



 Hafslund

Annual report 2022



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An aerial photograph showing a large concrete dam structure in the foreground, with a reservoir of water below it. The background consists of dense, green forested hills. The text 'Important events' is overlaid in white on the lower part of the image.

Important events



Yet another year with record high power prices

The war in Ukraine, gas shortages in Europe, challenges at important nuclear power plants and drought resulted in extreme energy prices on the continent, and this same price development became applicable for Southern Norway. The climate in Southern Norway was very dry until October, and for much of the year, the power companies had to produce at below normal levels. There was more precipitation in the final quarter, and at the beginning of 2023 Norway had good security of energy supply and normal reservoir levels. The extreme price situation has been extremely demanding for both private consumers and the business sector, and Hafslund takes a positive view of the measures initiated by the government authorities to introduce electricity subsidies and facilitate greater predictability and stability for the business sector by extending the contract exemption in the resource rent tax.

Historically high prices and volatility in the financial power market in August led some members on the NASDAQ power exchange to publicly disclose the challenges of providing sufficient liquidity for their financial positions. State aid was thereafter quickly introduced in several Scandinavian countries. An important step in reducing positions in the financial marketplace, and thereby helping to reduce risk, is to transfer positions to bilateral agreements with other power and energy companies. Hafslund preventively took such steps in the second quarter and increasingly through the third quarter of 2022.



Hafslund acquired Fortum Oslo Varme and became an energy and infrastructure group

In May, Hafslund acquired 60 per cent of Fortum Oslo Varme, which is now called Hafslund Oslo Celsio. The Group thus gained approximately 200 new employees, and heating, energy-positive waste management, district cooling and fibre have become part of the Group's core business. Hafslund Oslo Celsio has a strong connection to Oslo, and ownership of this company strengthens the Group's capacity to be a driving force for electrification and development of sustainable infrastructure in Oslo.

In 2022 Hafslund's growth and investment activities were also consolidated into a separate company called Hafslund Vekst. The Hafslund Group now consists of three distinct business areas with hydropower in Hafslund Eco Vannkraft, district heating and cooling in Hafslund Oslo Celsio and growth initiatives and industrial ownership at Hafslund Vekst. The Group has become an energy and infrastructure company with a clear agenda for contributing to the development of a renewable Norway and a green and smart Oslo.



Breaking of ground for carbon capture and storage at Klemetsrud

On 26 June 2022, Hafslund Oslo Celsio, the City of Oslo and the Norwegian Government signed an agreement to finance a full-scale carbon capture and storage plant connected to the waste incineration plant at Klemetsrud. Liquid CO₂ will be transported from Klemetsrud to the Port of Oslo, and from there to storage under the seabed in the North Sea as part of the Longship project. Carbon capture at Klemetsrud will make a significant contribution towards reducing Oslo's total greenhouse gas emissions. The carbon capture project will be the first in the world to construct full-scale carbon capture at an operational waste incineration plant, and a great deal will be required from the Group to realise the project. Construction commenced in August 2022 with blasting work and the demolition of administration buildings to prepare the area for the carbon capture plant.



Blåvinge partnership to compete for offshore wind licences in the North Sea

The start of 2022 was characterised by an increasingly tighter energy situation, which highlighted the fact that Europe has a strong need for large amounts of new renewable energy. When the Norwegian Government raised its stated ambitions for offshore wind to 30 GW by 2040 in May, this was good news for Hafslund and the rest of renewable Norway. The Blåvinge offshore wind partnership, of which Hafslund is one of three partners, is well underway in preparing to bid for the first areas of Utsira Nord and Sørlig Nordsjø II.



Solar energy from both solar parks and solar panels on roofs and facades

The strong need for more renewable energy has accelerated the development of most production technologies, and the potential for solar power has also been demonstrated in Norway. In May, the Norwegian Water Resources and Energy Directorate (NVE) awarded its first licence to a major onshore solar power plant, and it is expected that solar power will make an increasingly greater contribution towards the Norwegian and European power system. During 2022, Hafslund established investments in both large-scale solar and solar panels on roofs and facades. In autumn 2022, Hafslund established a new solar power company in Norway together with the investment company Magnora ASA and the Swedish solar park developer Helios AB. Together with the housing developer OBOS, Hafslund established the company Solway, which will accelerate the development of the enormous potential of clean and locally-sourced solar energy from roofs and facades in Oslo.



Major changes to the power industry's framework conditions

The energy crisis, and the associated price crisis, have dominated the news cycle and political debates over the past year, and never before has there been greater interest in the energy sources and value chains of which Hafslund is a part. Major decisions in connection with the national budget in the autumn of 2022 have become the impetus for Hafslund's operations, and the Group has engaged itself in the debate on changes to framework conditions and taxation. Hafslund is convinced that there are opportunities to improve the value chain and to ensure sufficient redistribution that does not come at the cost of what society needs most, namely the development of large amounts of new renewable energy.

Amended framework conditions for contracts with the business sector

Hafslund appreciates that the government authorities have made it possible to sell multi-year fixed-price agreements to the business sector by allowing the contract price and not spot price to constitute the basis for resource rent taxation. Hafslund has been offering these types of agreements since 1 January 2023, and the Group has a desire to be part of the initiatives that facilitate better electricity agreements for both the business sector and private consumers.

Higher tax on power production

The increase in the resource rent tax from 37 to 45 per cent and the introduction of a high-price contribution mean that the marginal tax rate is 90 per cent when the power price exceeds 70 øre/kWh. Hafslund

understands that the Norwegian State wants to recoup more of the profits generated in the power industry under exceptional market conditions with extreme prices. However, the Group has engaged itself in the public debate with the message that taxes have to be determined in a manner that does not compromise the continued development of existing plants and investments in new renewable energy, which is the actual long-term solution to reducing prices and absolutely essential for achieving targeted emissions cuts. The tax package has the heaviest impact on the hydropower investments that the NVE considers to be needed the most, i.e. the investments in output that enable a large amount of electricity to be produced in a short period of time when there is little wind and solar power available.

Key figures

Profit after tax

4,344 NOK million

Hydropower production

13.8 TWh

Greenhouse gas emissions

459,554 tCO₂e

Sorting rate

89 %

Number of employees

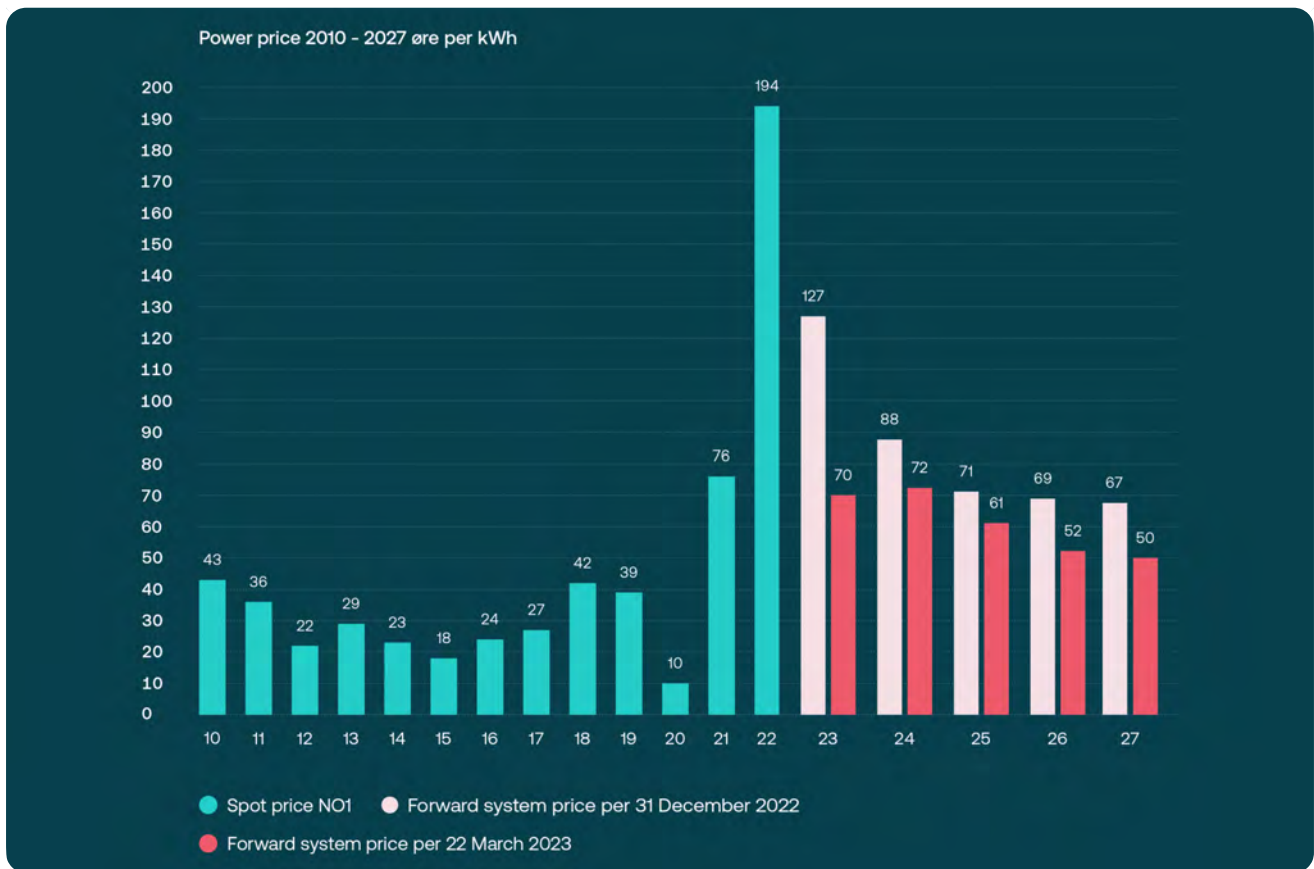
686

Number of injuries

2.9 per million hours worked

NOK million	2022	2021
FINANCIAL KEY FIGURES		
Revenues and other income	22,028	10,847
EBITDA	20,087	8,979
Operating profit (EBIT)	19,340	8,463
Underlying operating profit	19,914	9,678

NOK million	2022	2021
Profit before tax	18,879	7,901
Profit after tax	4,344	2,611
Net interest-bearing debt	9,523	11,336
-of which subordinated debt	7,338	5,264
Total assets	97,265	63,584
Capital employed	65,609	43,046
Investments in operating assets	870	590
ROE (%)	12.5 %	9.9 %
ROCE (%)	35.6 %	19.2 %
Net interest-bearing debt/EBITDA (x)	0.5	1.7
FFO/Net interest-bearing debt (%)	141 %	54 %
Equity ratio (%)	44 %	42 %



Other key figures	2022	2021
Number of employees	686	438
Turnover (voluntary termination)	3.6%	2.5%
Number of injuries per million hours worked (H2) last 12 months	2.9	6.9
Greenhouse gas emissions (Scope 1, 2 and 3) (tCO ₂ e) *)	459,554	3,573
Hydropower produced (TWh)	13.8	18.3

Other key figures	2022	2021
Achieved power price (øre/kWh)	150	62
Nordic system price (øre/kWh)	137	63
Heat sales (GWh)	761	N/A

*) The climate emissions include market-based emissions in scope 2. The 2022 figures include an expansion of scope 3 emissions and climate emissions from Hafslund Oslo Celsio, while the 2021 figures exclude Hafslund Oslo Celsio and only include very limited scope 3 emissions.

