

Press Release

2 nov 1999

Stronger earnings despite deep price cuts

Telenor and Telia reported earnings higher than in the corresponding period the preceding year, excluding one-off items. Higher earnings resulted from a combination of stronger revenues and successful cost-cutting, mainly in the domestic markets.

“These healthy earnings will form a solid basis for the growth of Telenor and Telia after their merger,” says CEO Tormod Hermansen. “The excellent performance was particularly heartening considering their extensive efforts planning the merger this year. Despite that work and the heavy price cuts in Norway and Sweden, both Telenor and Telia increased total revenues. The main reason was ongoing robust growth in fixed, mobile, and Internet services. The expansion shows that we have succeeded at keeping focused on customers and businesses despite the strain that a merger always entails. This bodes well for the future,” Hermansen notes.

Telenor

Telenor's income after financial net ended at NOK 1,733 million after the third quarter. Adjusted for one-off items, income advanced about NOK 100 million from the same period one year previous. The Telenor group's operating revenue for the first nine months of 1999 was more than 15% up on the same period in 1998. Price cuts on network-based products so far this year have equaled about NOK 700 million. A charge for local calls has been introduced throughout Norway.

Traffic volumes expanded strongly during the period. Growth was chiefly owing to greater use of the Internet, partly because of the influx of new Internet customers into the consumer market. Expanded traffic volumes more than offset the price cuts on fixed and mobile telephony.

Mobile operations in Norway reported revenues more than 20 per cent higher than the same period in 1998. Telenor's ISDN initiatives have paid off as an increasing number of customers have changed from conventional subscriptions to ISDN.

Telenor has invested NOK 8.5 billion so far this year. Investments outside Norway totaled NOK 3.4 billion, primarily aimed at mobile operations.

Telia

Telia's income after financial net reached SEK 4,372 million after the third quarter. The Telia group reported vigorous earnings growth in the Swedish market. Higher profitability resulted from stronger growth and efficiency measures, which held operating costs below the level of the corresponding period in 1998. “In 1999, the Telia group is expected to deliver its best earnings ever, adjusted for capital gains,” says Telia CEO Stig-Arne Larsson.

Total consolidated revenues increased 6.5% for comparable units. Operations continued to expand volumes, but price cuts of about 6% curbed revenue growth. Sales of mobile services in Sweden expanded more than 8%. Growth was attributable to GSM, which attracted more subscribers and generated more traffic per subscriber.

The group's new operations in Sweden and in new markets grew apace. During the period, broadband access in the fixed network was launched in Sweden.

Telia has invested almost SEK 9.2 billion this year. Of the total, roughly SEK 3.8 billion was for operations outside Sweden. Investments went to fixed and mobile communications.

New structure from January 1

The merged Telenor/Telia was formally incorporated on October 19, and integration of operations began on November 1. The business is expected to be operated within a new structure starting January 1, 2000.

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To the editors:

Telia's interim report is available at <http://www.telia.se/tews/item/604637.html>

Telenor's interim report is available at <http://www.telenor.no/finance/3q99/>