26,713,000**	**51,639,000**
Total non-current assets		**407,130,000**	**431,728,000**
Receivables from group enterprises		139,747,000	60,312,000
Current deferred tax assets		37,858,000	0
Other receivables		380,000	0
Deferred income assets		28,917,000	33,430,000
Receivables	**7**	**206,902,000**	**93,742,000**
Current assets		**206,902,000**	**93,742,000**
Total assets		**614,032,000**	**525,470,000**

Balance sheet 31 December 2016

Liabilities and equity

	Disclosure	2016 kr.	2015 kr.
Contributed capital		20,000,000	20,000,000
Reserve for development expenditure		114,584,000	0
Retained earnings		-101,857,000	17,424,000
Total equity		**32,727,000**	**37,424,000**
Provisions for deferred tax		0	1,797,000
Provisions, gross		**0**	**1,797,000**
Payables to group enterprises		515,263,000	311,846,000
Long-term liabilities other than provisions, gross		**515,263,000**	**311,846,000**
Trade payables		2,939,000	3,434,000
Payables to group enterprises		25,465,000	30,567,000
Other payables, including tax payables, liabilities other than provisions		37,638,000	140,402,000
Short-term liabilities other than provisions, gross		**66,042,000**	**174,403,000**
Liabilities other than provisions, gross		**581,305,000**	**486,249,000**
Liabilities and equity, gross		**614,032,000**	**525,470,000**

Statement of changes in equity 1 Jan 2016 - 31 Dec 2016

	Contributed capital	Reserve for development expenditure	Retained earnings	Total
	kr.	kr.	kr.	kr.
Equity, beginning balance	20,000,000	0	17,424,000	37,424,000
Profit (Loss)	0	114,584,000	-219,281,000	-104,697,000
Contribution from group	0	0	100,000,000	100,000,000
Equity, ending balance	20,000,000	114,584,000	-101,857,000	32,727,000

The share capital is divided into shares of DKK 1,000 or multiples thereof. The share capital is not divided into classes.

Disclosures

1. Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets

	2016 t.kr.	2015 t.kr.
Depreciation on intangible assets	-71,207	-32,006
Depreciation on tangible assets	-15,034	-12,159
	-86,241	-44,165

2. Other finance income

	2016 t.kr.	2015 t.kr.
Net foreign exchange gain/loss	420	0
Other interest income	0	15
	420	15

3. Other finance expenses

	2016 t.kr.	2015 t.kr.
Interest expenses, group entities	-3,417	-1,752
Net foreign exchange gain/loss	0	-487
	-3,417	-2,239

4. Tax expense

	2016 t.kr.	2015 t.kr.
Tax for the year	1,267	21,571
Tax adjustment previous years	-18,684	-6,577
Adjustment of deferred tax prior years	13,517	0
Adjustment of deferred tax	26,138	2,771
	22,238	17,765

No tax has been paid for 2016
Deferred tax on tax-loss carried forward is not included.

5. Intangible assets

	Software	Software under construc-tion	Total
	t.kr.	t.kr.	t.kr.
Cost price at 1 January 2016	343,457	70,742	414,199
Reclassification	0	0	0
Additions	95,846	9,426	105,272
Disposals	-7,249	-27,641	-34,890
Cost price at 31 December 2016	**432,054**	**52,527**	**484,581**
Depreciation and impairment at 1 January 2016	-34,108	0	-34,108
Reclassification	0	0	0
Depreciation	-71,207	0	-71,207
Disposals	1,153	0	1,153
Depreciation and impairment at 31 December 2016	**-104,162**	**0**	**-104,162**
Carrying amount at 31 December 2016	**327,892**	**52,527**	**380,419**

6. Property, plant and equipment

	Land and buildings	Hardware	Hardware under construction	Total
	t.kr.	t.kr.	t.kr.	t.dk
Cost price at 1 January 2016	1,305	69,232	2,656	73,193
Reclassification	0	2,634	-2,634	0
Additions	467	3,829	0	4,296
Disposals	0	-26,350	0	-26,350
Cost price at 31 December 2016	**1,772**	**49,345**	**22**	**51,139**
Depriciation and impairment at 1 January 2016	-222	-21,332	0	-21,554
Reclassification	0	0	0	0
Depreciation	-309	-14,725	0	-15,034
Disposals	0	12,162	0	12,162
Depriciation and impairment at 31 December 2016	**-531**	**-23895**	**0**	**-24,426**
Carrying amount at 31 December 2016	**1,241**	**25,450**	**22**	**26,713**

7. Receivables

Receivables from group entities
The receivables have a floating interest which is monthly adjusted
Interest rate at 31 December 2016: 0.71% p.a. (31.12.2015: 0.82%)

8. Disclosure of significant events occurring after end of reporting period

After the balance sheet date Telenor has planned a merger with Telenor IT Partner and the sister company Telenor A/S. At the balance sheet date the merger has not yet been approved. The expected merger will for accounting purposes be effective as per 1st of January 2017 with Telenor A/S as the continuing company.

9. Disclosure of contingent liabilities

Contingent liabilities, securities and contractual obligations
The company is jointly and severally liable with the jointly taxed companies for the aggregate corporation tax.

10. Disclosure of ownership

Ownership

The company is 100% owned by Telenor Danmark Holding A/S, Copenhagen.

The company's ultimate parent company Telenor ASA, Snarøyveien 30, 1311 Fornebu, Norway prepares consolidated financial statements in which the company is a subsidiary.

Related parties

In 2016 the company had transactions with following related parties:
- Telenor A/S
- Telenor Global Services AS
- Telenor Common Operation Zrt.
- Telenor ASA
- Telenor Hungary Ltd.

All transactions have been conducted under marked terms and conditions (arms length).