A word from the CEO

A world in imbalance requires more renewables

2022 was an eventful and challenging year. The war in Ukraine has, first and foremost, caused great suffering for the people of Ukraine, however it has also resulted in serious negative repercussions for the rest of the global community. Gas shortages in Europe have led to extremely high gas prices and European power prices. Dry weather conditions in Southern Norway and low reservoir levels, combined with European prices, contributed to very high power prices in Southern Norway throughout the year.

This has had a heavy impact on Norwegian power consumers, and resulted in a critical spotlight being shone on the Norwegian power system. At Hafslund, we support the measures initiated by the government authorities involving support schemes and the facilitation of fixed-price contracts for the business sector. At the same time, our greatest focus is on contributing to long-term solutions to energy challenges, primarily by developing more renewable energy, but also by finding solutions for saving energy. 2022 was a year when we got a lot started and we are fortunately able to see a wide range of solutions for the future. We have continued to develop and improve our hydropower, and we have acquired and started many new companies that can accelerate the growth of renewable energy.

Many new colleagues were added to our ranks in 2022 and increased our expertise and capacity through acquisitions. Operations have been good, and we had the lowest injury figures for many years. We are dedicated to our HSE work to ensure that this positive development continues.

The largest transaction of the year was the acquisition of what is now called Hafslund Oslo Celsio, Norway's largest supplier of district heating. With the acquisition of Celsio, we have become an even larger group, with an extensive portfolio of companies that all contribute renewable energy or solutions for a renewable society. The Group's nearly 700 employees all work towards the vision: *"For a world in balance, with renewables."*

The Group has developed this new vision and underlying strategy in parallel with strong growth and structural changes. I am pleased that we are constantly increasing our sustainability and growth ambitions with initiatives that include the entire renewable value chain. It has become more apparent to us that a "green shift" requires multifaceted expertise and work across sectors, and Hafslund is well-positioned to make important contributions towards this shift.

We will grow within hydropower, solar power, wind power, district heating, district cooling and smart energy solutions, and we will make a large and challenging carbon capture plant a reality. We will achieve this with skilled employees and a large number of partners who we have together with us on the ownership side in many of the businesses that we operate. The parent company is owned by the City of Oslo and it is important for us that our business activities make a positive contribution for the citizens of Oslo. We want to contribute to an emission-free national capital and to create better energy solutions for citizens in Oslo and in the rest of Norway. Not least, we want to build more renewable energy that will give us an energy surplus that can contribute to achieving lower energy prices and a green transition.

However, in order to succeed with this we also need framework conditions that will make Norway a competitive country for renewable energy. New tax increases on power production that are specific to Norway are challenging for both the renewables industry and power consumers who are reliant on competitive and stable power prices. At Hafslund we understand that historically high power prices will result

in calls for higher taxation and that Norway has a strong need to finance the national budget. However, we believe there are several clear disadvantages associated with how the new taxes have been arranged, and that this will have implications for the price level of long-term contracts, investments in renewable power and for financial hedging and risk management. At Hafslund, we are working to contribute to the establishment of framework conditions that better facilitate investments in new renewable energy and the emergence of greener businesses in Norway, and we will continue to highlight the importance of good framework conditions in 2023.

We have challenging and exciting years ahead of us. I am confident that with our accomplished and committed employees we will continue to make a contribution towards “a world in balance, with renewables”.

Finn Bjørn Ruyter





Strategy and sustainability

Our strategy towards 2035

In 2022, a new and larger Group looked further ahead in its strategy work. Our objective was to establish a long-term strategy that sets the direction for Hafslund towards 2035. With long licensing and development processes and exponential changes within electrification and green transition, it is absolutely essential for Hafslund to look far ahead when planning new growth initiatives and to work on strategy with a 10-15 year perspective.

It is our view that the starting point for the strategy work has to be the future and what we believe the world will look like in 2030 and 2035. Hafslund's strategy is therefore based on an external analysis of important trends for the future in which the Group will operate. We then turn our gaze back on ourselves and consider how we can best face this future – what we want to focus on and what we need to do to succeed.

Hafslund's focus areas and goals for sustainability are fully integrated with the Group strategy, and a materiality analysis that assesses the Group's impact on people and the environment, ESG risks and opportunities is a vital part of defining where we stand today and how we wish to develop.

The Group's strategy towards 2035 is based on five strategic focus areas; we will contribute with strong renewable growth, balance the energy system of the future and contribute to creating greener and smarter cities. In addition, Hafslund shall have the best minds.



External analysis

We have studied a number of trends in order to understand the reality that Hafslund will have to deal with in the future. Some of the trends take a macro perspective, such as the development of climate and nature challenges for the planet and the development of new technologies, while others are linked to our closer surroundings, such as the consideration of our owner the City of Oslo and what is important for consumers and employees in Norway.

Key drivers in our future will be:

Climate requirements are intensifying

Requirements relating to climate and nature are intensifying and becoming an integral part of all activities.

A strong need for renewable energy

A strong need for renewable energy will continue and much of the new energy will not be flexible.

Renewable technologies cost less

Rapidly falling cost curves for renewable technology are accelerating the green transition, electrification and distributed energy solutions.

Climate-friendly transformation

All-encompassing climate-friendly restructuring of society and the business sector creates new links between different sectors and can increase the flexibility of the energy system.

Fierce battle for talent

Increasing undercapacity with regard to relevant and critical expertise in the market, particularly in the trades and engineering and technical professions, is causing a fierce battle for talent.

New generations wish for balance

New generations of workers would appear to be more concerned about meaningful work, the possibility of flexibility, good work-life balance and fairness.

Energy efficiency and smart solutions

High energy prices and an increasing focus on sustainable living among the population mean that consumers are more interested in energy efficiency and smart energy solutions.

Uncertainty in the capital markets

Political instability and tougher economic times are creating uncertainty in the capital markets.



Climate and nature positive

As one of the largest producers of renewable energy and district heating in the Nordic region, Hafslund has a responsibility for making a positive contribution to both the climate and nature. Both renewable energy and biodiversity are critical for future life on our planet.

At Hafslund, we are proud of our renewable production portfolio. At the same time, there is an urgent need to create a sustainable balance between the development of new renewable energy and the impact this has on

nature. The goal of nature positivity is particularly ambitious for Hafslund as a developer of renewable energy. We do not have all the answers for how to achieve this, however we will do our utmost to find solutions for how we can compensate and mitigate encroachment on nature.

Towards 2035 we will

- Minimise emissions in our own operations
- Remove CO₂ from the natural cycle
- Protect nature and the environment when developing new facilities
- Compensate for our encroachments on nature

Vesentlige bærekrafttemaer

- The road towards climate positivity
- The road towards nature positivity
- Efficient and circular use of materials and resource utilisation
- Adapting to climate change



Strong growth in renewable energy

The green transition has created an enormous need for new renewable energy, and the increasing scarcity of renewable energy is leading to rising energy prices.

Without increased energy production and lower price levels, Norway will not succeed in being an attractive location for new green industries and important workplaces. Hafslund wants to be part of the solution to this and wants to develop new renewable energy within hydropower, wind and solar in Norway and the Nordic region.

Towards 2035 we will

- Expand existing and build new hydropower
- Become a leader in the development and expansion of renewables projects within solar, wind and offshore wind
- Explore opportunities in Norway and the Nordic Region
- Actively participate in the debate on framework conditions and energy development

Important sustainability topics

- Production of clean energy
- Investments in clean energy
- Driving force for renewable energy through good stakeholder dialogue



Balance for the energy system of the future

All flexible fossil energy sources in Europe's energy mix need to be replaced with renewable energy sources to achieve the target of net zero emissions. Most of the current production technologies within renewable energy are not possible to regulate. However, the energy system needs to be in balance and this balance has to involve flexible sources or means of storage.

Hydropower is regarded as an enormous battery with flexible reservoir capacity, and Hafslund can therefore be said to be a driving force for the achievement of balance. There is an increasing need for flexible power, and Hafslund will strengthen the Group's ability to contribute to balance in the energy system.

Towards 2035 we will

- Increase our ability to regulate hydropower
- Develop distributed energy solutions
- Develop solutions for aggregation and management of production, consumption and storage
- Act faster in existing and new balancing markets using intelligent models

Important sustainability topic

- Security of supply



Smart and green urban development

Society is electrifying, and we are using more and more electricity. Access to renewable energy is increasing, however consumption is increasing even faster. At Hafslund, our objective is to facilitate electrification that contributes to greener and smarter cities.

Hafslund is an energy and infrastructure group that, in addition to being a major producer of renewable energy, is contributing towards providing the towns and cities of the future with central thermal energy systems and solutions that contribute to electrification and energy efficiency. Hafslund is working to establish smart digital energy solutions that contribute to efficient and simple energy consumption, as well as stable and predictable energy prices.

Towards 2035 we will

- Develop solutions within electrification and energy efficiency that create value for industry and energy efficiency
- Develop the thermal energy system in Oslo and the surrounding area
- Focus on business concepts at the intersection between a smart city and the energy system
- Be an active driving force for green industries and jobs in Norway

Important sustainability topic

- Electrification, energy efficiency and simple green solutions



Good minds are the key

Without the best minds, we will not succeed in any of the other ambitious initiatives and targets we have set ourselves for 2035. That is why we will work to ensure that Hafslund becomes the workplace where the talent comes knocking on our door.

We take an interest in our employees and strive to facilitate a working day in which individuals achieve their potential, are strongly motivated and feel that they are developing. We want it to be meaningful and enjoyable to work at Hafslund, and it is our desire that Hafslund shall be a place where employees envisage having a long, exciting and developing career.

Towards 2035 we will

- Ensure an open, safe and secure working environment
- Strengthen diversity
- Focus on long-term and targeted development of managers and employees

Important sustainability topics

- Safety for our employees
- Attractive and developing workplace
- Space for differences and equal opportunities for all

A sustainable Hafslund

Hafslund has a sustainability strategy that is integrated into the Group's strategic focus areas. The Group has identified important areas of sustainability using a double materiality analysis based on the principles of the EU Corporate Sustainability Reporting Directive (CSRD). The analysis provides an in-depth understanding of the Group's impact on people and the environment, and the sustainability risks and opportunities that exist for Hafslund.

Materiality analysis sustainability

In 2022 Hafslund conducted a double materiality analysis based on the principles set out in the forthcoming EU Corporate Sustainability Reporting Directive (CSRD). The analysis provides an in-depth understanding of the Group's impact on people and the environment, and the sustainability risks and opportunities that exist for Hafslund.

A double materiality analysis includes two sub-analyses; an impact analysis and a stakeholder and megatrend analysis. The impact analysis reveals how Hafslund's business activities impact people, society and the environment. The stakeholder and megatrend analysis includes a description of key stakeholders and the expectations and requirements they set for the Group, as well as an assessment of megatrends. Megatrends are strong transformative forces that will influence how Hafslund works with sustainability in the future. The insights obtained from the analyses formed the basis for deciding on and establishing important topics, risks and opportunities within sustainability.

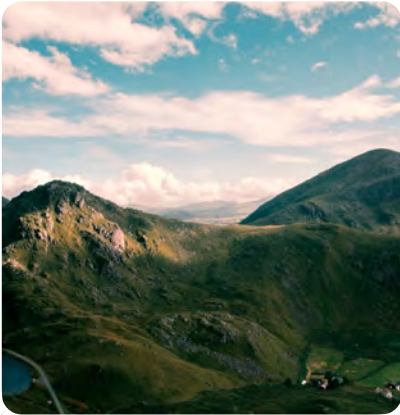
Based on the double materiality analysis, Hafslund has determined important topics that form the basis for corporate sustainability management, and goals, measures, action plans and KPIs have been defined for each topic. These topics are presented under.

Sustainable Development Goals

Hafslund supports the United Nations Sustainable Development Goals (SDGs), and the Group's operations have an impact on several of the SDGs. The Group has concentrated its attention on the sustainable development goals that have the greatest impact, and has therefore placed a particular focus on the following five SDGs.



Hafslund's significant sustainability areas



Climate and nature positive

- The road towards climate positivity
- The road towards nature positivity
- Efficient and circular use of materials and resource utilisation
- Adapting to climate change



Strong growth in renewable energy

- Production of clean energy
- Investments in clean energy
- Driving force for renewable energy through good stakeholder dialogue



Balance for the energy system of the future

- Security of supply



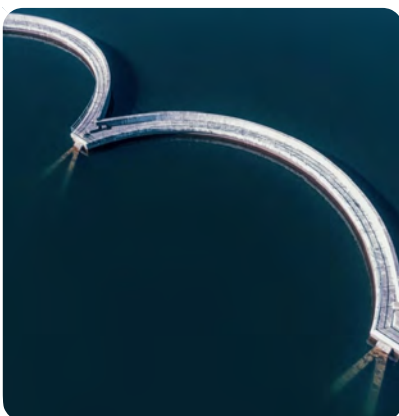
Smart and green urban development

- Electrification, energy efficiency and simple green solutions



Good minds are the key

- Safety for our employees
- Attractive and developing workplace
- Space for differences and equal opportunities for all



Other sustainability priorities

- Third-party safety
- Contribution to society and local value creation
- Secure IT services and systems
- Responsible procurement practices
- Transparency and forward-looking reporting
- Ethics and anti-corruption

The road towards climate positivity

The world is facing an enormous challenge in being able to achieve the transition to a zero-emission society. Hafslund's most important climate contribution is the production of renewable energy.

Hydropower, solar and wind energy are means of clean energy production that have low emissions when compared to the average greenhouse gas emissions from European power production. In the district heating and cooling operations, local excess energy, which would otherwise have been lost, is used to produce hydronic district heating and cooling.

Our approach

Climate positive by 2030

Hafslund aims to become climate positive by 2030. In addition, the Group has the goal of reducing Scope 1 and 2 emissions by 90 per cent and Scope 3 emissions by 50 per cent within the same timeframe. The goals are based on the Group's guiding principles. The principles also affirm that the Group will continuously work to reduce its impact on the climate and that environmental requirements shall be set for all procurements where relevant by 2025.

The Group's carbon footprint

The Group's carbon footprint is related to waste incineration, use of fuels and propellants, emissions of SF6 gas and emissions in the Group's value chain. Hafslund Oslo Celsio primarily uses waste heat, electric boilers and renewable fuels such as wood pellets, bio-oil and biodiesel to produce heat. An important source of waste heat is the waste incineration plants at Klemetsrud and Haraldrud. They produce large point emissions in Oslo, however if the waste had become landfill, the greenhouse gas emissions would have been about 75 per cent higher than what is emitted from the incineration plants. Carbon capture at Klemetsrud, see "Our measures", will eliminate the Group's largest emissions and Hafslund Oslo Celsio will have negative emissions when the plant is brought online, since the waste facility also burns biogenic waste. A small proportion of liquefied natural gas (LNG) is still used for producing heat. The proportion of LNG is approximately 1.5 per cent per year, and we are actively working towards a planned phase-out.

Greenhouse gas emissions in accordance with the Greenhouse Gas Protocol

Hafslund calculates and reports greenhouse gas emissions in accordance with the internationally recognised framework “Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard”.

In connection with the 2022 reporting, Hafslund carried out an assessment and expansion of Scope 3 emissions in accordance with the principles of the GHG. The reported Scope 3 emissions were therefore significantly higher for 2022 than they were in 2021. The 2022 figures also include Hafslund Celsio. There was not available data for all emissions categories, and areas of improvement were identified as part of the process. Based on these findings, during 2023 Hafslund will work to improve data quality and completeness of the reporting.

The largest emissions in Scope 3 are from categories 1 (Purchased goods and services), 2 (Capital goods) and 15 (Investments) of the GHG. The emissions are calculated based on various activity data, including accounting data from financial systems, quantity data from the largest renewable energy projects and energy data used in the district heating facility.



Hafslund's most important climate contribution is the production of renewable energy.

Our goals and status 2022

Goal	Result 2022	Satisfaction	Remarks
Become climate positive by 2030	459,554 tonnes of CO ₂ e	●	Emissions include Scope 1, 2 and 3. Scope 2 includes market-based emissions figures.

Goal	Result 2022	Satisfaction	Remarks
90% reduction in Scope 1 and 2 by 2030	351,663 tonnes of CO ₂ e	●	42 per cent reduction in Scope 1 and 2 compared to 2019. The base year for the goal is 2019. Market-based Scope 2 has been used. For 2022, Hafslund Oslo Celsio did not purchase guarantees of origin for its own electricity consumption, which resulted in large Scope 1 emissions. The Group's goal is for all electricity consumption to be covered by guarantees of origin in the future.
50% reduction in Scope 3 by 2030	107,891 tonnes of CO ₂ e	●	Scope 3 has been expanded for 2022 figures. The base year for the goal is 2019, but emissions in 2019 have not yet been recalculated in accordance with the new method of calculation. Therefore, a percentage reduction was not available for Scope 3 on the reporting date. Goals and calculation of base year shall be developed in 2023.
100% electric vehicle fleet by 2025	33% electric vehicles	●	The challenges relate to long delivery times and a shortage of electric models for four-wheel drive vans and pickups.

Our measures for climate positivity

Carbon capture at Klemetsrud

Hafslund's largest greenhouse gas emissions come from the waste incineration plant at Klemetsrud. In June 2022, an investment decision was made to construct a carbon capture and storage (CCS) solution at Klemetsrud. Construction work commenced in August 2022 and the plant is scheduled to come online in 2026. The CCS plant will remove approximately 400,000 tonnes of CO₂ per year. Around half of the emissions that are captured will be biogenic emissions and the plant will therefore collectively remove about 200,000 tonnes of CO₂ from the atmosphere per year.

Norway's first Environmental Product Declaration (EPD) for district heating and cooling

Hafslund Oslo Celsio has prepared an Environmental Product Declaration (EPDs) that highlights the environmental profile of district heating and cooling. An EPD is an internationally standardised document that provides a concise and objective summary of a product's environmental profile. Fossil greenhouse gas emissions are estimated at 13.1 grams of CO₂-eq/kWh of heat supplied.

SF6-free circuit breakers in power plants

SF6-gas is one of the energy industry's greatest climate challenges. The gas is more than 22,000 times as potent as CO₂ and is currently used as an insulating gas and switching medium in switching systems. Hafslund has the goal of only using SF6-free solutions in new plants, however still has many existing SF6 plants with long remaining lifetimes. The switchgear at Torpa power plant in Nordre Land municipality and Dokka power plant in Søndre Land municipality are among the switchgear that have emitted the most SF6 gas in the past ten years. In the spring of 2022, the management of Hafslund Eco Vannkraft decided that the circuit breakers at these plants should be replaced with SF6-free switchgear. New switchgear will be in place in spring 2024.

Transition to electric vehicle fleet

The Group's goal is to have a 100 per cent electric vehicle fleet by 2025. Hafslund Oslo Celsio already has an 82 per cent electric vehicle fleet, while Hafslund Eco Vannkraft had a 35 per cent electric vehicle fleet at the end of 2022. At the present point in time, it may be a challenge to achieve the target in 2025. The challenges particularly relate to long delivery times for new vehicles and a shortage of electric models for selected vehicle types, such as four-wheel drive vans and pick ups.

Climate requirements in connection with procurement

A large proportion of the Group's greenhouse gas emissions are emissions in the value chain. It is therefore important to set environmental requirements in connection with procurements. In the autumn of 2022, Hafslund Oslo Celsio introduced guidelines for environmental requirements, including climate requirements, in connection with procurements. The goal is for Hafslund Eco Vannkraft to introduce similar guidelines during 2023.

Reducing greenhouse gas emissions in projects

Large hydropower projects contribute a significant part of the emissions in the value chain. We are therefore committed to finding good climate solutions in this area. In 2022, low-carbon concrete was used in several projects, and we are actively working on reducing the amount of diesel and using emission-free solutions. In 2022, Hafslund Eco Vannkraft used the climate budget for the first time as a tender award criterion when procuring the general contractor for a dam rehabilitation project. This resulted in an estimated cut in emissions of 40 per cent for that specific project.

The road towards nature positivity

Hafslund recognises that loss of nature and biodiversity is an equally serious challenge to the world as climate change.

As a producer of renewable energy, Hafslund is dependent on natural resources. However, the development of renewable energy involves encroachment on nature. For us, nature positivity is about minimising the negative impact of our operations and taking steps to give back and compensate for our encroachment on nature.

Hafslund will be “nature positive” in 2035. This means that we have to better facilitate the biodiversity around our power plants, and ensure that new development and rehabilitation projects have the least possible impact on biodiversity and land use. We are working to improve conditions in areas that are already affected. The Group will also look for methods for restoring nature.

The aforementioned goal and principles are based on the Group’s governing principles.

Our approach

Taking nature into consideration in connection with new developments

Hafslund is working to reduce land use when developing new projects. It is particularly important to avoid areas with vulnerable nature, and assessments related to habitat types and biodiversity are always included as part of the project implementation. Requirements are also set for natural revegetation, with the reuse of top soil to ensure that the construction area is restored in a manner that protects species, habitats and ecosystems. Initiatives for improving the conditions for fish in the watercourses are planned in such a way that the best available technology is used.

In order to get closer to achieving the goal of nature positivity, further work will be carried out to identify measures and guidelines that work towards minimising the impact new developments have on nature.

Monitoring and assessing conditions in existing watercourses

Assessing and monitoring the condition of watercourses are important for documenting the environmental status of regulated watercourses. The issues relating to each watercourse will determine the monitoring frequency, methods and scope.

The assessments provide important information and knowledge regarding the degree of impact and development in regulated watercourses.

Better conditions for fish in the watercourses - spawning grounds, fish migration and minimum water flow

Hafslund Eco Vannkraft is implementing a number of measures to improve conditions for fish in regulated watercourses. To ensure that the measures work as intended, there is close cooperation with research institutions, including the Norwegian Institute for Nature Research (NINA) and NORCE LFI, Norwegian Research Centre, which regularly evaluate the status and impact of the measures in the watercourses.

Restoration and establishment of spawning grounds are important for improving the spawning conditions for fish and other organisms that live in the watercourses. There are primarily three knowledge-based measures which have proven to have a good effect: the laying out of spawning gravel, harrowing (ripping) of the riverbed to loosen up the bottom sediments and opening of tributaries to the main river.

Good solutions for fish migration past power plant dams are particularly important for fish populations that need to be able to pass through to fulfil their life cycle. This applies, for example, when adult fish have to migrate to spawning grounds to reproduce, and the young fish have to migrate back to feeding areas in order to grow. We have analysed all of our power plant dams in the Glomma and Trysil watercourses, and drawn up an action plan to improve the conditions for fish migration. Automatic fish counting on the fish ladders provides us with an important knowledge base, and as a result relevant measures are implemented. There is also a focus on improving knowledge and implementing measures in other watercourses with power plant dams and fish migration.

In addition to statutory minimum water flow and environmentally adapted water flow, when concerning watercourses that have special conditions, for example, populations of large trout stocks like we have in Gudbrandsdalslågen or salmon and sea trout in Vassbygdelvi in the Aurland watercourse, there may be a need for voluntary release of water to ensure suitable conditions for life in the water. The amount of water that is released and the timing of the releases are evaluated based on local conditions and results from assessments of the connection between habitat availability and water flow.





Emissions into the air, soil and water

Hafslund Oslo Celsio's waste incineration plants and heating plants use various fuels that cause local air pollution (NOx, dust etc). All of the largest facilities have strict emission requirements to prevent the emissions from causing harm to health or the environment. The necessary cleaning equipment is installed where required. A number of measurement, monitoring and reporting systems are used to control emissions. Measures are implemented immediately, and serious non-conformities are reported to the Norwegian Environment Agency if the limit values are exceeded.

There is a risk that Hafslund Eco Vannkraft could discharge oil and chemicals into soil and water. This is reported and followed up through the company's incident reporting system and measures are implemented immediately.



Our goals and status 2022

Goal	Results 2022	Satisfaction	Remarks
Become nature positive by 2035	-		New strategic initiative in 2022. The Group continued working to define and establish measurement parameters.
All facilities must be operated without serious environmental non-conformities or violations of licence conditions	3 incidents		There were three violations of licence conditions related to water flow and reservoir levels during 2022. All incidents were reported to the NVE.
Restore and improve areas in regulated watercourses	847 m2		New spawning grounds in the Aurland watercourse.
Monitor and improve fish migration solutions in regulated watercourses	10 fish ladders with monitoring, 3 measures initiated		There are currently 10 fish ladders with monitoring, and three practical measures were taken in 2022 at the ladders in Høyegga, Storsjødammen and Sagnfossen.

Our measures for nature positivity

Expansion of spawning grounds in the Aurland watercourse

In Aurland, measures have been implemented over many years to improve spawning conditions for salmon and sea trout in the watercourse. Over the past 13 years, spawning grounds in the river have gone from 0.1 per cent to 5 per cent, which is the same as for an unregulated watercourse. There are primarily three measures which have contributed to this improvement: adding spawning gravel to create spawning habitats, harrowing (ripping) of the riverbed to loosen up the bottom sediments and opening of tributaries to the main river.

New water flow has yielded results for the fish in Hunderfossen

From 2016 to 2022, a new, voluntary regulation schedule with increased minimum water flow, artificial floods and optimised hatch use was tested at Hunderfossen power plant. The trial regulation period has been extended until the end of 2023, and work has now begun on applying for a new, permanent regulation schedule. In 2022, a migration record was set for brown trout, with 1,502 fish bigger than 45 cm in size. The new record is an almost 50 per cent increase from the previous record of 1,073 trout in 2019. The County Governor of Innlandet has lifted the release order for brown trout in Mjøsa and Lågen, and the last fish from the facility were released in May 2022.

Voluntary minimum water flow in Vassbygdelvi

Since 1993, Hafslund Eco Vannkraft has released the voluntary minimum water flow in the Vassbygd river in the Aurland watercourse. The background for this were episodes of the river being completely drained in the 1980s and in 1993. The Aurland watercourse has a vulnerable sea trout population and a salmon population that is very small. A voluntary minimum water release was introduced to improve conditions in the river.

R&D projects

Hafslund Eco Vannkraft participates in several R&D projects which have the objective of improving various aspects of biodiversity in watercourses or connected areas. To the right you can read more about some of our R&D projects.

Fine bar screens in Vangen

At Vangen power station in Aurland, questions had long been raised about the number of trout and salmon that migrate down through the tunnel and are injured in the turbines. Therefore, at the beginning of 2021, fine bar screens were installed in front of the intake of the power station to stop fish from swimming down into the tunnel. Preliminary video analyses from monitoring of the screens has shown promising results. The fish are easily able to swim in front of the screen, even at high water speeds, and there is no longer a problem associated with the fish being dragged down into the tunnel.

The LaKES project (Influence of Hydropower on Lake Ecology of Atlantic Salmon in a Changing Environment)

LaKES is an R&D project that is conducted in conjunction with Eviny and NORCE LFI. The goal of the project is to provide better knowledge about the importance of lakes in watercourses containing salmon and sea trout. Data from other projects has indicated that lakes are a problem area for smolt (juvenile fish) when they migrate out of the rivers. The project uses the acoustic telemetry method to follow the migration of the fish in detail, in both the river and the lake. It is important to understand this dynamic in Aurland, because it has an impact on how measures should be designed for improving conditions in the watercourse.

Fish Path

Fish Path is a project that can provide useful information to improve run-of-river hydropower plants. This project is headed by NINA in Trondheim and is a collaboration between the Norwegian University of Science and Technology (NTNU), research organisation SINTEF, public research university ETH Zurich and the hydropower industry. The purpose of the project is to find new solutions that, by using turbulence and turbulence currents, enable fish to be guided past power plant dams in rivers. The first model tests have been carried out in Zurich.



Efficient and circular use of materials and resource utilisation

The world has limited resources, and in order to reduce greenhouse gas emissions and avoid unnecessary loss of nature, it is essential that we succeed with circular solutions and efficient resource utilisation.


Our approach

Hafslund's energy production is renewable and essentially circular. Electric power is produced using the renewable resources of water, wind and sun, which are part of the Earth's natural cycle. Waste heat from waste incineration, data centres and sewage is used to heat homes and commercial buildings. Metals from the bottom ash following incineration are further processed into new raw materials.

While the Group's core business is renewable and circular, there is still potential for improvement. Hafslund Oslo Celsio uses a small proportion of non-renewable fuels, and the Group is a major purchaser of goods and materials that require natural resources and result in waste. Therefore, going forward, Hafslund shall place an emphasis on circularity in connection with procurements and will review routines for sorting and minimising waste. Hafslund Oslo Celsio is working on

cutting its use of non-renewable fuels.

Our goals and status 2022

Goal	Results 2022	Satisfaction	Remarks
Increase sorting rate	89%		In 2023, the Group will set quantitative targets for circularity.
Increase the share of circular solutions in purchased goods and materials	-		In 2023, the Group will set quantitative targets for circularity.

Our measures

Use of waste heat in the district heating business area

Hafslund Oslo Celsio uses waste heat from sewage and data centres. The company has established its first data centre partnership with STACK's OSLO1 data centre at Ulven and about 3.5 MW of excess heat is transferred to the heating grid on an annual basis, which is equivalent to the provision of heating and hot tap water for 5,000 Oslo homes. Hafslund Oslo Celsio also has a facility that collects heat from Oslo's sewage at Skøyen.

Waste reporting

Hafslund Eco Vannkraft has agreements with 15 waste management companies throughout Eastern Norway. The waste industry still does not have an agreed method for reporting waste. Reporting is manual and time-consuming. In autumn 2022, Hafslund Eco Vannkraft started a project to establish and improve waste reporting. The project will continue in 2023 and the purpose is to streamline the process and influence waste companies to adapt their reporting to customer needs. Hafslund Oslo Celsio already reports waste and sorting rates.

Adapting to climate change

One of the United Nations' six climate goals is adapting to climate change, which is already being felt through changing climate and more frequent extreme weather.

In a changing world, it is important to have a strategy that is adapted to the changes that are coming and to regularly assess risk and implement adapted measures. Climate risk analyses were carried out for the Group in both 2021 and 2022. In addition, emergency preparedness work related to extreme weather has been carried out for many years, without this being specifically referred to as physical climate risk.

The analysis from 2022 is partly based on new information about the climate status from the Intergovernmental Panel on Climate Change (IPCC). The climate risk analysis that has been carried out was based on some of the principles of the Task Force on Climate Related Financial Disclosures (TCFD), and both physical climate risk and transition risk have been reviewed for the entire assessed value chain. A summary of the work is shown in the table below. The 2022 analysis did not include Hafslund Oslo Celsio, however the company will be included in the Group's continued work with climate risk.

Did you know that...

In 2022, the Intergovernmental Panel on Climate Change (IPCC) released the two most recent interim reports from the Sixth Assessment Report, which form the most important scientific basis for the status of climate change.

The message was disheartening and demonstrated that climate change is already causing destruction to people and nature and poses a threat to our livelihood and the state of the planet. The IPCC's assessment is that the effects of climate change on nature are greater and more extensive than previously thought.

To succeed, the world must succeed at three things at the same time:

1. Limit warming through rapid cuts in emissions and increased capture of greenhouse gases.
2. Adapt society and nature to the new changes we are being impacted by.
3. Ensure sustainable development in line with the United Nations Sustainable Development Goals.

Climate risk at Hafslund

PHYSICAL CLIMATE RISK	TRANSITION RISK
<ul style="list-style-type: none"> • Extreme weather leads to breakdowns or reduced access to facilities 	<ul style="list-style-type: none"> • Major price fluctuations as a result of extreme weather situations and rapid restructuring lead to political market control and reduced revenues
<ul style="list-style-type: none"> • Harm to personnel or third parties as a result of extreme weather or changing precipitation patterns 	<ul style="list-style-type: none"> • Stricter requirements from government authorities for project implementation due to increased environmental considerations
<ul style="list-style-type: none"> • Energy trading and project models based on statistics do not adequately predict climate change 	<ul style="list-style-type: none"> • New requirements from government authorities for dimensioning facilities, and for operating facilities
<ul style="list-style-type: none"> • Delivery shortages due to supply line disruptions following extreme weather events 	<ul style="list-style-type: none"> • Increased bottlenecks as a result of increased consumption in Southern Norway
<ul style="list-style-type: none"> • Increased bottle necks as a result of extreme weather 	<ul style="list-style-type: none"> • New technology and new markets lead to increased competition
MEASURES	MEASURES
<ul style="list-style-type: none"> • Assess the robustness and vulnerability of facilities with a view to there being more wind and extreme conditions 	<ul style="list-style-type: none"> • Actively engage in framework and policy work
<ul style="list-style-type: none"> • Clear marking of facilities. Regular inspection of vulnerable areas 	<ul style="list-style-type: none"> • Focus on impact on climate and nature in projects
<ul style="list-style-type: none"> • Climate-adjusted statistics 	<ul style="list-style-type: none"> • Climate surcharge in project planning

PHYSICAL CLIMATE RISK	TRANSITION RISK
<ul style="list-style-type: none"> • Continually improve models and analyses 	<ul style="list-style-type: none"> • Strategy with focus on growth in renewables, green solutions, climate and nature, and being a balancing actor
<ul style="list-style-type: none"> • Evaluate strategy for spare parts and use of similar components 	
<ul style="list-style-type: none"> • Actively engage in framework and policy work 	
RISK	RISK
Medium	Medium

Production of clean energy and future investments

Energy production through hydropower has been part of the Group's core business since 1898. Since then, we have added more sources of energy to the portfolio. The acquisition of Hafslund Oslo Celsio has resulted in thermal energy being the Group's second largest business area, and offshore wind and solar will make further contributions to Hafslund's production of renewable energy.

The manner in which the Group works with production and investments in new energy is described in the reference to the Group's business areas:

- [Hafslund Eco Vannkraft](#) is Norway's second largest hydropower producer. Hafslund EcoVannkraft is the company that has developed the greatest amount of new hydropower over the past five years and is continuously engaged in further developing and upgrading existing facilities.
- [Hafslund Oslo Celsio](#) is Norway's largest supplier of district heating and the company has major plans for growth within further development of the heating grid. Hafslund Oslo Celsio also aims to develop district cooling in Oslo, which has enormous potential in terms of energy efficiency and better land use.
- [Hafslund Vekst](#) operates the Group's investments in offshore wind and solar,

and manages the Group's largest ownership interests. In 2022, the company entered into a partnership for the development of both large-scale solar and rooftop solar and the offshore wind partnership Blåvinge is preparing licence applications for the development of offshore wind in the North Sea. In addition, Hafslund Vekst invested in lake wind in Vänern in Sweden.



Driving force for renewable energy through good stakeholder dialogue

Hafslund collaborates with many different stakeholders, including both nationally and locally. It is important for all parts of our business activities to maintain good relations with our stakeholders in order to manage our impact, understand needs and safeguard Hafslund's business activities in the best possible manner.

Strategic stakeholder work is important for supporting the Group's vision and ambitions for value creation, management, development and sustainability. Below is an overview of Hafslund's most important stakeholders and how we work together with them.

Government authorities and politicians

Government authorities and politicians set the framework conditions for our business activities. Hafslund meets this stakeholder group with knowledge and information and has a desire to provide insight into the consequences of different framework conditions for the management of and investments in renewable energy.

Owners, capital markets and investors

Hafslund has a good relationship with the Group's sole owner, the City of Oslo, and cooperates with the City of Oslo on topics such as sustainability and urban development. Several of the Hafslund companies have other owners in addition to the parent company Hafslund AS, and the owner dialogue is primarily conducted by the company boards.

Current and future employees

Our employees are Hafslund's most important resource that will enable the Group to succeed with its vision and objectives. Hafslund works continuously to have a visible and supportive management that maintains good dialogue across the entire Group. We work for a culture that is based on the Group's values and to maintain an open and inclusive working environment.

Landowners and local communities

With facilities and infrastructure that require significant land use, good dialogue with landowners and local communities is of vital importance to Hafslund. Hafslund maintains a close dialogue with this stakeholder group – particularly in connection with developments and upgrades.

Special interest groups

Hafslund engages in dialogue with various special interest groups, including fishing interests, nature and environmental organisations, welfare associations, landowners' associations, tourist associations, etc. Hafslund seeks collaboration and dialogue in order to exchange information about the advantages and disadvantages of the business and to facilitate learning across the different groups.

Customers and consumers

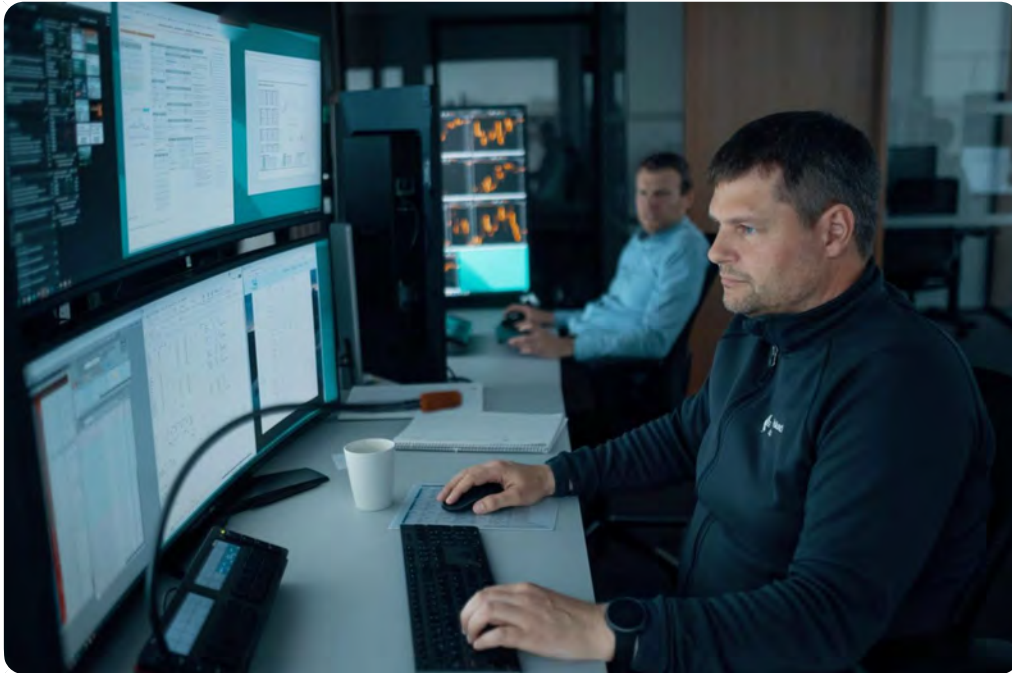
Hafslund shall ensure the reliable supply of energy and other products/services for end users and commercial customers. Hafslund looks to understand customer needs and to meet their expectations.

Hafslund's partners

Hafslund has several partnerships and has a policy of seeking partnerships where complementary expertise and collaboration can result in stronger value creation.

Suppliers

With regard to suppliers, we engage in dialogue that is specifically related to HSE, sustainability and supply/security of supply, and we endeavour to achieve best practice in such cooperation.



Security of supply

Security of supply is about balancing the power grid with the power that is demanded, and ensuring that we have enough power at all times. 2022 was a year in which Hafslund was made aware of what it means to be an actor that guarantees security of supply in society. For the second year in a row, we experienced a year of low precipitation and it became important to ensure that there were sufficient reservoir levels for the winter of 2023. From late September to mid-November, Statnett assessed the power situation as being tight for NO2 (Southern Norway) and NO5 (Western Norway). However, there was more precipitation during the final quarter and Statnett changed its assessment from a tight to a normal power situation in mid-November.

As Norway's second largest power producer, with significant reservoir capacity, the hydropower business had a major focus on responsible resource planning throughout 2022. As always, the power situation, hydrological balance and reservoir levels were closely monitored, and Hafslund's trading and production groups continuously adapted their operations as conditions changed.

The demanding power situation in 2021 and 2022 has highlighted the value of the water reservoirs and how they can be regarded as an enormous battery for the Norwegian power system. This flexibility will increasingly be in demand as new renewable energy sources that cannot be regulated emerge. Hafslund has clear targets for expanding reservoir capacity at the hydropower plants, and the Group

is exploring how flexibility and adjustability can be ensured in the energy system of the future.



Electrification, energy efficiency and simple green solutions

Electrification, energy efficiency and simple green solutions are key drivers for creating the renewable Norway and sustainable society of the future. This is closely linked to the value chain of Hafslund's core business within energy production. Hafslund Vekst is the major engine for finding new solutions and business concepts within electrification and energy efficiency.

Electrification

One of Hafslund's major start-up success stories is the charging station company Elaway, which is helping to facilitate the electrification of the Norwegian, and eventually also the European, vehicle fleet by delivering charging solutions to housing cooperatives, condominiums and commercial buildings. The company builds, operates and rents out charging stations. Elaway is currently owned together with Eviny and has offices in Bergen, Stockholm, Munich and Oslo.

Hafslund Rådgivning offers consultancy assignments in areas such as electrification. The consultancy initiative was established in 2019 to make Hafslund's expertise within electrification and energy available. Since its inception, the consultancy service has become one of Norway's foremost centres of expertise in this area.

Energy efficiency

In the autumn of 2022 Hafslund Vekst invested in the company Volte, which will contribute to energy efficiency by helping companies reduce their electricity consumption. Volte is owned together with Eviny and is an electricity company for businesses that has clear and transparent agreements. Volte is also an energy technology company that utilises the opportunities that exist in energy data in order to develop analyses, products and services that assist companies with saving power.

The venture community at Hafslund Vekst has also invested in the company Smartwatt, which is a start-up based on energy efficiency. They offer AI-based control systems for optimised energy consumption in buildings.

Simple green solutions

Hafslund wants to make energy and green solutions simple for both private individuals and companies. Hafslund Vekst and Hafslund Oslo Celsio focus their work on end users, and are engaged in business development that will lead to

simple and green solutions. Hafslund Rådgivning obtains knowledge about where the challenges exist and the business concepts that we scale, and the companies we invest in must reflect our ambition to make energy and sustainable lifestyles easier and smarter. We are curious about the solutions and believe that technology at the end-user level is an important part of a green transition.



Safety for our employees

Our employees must be safe while at work. This means that health, safety and the environment (HSE) need to be ensured in all of our activities.

Our approach

All activities at Hafslund must be carried out without harm to human life, health or well-being. The Group's guiding principles for HSE form the basis for the HSE work. Among other things, the principles affirm that HSE is fundamental to the planning, implementation and evaluation of all activities, and that everyone should work to continuously improve safety and report nonconformities. The same HSE requirements in our own activities also apply to contractors.

Work on preventive HSE measures has intensified in recent years, and

documentation is followed up to ensure that progress is being made. This work will continue going forward, while active efforts will be made to ensure that managers at all levels of the organisation lead the way in terms of safety work, both at strategic and operational levels.

The work in the Group’s projects, operations and maintenance involves the risk of injury and undesirable incidents for both our own employees and hired personnel. For Hafslund Eco Vannkraft, the greatest physical risks are considered to include work operations on the mountain under shifting weather conditions, with live electric systems, work at height, heavy lifting, heavy equipment and during transport. For Hafslund Oslo Celsio, the greatest physical risk is associated with employees being exposed to very hot water under high pressure.



Our goals and status 2022

Goal	Results 2022	Satisfaction	Remarks
No harm to the life, health or well-being of our own employees or contractors' employees	H1: 1,2 H2: 2,9 F: 3,5	●	

Our measures

Raising awareness

At Hafslund, each employee has a responsibility to always prioritise safety first and then plan all work activities accordingly. Managers at all levels of the organisation are expected to act as good role models for a developing safety culture. Emphasis is placed on HSE responsibility in job descriptions, and this must be systematically followed in performance appraisal interviews. HSE days with safety courses are held in all power plant areas and in 2022 emphasis was placed on risk assessments and safe job analysis (SJA) in the planning phase of work processes.

Transparency regarding undesirable incidents

In recent years we have been more focussed and transparent with regard to all undesirable incidents, precursors to dangerous situations and positive observations. An analytical approach to undesirable incidents and precursors to injuries contributes towards learning and better understanding of risk. We want to place a spotlight on so-called «silent nonconformities» that occur in operations. Transparency is valuable and contributes to learning and further improvement.

Dialogue with contractors

In recent years, the Group has worked to set stricter requirements for HSE management systems and secure procurement practices in dialogue with our suppliers. This has yielded good results. In 2022, clearer framework requirements were developed for quality, health, safety and the environment in connection with the procurement of goods and services from suppliers. At Hafslund Oslo Celsio, all employees and contractors must successfully complete a HSE course. The course provides a good introduction to risk factors in the activities and specifies how these must be managed. The course is available in four languages.

Internal controls and courses

Hafslund carries out systematic internal controls of the HSE work. Managers complete the «HSE work for managers» course, and regular first aid courses are offered to all employees. In 2022, under the direction of the Red Cross, we established an offer of courses in life-saving first aid and the use of defibrillators for everyone who has their working day in an office.

Attractive and developing workplace

In a changing labour market, with low unemployment and competition for the best minds, we need to ensure that Hafslund is an attractive and developing workplace for the recruitment and retention of our employees. In 2022, we started working with a more insight-based approach in order to understand and learn what employees value to enable us to actively design Hafslund as a better workplace. The Group is a large employer that offers various development programmes for employees at all levels of the organisation. Work on strategic skills development, joint development processes and the strengthening of critical expertise in various professional and specialist areas has been the focus over the past year.

Our goals and status 2022

Goal	Results 2022	Satisfaction	Remarks
High employee satisfaction (above the index)	8.3		The index is 7.6, which means that 8.3 is a good score.
Sick leave < 3.5%	3.8%		3.8% is a low level of sick leave when compared to the national average.
Continual leadership development for managers at all levels	Yes		Leadership development for managers at all levels was carried out in 2022.

Our measures

Summer internship

Hafslund completed yet another successful Summer Internship programme in 2022, and many of the students have been offered permanent positions. Hafslund Oslo Celsio held its own summer internship programme with about 20 students from different fields of study. The students worked on both operational and development projects, and there was good feedback from both the students and their managers.

Apprenticeship scheme

Hafslund is proud to be an approved training establishment. It is important for us to be able to offer good apprenticeships to young people. 2022 was no exception. Contributing to the training of skilled workers is crucial for us to be able to also recruit skilled workers in the future.

At Hafslund, our goal is to have apprentices in training at all times. This means that we continually contribute to training skilled workers for the future. At Hafslund, we offer apprenticeships in the following trade certificates:

- Power-Supply Operation
- Power-Supply Fitter Operation
- Industrial Machine Operation and Maintenance
- Automation
- Chemical Processing Technician

Skills development

The most important resource we have is our employees. We are interested in our employees as human beings and wish to facilitate personal and leadership development along the same lines as professional specialisation.

In our work on systematic skills development, we start with the areas and measures that are applicable across the Group, and that constitute specific expertise for the individual and defined target groups. In 2022, we started work on clarifying roles and responsibilities for different areas of expertise, and clear goals have been set to strengthen the Group's commitment to skills development.

GNIST is the Group's talent development programme. Last year GNIST was held for the first time together with Eidsiva, with participants from both corporate groups. The programme has received good feedback.

Leadership development

Continual development of managers is one of the most important areas to succeed in if we are to retain and develop skilled employees. We are proud of our managers at Hafslund, and in 2022 we worked systematically on leadership development at all levels through the «Handlekraft» (Power to Act) programme. The overarching goal is to increase the individual and collective implementation capacity and contribute towards realising our strategies and ambitions. Last year, we were able to hold more physical gatherings and training arenas than in the previous two years of the pandemic. We see more joy and enthusiasm when being able to meet in a physical setting and to work together to develop good leadership across the Group.

Flexible forms of working and best together

The pandemic changed our work patterns and provided us with new insights. Hafslund facilitates a high degree of flexibility in the working day. At the same time, we believe that we are best when we are together. When we meet physically, we build a culture, a sense of belonging and a good working environment. We are then able to share experiences and establish spaces for learning.

Hafslund wants to have a working environment that is based on transparency, loyalty and trust. In 2022, an expanded pilot programme was conducted which involved frequent “temperature readings” to obtain insights into how our employees perceive areas such as work tasks, the work situation, cooperation and management. The pilot programme was well-received by managers and employees, and the “temperature readings” will be implemented for the entire Group in 2023.

Space for differences and equal opportunities for all

One of our core values is openness. This means that we value difference and diversity. We welcome change and we serve each other well by sharing experiences and knowledge. We believe that diversity and inclusion pay off, both in terms of greater innovation and better value creation.

The need to be seen, to be treated as equals and to be able to be who we are, is the same for everyone, irrespective of sexual orientation, ethnicity, gender or age. Diversity is both what you see and what you do not see. The long-term work we have started with diversity is about increasing our level of expertise and tapping into our curiosity. We want to use insights about our organisational culture, leadership, patterns and language to enable us to take active steps and work systematically with diversity in the years to come. We believe that this strengthens our working environment, power to effect change and value creation.

We want to develop an organisational culture that views differences as a strength, and where everyone can be themselves. Representation of diversity does not automatically result in a more inclusive workplace. It is important to challenge practices in which we only count diversity and find measures that link diversity to value.

Our approach

In a large corporate group such as Hafslund, there will always be a risk of incidents of harassment, discrimination and other inappropriate behaviour. The Group's guiding principles stipulate that we should embrace differences and provide equal opportunities to all. Efforts shall be made to increase the diversity competence of managers, and all employees shall experience equal treatment with regard to pay, tasks and responsibilities, irrespective of location, gender, sexual orientation, functional level and ethnicity. In addition, the Group's ethical guidelines provide direction for how each employee must behave at work. Employees must treat each other with respect. No form of harassment, discrimination or other behaviour that is perceived as threatening or degrading is acceptable.



Our goals and status 2022

Goal	Results 2022	Satisfaction	Remarks
Increase knowledge of diversity in the Group	-		KPIs will be established in 2023.
Increase the proportion of women to >25% by 2025	22%		The proportion of female employees in the Group (excluding Hafslund Oslo Celsio) increased from 22% in 2021 to 25% in 2022. Hafslund Oslo Celsio has a somewhat lower proportion of female employees, which reduces the total to 22%.
No known cases of harassment or discrimination	0		

Our measures

Partnership with Seema

In the first quarter of 2022, Hafslund started a partnership with Seema, which is an advisory group for diversity management. Seema held lectures for all employees in the spring of 2022, and five managers attended courses to become certified diversity managers.

Other measures for strengthening diversity

We believe it is important to work through many channels to strengthen diversity, and both cultural and formal measures are required. Other measures to strengthen our diversity are:

- Prepare a diversity policy and set long-term plans for activities and measures
- Attract a greater degree of diversity in the applicant pool through targeted profiling and innovation in role descriptions and job advertisements
- Emphasise diversity and gender balance in, among other things, GNIST and summer internships
- Work-life balance and life phase policy
- Develop skilled and interpersonal managers who contribute to a trust-based and development-oriented working environment with a high degree of psychological safety

Other sustainability priorities

Most of the topic areas that are important to Hafslund within sustainability have a close link to the strategic focus areas presented. However, there are several important sustainability topics that are not directly linked to one strategic initiative.

Contribution to society and local value creation

Hafslund's business activities create substantial value for society, for example in the form of tax revenues for the Norwegian State and profits that go towards society at large, since the Group is 100 per cent owned by the City of Oslo. The

core business supplies society with renewable energy and maintains the security of supply in Norway. Hafslund is a large employer and provides many jobs across all of Southern Norway.

Our approach and initiatives

Our approach and initiatives

As a power producer, we utilise the country's natural resources and are therefore subject to special taxation in the form of resource rent tax. This provides society with significant tax revenues each year. The City of Oslo is the sole owner of the Hafslund Group, and the dividend paid from Hafslund to the City of Oslo is used to cover welfare services for the residents of Norway's capital city. The capital retained at Hafslund is used to develop new renewable power and other investments that are in line with the Group's strategy.

Value creation in local communities

Hafslund maintains a close relationship with the local communities in which we operate and the host municipalities of our power plants. The Group seeks to engage in close dialogue with local communities, and endeavours to use local service providers and partners in all situations when this is possible. Using local service providers places less strain on the environment and local infrastructure, while also safeguarding local jobs.

Sponsorships

Hafslund's sponsorship activities are managed in line with the Group's values and strategic goals. The Group provides sponsorship support to associations within sports, outdoor activities and culture for children and young people, and especially in areas close to our locations, power plants and facilities. The Group also provides support to stakeholders and activities that focus on climate and the environment, and has collaborative agreements with the environmental NGOs Zero and Bellona.

Some of the major sponsorship agreements that were signed in 2022 include:

- Hafslund became the main partner for the Association for the Promotion of Skiing (Skiforeningen) in Oslo. Hafslund and the Skiforeningen are planning to collaborate on a range of initiatives from electric bike chargers to electric snowcats.
- Hafslund Oslo Celsio entered into a sponsorship agreement with Klemetsrud Sports Club (Klemetsrud idrettslag) and Mortensrud School to establish the Celsio Academy, which is a free sports academy for children in grades 5-7 at Mortensrud, Klemetsrud and Stenbråten schools.

Hafslund Hovedgård

Since the City of Oslo is the sole owner of the Hafslund Group, the dividend paid from Hafslund to the City of Oslo is used to cover welfare services for the residents of Norway's capital city.

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Hafslund Hovedgård

Status 2022

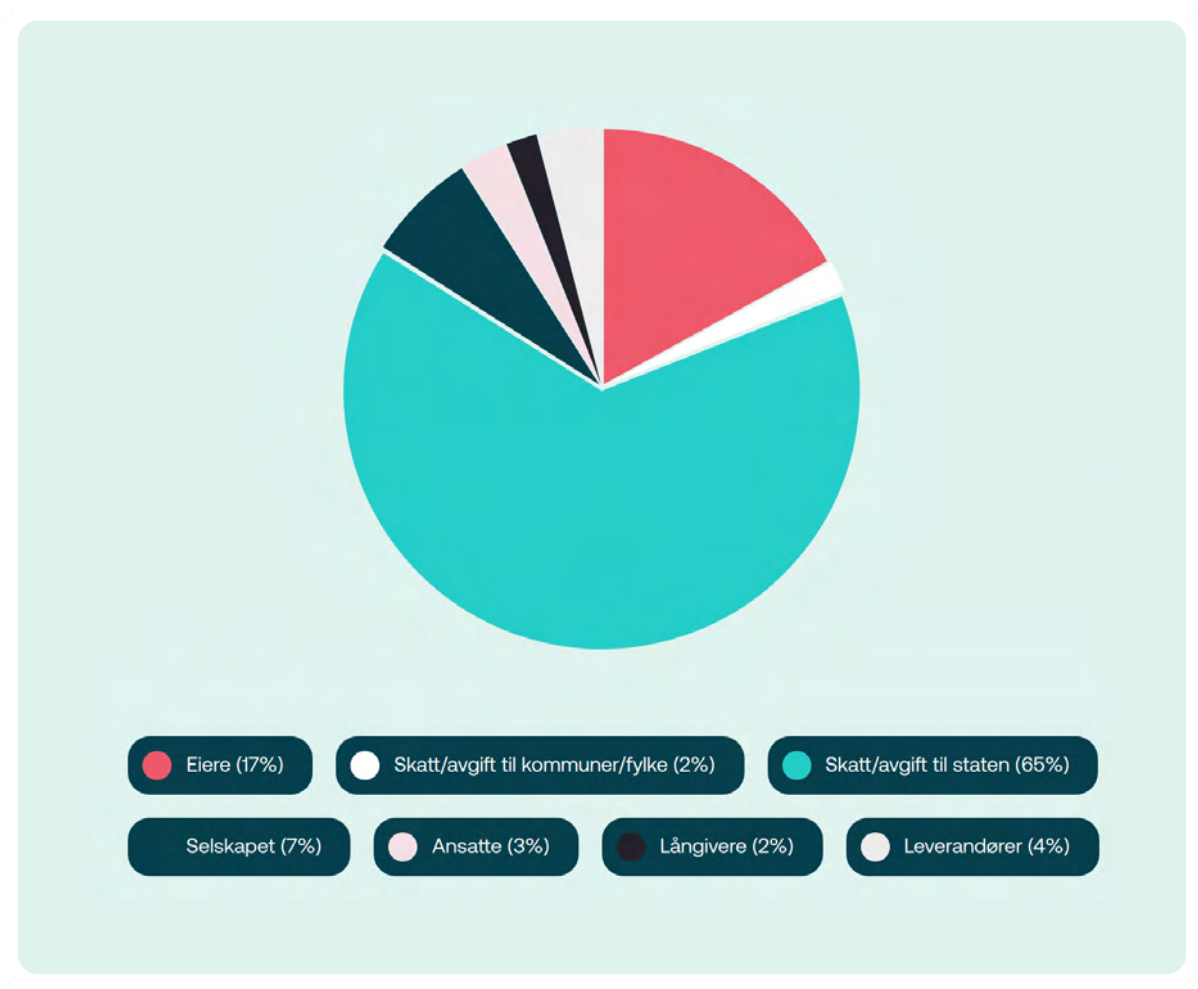
Goal	Results 2022	Remarks
Local taxes and fees	NOK 2,079 million	Paid natural resource tax, property tax, licence fees and the advantage of concessionary power to host municipalities/affected municipalities.

Goal	Results 2022	Remarks
Taxes and fees to the State	NOK 4,960 million	Paid resource rent tax, ordinary income tax, licence fee, NOx tax, incineration fee and employer's National Insurance contributions to the State.
Dividend to owner	NOK 1,750 million	Paid dividend to the City of Oslo.

Value creation for 2022 based on profit or loss figures

The diagram on the next page distributes the amounts recognised in the profit and loss statement, instead of the paid amounts which have been reviewed above. The value creation of the Hafslund Group has been calculated by taking the revenues recognised for 2022 (revenues and other income, profit/loss from equity-accounted investees, realised and unrealised gains and losses on currency and interest income), and deducting energy purchases and transmission costs, as well as value changes of land compensation rights. Distribution to owners includes the decided repayment of subordinated loans to other than own subsidiaries, in addition to dividends.

Total value creation corresponds to NOK 22 billion.



Third-party safety

We take the safety of those who move in and around our power plants and facilities seriously, and our clear objective is that there shall be no injuries or accidents to third parties as a result of the Group's activities.

Our approach and initiatives

The Group continually works to ensure that the watercourse facilities are safe for the public and to reduce the risk of accidents and incidents taking place near the watercourses. Risk and vulnerability analyses of public safety are regularly carried out.

We assign particular attention to safety measures in and around the hydropower

plants. The most common safety measures are permanent fences, barriers and signs. Every year, temporary fences and warning signs are erected in areas with weakened ice. Information is also provided online, advertisements are placed in local newspapers, and notice is given via other channels that the ice may be unsafe on regulated watercourses.

Hafslund is a developer with a high level of activity within the conversion and rehabilitation of dams and power plants and the construction of new facilities. The Group goes to great lengths in all projects to protect the safety of the general public by erecting signs and barriers and developing procedures to ensure that the work is performed within defined areas. A safe job analysis (SJA) is also carried out for all jobs, which includes a risk assessment for third parties.

Hydroelectric power plants themselves also contribute to protecting the surrounding area. The reservoirs help reduce the risk of flooding in the watercourses and the associated damage. Hafslund actively uses the reservoirs to mitigate flooding by reducing and levelling out flooding during periods with heavy precipitation and inflow. There is a close and regular dialogue with the NVE, regulatory associations, public authorities and affected parties in the event of flood alleviation and flood situations.



Our goal is that there shall be no injuries or accidents to third parties as a result of the Group's activities.

Our goals and status 2022

Goal	Results 2022	Satisfaction	Remarks
No injuries or accidents to third parties as a result of the Group's activities	0	●	No injuries to third parties in 2022



Responsible procurement practices

Hafslund wishes to contribute to the safeguarding of human rights and employee conditions in the value chain, and strives to have good routines for setting requirements and following up suppliers with regard to human rights and workers' rights. It is important for Hafslund to maintain high ethical standards in all business operations.

Our approach and initiatives

The Oslo Model

The Group has implemented the Oslo Model, which is a collective term for a number of good practice provisions that are incorporated into contract terms for the purchase of goods and services, and building and construction. Hafslund sets clear requirements for its suppliers within all product and service areas. All suppliers and their subcontractors shall conduct their activities in accordance with nationally and internationally recognised principles and guidelines relating to human and workers' rights, corruption and health, safety and the environment.

Setting requirements


The Group's companies conduct procurements in accordance with good business practice. Separate ethical guidelines have been established for suppliers based on international ILO and UN conventions. The choice of suppliers and partners is an important part of the work for a sustainable business and industry, and Hafslund wants to take greater responsibility for the environmental and social impact of the value chain that the Group is a part of.

Hafslund has adopted standards for socially responsible procurement to prevent labour market crime and social dumping in the building and construction industry. These standards are intended to ensure decent working conditions for employees and contractors, limit the number of links in the supply chain and promote recruitment of apprentices and trained professionals.

The Norwegian Transparency Act

A key project in 2022 was to strengthen our due diligence work in line with the new Transparency Act, which entered into force on 1 July 2022. The purpose of the Act is to promote companies' respect for fundamental human rights and decent working conditions in connection with the production and delivery of goods and services. [Read more.](#)

Our goals and status 2022

Goal	Results 2022	Satisfaction	Remarks
No known violations of human rights or workers' rights in the value chain	0		Hafslund does not currently have a system for detecting serious violations, however efforts are being made to get this in place.
Conduct supplier audits that include sustainability issues	0		No supplier audits regarding sustainability conducted in 2022. This work will be systematised and there will be an increased focus from 2023.

Secure IT services and systems

Hafslund is subject to laws and regulations that set high standards for the protection of information, services, systems and production facilities. Digital and physical security are a prerequisite for ensuring that there is trust in Hafslund's ability to provide society with a continuous power supply and to preserve the trust of owners, partners, customers and own employees.

Our approach and initiatives

The overarching goal is to maintain a secure and stable power supply and provision of IT services and systems to the Group and applicable subsidiaries, without loss of data or availability beyond acceptable downtime. Continuous modernisation and technological development are crucial for being able to respond to an increasingly more advanced and intensified digital threat landscape. In 2021, Hafslund modernised and consolidated a large part of its IT portfolio and IT security solutions. New and more modern solutions were established and further developed. This work was further developed in 2022.

Information security and privacy

Hafslund continually works to improve information security in order to reduce the risk of undesirable incidents, sabotage, damage and vandalism. Everyone needs to be confident that Hafslund fulfils its statutory and regulatory obligations, and that the Group has established measures to ensure the protection of the confidentiality, integrity and availability of information, services, systems and facilities.

Hafslund takes information security and privacy seriously, and in 2022 implemented several projects, improvement initiatives and activities to address a more intensified risk and threat landscape.

Work with information security at Hafslund

Information is something that is of very high value to Hafslund. We protect the value this information represents with structured processes and measures in accordance with ISO/IEC 27001 and an information security management system (ISMS). This is an important tool for both management and operational work within information security. The management system is designed to ensure that Hafslund complies with applicable laws and regulations, and that active and preventive work on information security is being carried out.

Privacy

Privacy at Hafslund is important for protecting and processing information about employees, customers and partners. The risk of privacy breaches relates to possible deficiencies and non-conformities regarding compliance with requirements in data protection laws and regulations that have been imposed. In 2022, Hafslund continued its work on ensuring that the Group complies with data protection requirements. Routines, procedures and frameworks have been further developed and integrated into the Group's information security management system.

Information security risk management

Information security risk management is a continual and ongoing process. The Group relies on the national risk and threat assessments from the Norwegian Intelligence Service (NIS), Norwegian Police Security Service (PST) and National Security Authority (NSM), and uses ISO/IEC 27005 as a framework for risk assessment and management. The ownership of risk is placed in the line and service owner organisation. Information security risk management is integrated into day-to-day management and operations, and, by virtue of their roles, all managers have an implicit responsibility for supervising information security within their area of responsibility and authority. This includes monitoring that implemented security measures function as intended. This responsibility also applies when security tasks are entrusted to contractual partners and other enterprises.

Supplier and third-party risks

The security situation in Ukraine has resulted in a heightened risk and threat landscape. This has led to a stronger need for closer follow-up and dialogue with subcontractors that provide services, systems and equipment to the Group. Hafslund has had a higher level of preparedness and ongoing dialogue with government authorities, partners and suppliers regarding the situation and changes in the risk landscape.

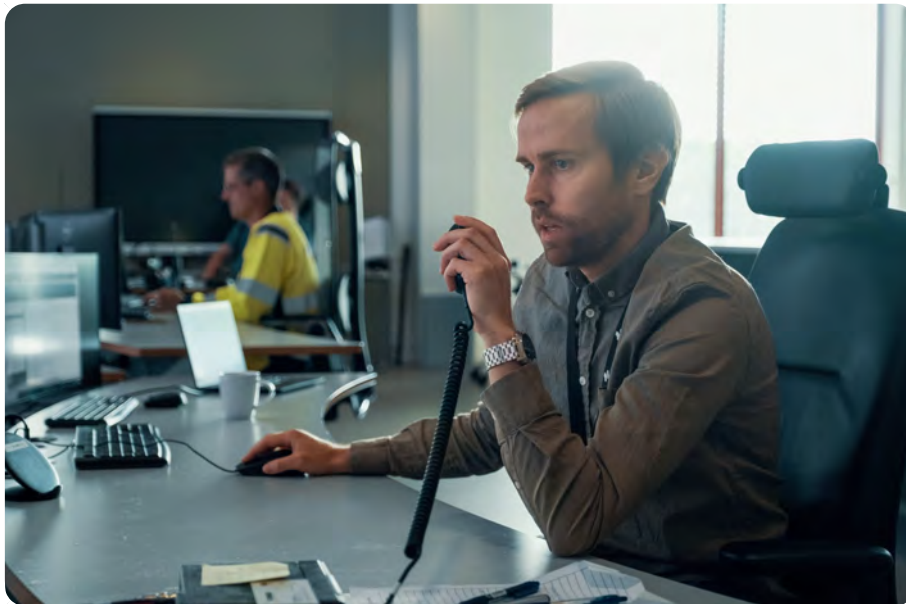
Personnel security

Personnel security includes the risk of personnel abusing employment relationships and legitimate access for nefarious and unauthorised purposes. Hafslund is required by law to conduct background checks in connection with recruitment and hiring processes. Personnel security at Hafslund therefore has to be maintained and safeguarded through robust processes involving the entire employment arrangement, including background checks, duty of confidentiality, information and training, and access based on the principle of least privilege (PoLP). Based on the international security situation in 2022, the Group has further developed the procedures with clearer guidelines for the recruitment and employment of personnel from so-called high-risk countries.

Physical security

Strict requirements are imposed on Hafslund through laws and regulations for the physical security of services, systems, locations and production facilities. The information security management system specifies defined requirements for the physical security of IT, with combinations of zoning, access control, monitoring and detection, and the ability to respond to unauthorised movement, access and intrusion.

The physical security of the company's physical assets, properties and production facilities is continuously improved and further developed in accordance with requirements that are imposed and changes in the threat and risk landscape. In 2022, the situation in Ukraine resulted in greater attention being paid to physical security and the need for increased vigilance with regard to undesirable behaviour and access to the Group's locations, power plants and facilities. Hafslund has followed the recommendations and advice given by the government authorities and national security agencies.



Our goals and status 2022

Goal	Results 2022	Satisfaction	Remarks
No IT security incidents that were not dealt with	0	●	All IT security incidents were dealt with and followed up.
No IT security incidents with serious consequences	2	●	Two registered incidents that can be categorised as being more serious. Both incidents were dealt with and followed up with incident reports that included follow-up points.
Minimum 1 IT emergency response exercise held	3	●	A total of 3 IT emergency response exercises were held in 2022.

Ethics and anti-corruption

Hafslund has a zero tolerance policy towards corruption and shall actively work with its commitments to ethics and anti-corruption. The greatest risk of corruption in any company can be said to be corruption that is not visible, and important risk factors are inadequate information about and access to whistleblowing channels, insufficient training in ethics and anti-corruption, and a lack of control mechanisms for identifying potential cases of corruption.

Our initiatives

All Hafslund employees must sign ethical guidelines upon employment. Hafslund's ethical guidelines include rules for good personal conduct, good business practices, and notification and management of potential breaches. The guidelines provide directions for how employees should interact, both internally and externally. They apply to all employees in the Group and those acting on behalf of Hafslund, for example, directors and hired consultants. The Group has an external whistleblowing channel for reporting concerning incidents. In 2023, an e-learning platform will be established for ethical guidelines in the Group and dilemma training will be held for all employees.



All Hafslund employees must sign ethical guidelines upon employment.

Our goals and status 2022

Goal	Results 2022	Satisfaction	Remarks
All employees have signed ethical guidelines	-		All employees must sign ethical guidelines upon employment. There is currently a lack of registration and further work is required to have this in place.
No known instances of corruption	0		

Indicator tables for sustainability

The indicator tables for the sustainability indicators are divided according to the important sustainability topics and paint a comprehensive picture of Hafslund's sustainability work.

Figures from 2021 are only included for Hafslund Eco Vannkraft and Hafslund Vekst, because Hafslund Oslo Celsio was not part of the Group in 2021.

Indicator table: The road towards climate positivity

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
GREENHOUSE GAS EMISSIONS SCOPE 1				
Hydropower	tCO ₂ e	1,053	619	Increase in emissions from hydropower compared to 2021 due to two significant leaks of SF6 gas.
District heating	tCO ₂ e	5,859	-	Emissions from district heating relate to the use of LNG as peak load.
Waste incineration	tCO ₂ e	197,777	-	
GREENHOUSE GAS EMISSIONS SCOPE 2 (MARKET-BASED)				

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Hydropower	tCO ₂ e	0	0	Hafslund Eco Vannkraft purchases guarantees of origin for its entire consumption.
District heating	tCO ₂ e	129,033	-	In 2022, Hafslund Oslo Celsio did not purchase guarantees of origin for its consumption of electricity in district heating and waste incineration.
Waste incineration	tCO ₂ e	17,941	-	
GREENHOUSE GAS EMISSIONS SCOPE 2 (LOCATION-BASED)				
Hydropower	tCO ₂ e	224	243	
District heating	tCO ₂ e	3,504	-	
Waste incineration	tCO ₂ e	488	-	
GREENHOUSE GAS EMISSIONS SCOPE 3				

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Hydropower	tCO ₂ e	84,704	2,954	Expansion of Scope 3 in 2022. The largest emissions are related to ownership in Eidsiva, purchased goods and services and capital goods.
District heating + waste incineration	tCO ₂ e	23,187	-	
CO ₂ intensity district heating	gCO ₂ e/kWh	15.7	-	Calculated based on the methodology in accordance with the EPD regulations.
ENERGY CONSUMPTION				
Hydropower	GWh	22.6	16.4	
District heating + waste incineration	GWh	1,919.9	-	

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Share of electric vehicles	Per cent	33	17	
Biogenic emissions	tCO ₂ e	188,551	-	Only applies to emissions from waste incineration. Renewable fuels not included

Indicator table: The road towards nature positivity

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Land restored or improved	m ²	847	-	New spawning grounds in the Aurland watercourse.
Number of new developments in areas defined as encroachment-free nature	Number	0	-	New indicator.

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Number of violations of licence conditions and description	Number and remarks	3	3	Vetlebotvatn in Aurland: Violation of lowest regulated water level for summer for two hours on 5 September 2022. Moelv power plant in Ringsaker: The minimum water flow requirement past the power plant was not complied with on four occasions from 8 December 2021 to 13 December 2021. Raudalsvatn in Skjåk: Deviation from minimum water flow in Framrusti below Raudalsvatn between 1pm and 6pm on 1 July 2022.
Costs for watercourse-related R&D and voluntary nature surveys	NOK	5,732,000	-	New indicator.
Affected rivers with anadromous fish	Number	3	3	
Affected national salmon watercourses	Number	0	1	
Environmental audits carried out	Number	22	32	

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Environmental measures implemented	Number	22	7	
Environmental measures implemented, including voluntary	Number	19	3	
Environmental studies carried out	Number	37	41	
Environmental studies carried out, including voluntary	Number	33	36	
Release of salmon roe	Number	33,700	350,000	
Migration in fish ladders and migration routes. Number of fish ladders that are monitored	Number	10	9	
Closed watercourse installations returned to natural conditions	Number	0	0	In 2022, the NVE issued a positive recommendation to shut down the Hunsjø Reservoir and reduce the regulation water level for Hyllsjøen. The matter is now being processed by the Ministry of Petroleum and Energy.

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Voluntary release of minimum water flow to protect the fish in the watercourses	NOK million	23.3	12.4	The voluntary release in Hemsil was replaced by an imposed release. In Innlandet, there is the self-imposed trial regulation in Hunderfossen, and self-imposed minimum water flow in winter in Mesna and Sagnfossen.
Number of incidents involving emissions into the air/soil/water, and description	Number and remarks	5	7	In 2022, there were five major or minor oil spill incidents near Hafslund Eco Vannkraft's plants, which resulted in the total discharge of approximately 530 litres of oil.
NOx emissions (Hafslund Oslo Celsio)	kg	335.4	-	

Indicator table: Driving force for renewable energy through good stakeholder dialogue

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Hydropower's reputation among the general public	Per cent	89	90	Support for hydropower is consistently high among the general public. Source: Kantar's Climate Barometer 2022
Percentage of large hydropower projects that have been commenced which include stakeholder dialogue out of consideration to society, the public and the environment	Per cent	95	-	New indicator.

Indicator table: Efficient and circular use of materials and resource utilisation

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
QUANTITY OF HAZARDOUS WASTE			-	
Hafslund Eco Vannkraft, Hafslund Vekst and the Group	Tonnes	8	-	New indicator.

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Hafslund Oslo Celsio	Tonnes	17,791	-	New indicator. For Hafslund Oslo Celsio, fly ash from waste incineration amounts to 17,666 tonnes.
QUANTITY OF NON-HAZARDOUS WASTE			-	
Hafslund Eco Vannkraft, Hafslund Vekst and the Group	Tonnes	828	-	New indicator.
Hafslund Oslo Celsio	Tonnes	62,138	-	New indicator. The majority of Hafslund Oslo Celsio's waste consists of bottom ash (slag) from waste incineration. The ash is further treated by other operators, where metals are extracted and recycled (close to 4,600 tonnes of various metals).
SORTING RATE			-	
Hafslund Eco Vannkraft, Hafslund Vekst and the Group	Per cent	89	-	Sorting rate = Quantity of sorted waste/total quantity of waste (both sorted and unsorted) X 100

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Hafslund Oslo Celsius	Per cent	-	-	
			-	
Sorting rate for large hydropower projects	Per cent	91	-	Calculated from four out of six of the largest construction projects.
Quantity of waste treated at waste incineration plants	Tonnes	355,686	-	Total Klemetsrud and Haraldrud.

Indicator table: Production of clean energy

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Production of power	GWh	13,800	18,315	Hafslund's share of production in all power plants.
Share of renewable power production	Per cent	100	100	
Production of district heating	GWh	1,807	-	
Share of renewable district heating	Per cent	43.2	-	

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Share of carbon-neutral district heating	Per cent	55.3	-	
Production of Guarantees of Origin	GWh	13,200	18,150	
Production of electricity certificates	GWh	780	852	
Power losses as a result of regulatory revisions	GWh	14.7	6.7	Power loss of 11.6 GWh/year in the Hols regulation and 2.9 Wh/year in the 24-hour regulation.

Indicator table: Investments in clean energy

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Increased installed capacity - power production	MW	9.9	118.9	Mork power plant was completed in 2022.
Increased installed capacity - district heating	MW	50	-	Conversion of older facilities to renewable.

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Reinvestment in production facilities (upgrades and expansions)	GWh	13	28.2	Aurland 1, Unit 2.
Investment in new production	GWh	43	412	Mork power plant was completed in 2022.
Renewable energy projects in planning phase	GWh	700	26	Approximate figures that include: Sarp2, FKF5, Hemsil 2, Longavotn, Kåja, Storrusten, Tunna, Grotli, Øyangen and Bjørkum.

Indicator table: Security of supply

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Security of supply at Celsio	Per cent	99.97	-	Only unplanned stoppage of supply gives 99.99%.

Indicator table: Safety for our employees

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
ABSENCE DUE TO INJURY PER MILLION WORKING HOURS				
Hafslund (the entire Group)	H1-value	1.2	-	
Hafslund Eco Vannkraft	H1-value	0.9	1	
Hafslund Celsio	H1-value	1.6	-	
INJURIES PER MILLION WORKING HOURS				
Hafslund (the entire Group)	H2-value	2.9	-	
Hafslund Eco Vannkraft	H2-value	3.7	7	
Hafslund Celsio	H2-value	1.6	-	
DAYS OF ABSENCE PER MILLION WORKING HOURS				
Hafslund (the entire Group)	F-value	3.5	-	
Hafslund Eco Vannkraft	F-value	4.6	203	

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Hafslund Celsio	F-value	1	-	
REGISTERED UNDESIRABLE INCIDENTS AND PROPOSED IMPROVEMENTS				
Hafslund (the entire Group)	Number	1,325	-	
Hafslund Eco Vannkraft	Number	857	1,279	
Hafslund Celsio	Number	468	-	
Safety talks at Celsio	Number	126	-	

Indicator table: Attractive and developing workplace

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
NEW HIRES				
Hafslund Eco Vannkraft, Hafslund Vekst and the Group	Number	69	35	
Hafslund Oslo Celsio	Number	23	-	

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
TURNOVER				
Hafslund Eco Vannkraft, Hafslund Vekst and the Group	Per cent	6.5	3.4	This includes retirements.
Hafslund Oslo Celsio	Per cent	4.3	-	
PROPORTION OF MANAGERS WHO HAVE COMPLETED LEADERSHIP DEVELOPMENT PROGRAMMES				
Hafslund Eco Vannkraft, Hafslund Vekst and the Group	Per cent	100	-	New indicator.
Hafslund Oslo Celsio	Per cent	93	-	New indicator.
Use of whistleblowing channel	Number/year	0	0	

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Sick leave	Per cent	3.8	2.8	Still low sick leave compared to the national average. The increase from last year is probably due to increased short-term sick leave as a result of covid-19.

Indicator table: Space for differences and equal opportunities for all

Indicator	Unit	Result	Result 2021	Remarks 2022
Proportion of female employees in the Group	Per cent	22	22	The proportion of female employees has increased at Hafslund Eco Vannkraft and Hafslund Vekst over the past year, however this is brought down slightly by the lower proportion of female employees at Hafslund Oslo Celsio.
Proportion of women in the Group management team	Per cent	50	-	New indicator.

Indicator	Unit	Result	Result 2021	Remarks 2022
Proportion of women in executive positions	Per cent	32	28	
Number of incidents of discrimination or harassment	Number	0	-	New indicator.
Number of instances of discrimination or harassment that were processed and for which an action plan was established	Number	0	-	New indicator.

Indicator table: Third-party safety

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Injuries to third parties as a result of the company's activities	Number	0	0	
Incidents reported to the NVE (accidents and incidents), cf. NVE reporting form, Section 7-11 of the Dam Safety Regulations	Number	1	0	

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Completed risk and vulnerability assessments (RVAs) for public safety according to plan, cf. Section 7-6 in the Dam Safety Regulations	Number	4	21	
Incidents with notification to the public of flood alleviation according to established procedure	Number	-	0	
Emergency response exercises to ensure a high standard for internal preparedness and flood management	Number	31	23	Emergency response exercises. Excluding IT exercises and practical team exercises.
Applications to the NVE for deviations from regulation schedules or conditions in order to reduce risk of flood damage in time	Number	1	1	Approval of application for advance flood alleviation from Ustevatn to Rødungen South to prevent possible damaging floods downstream from Ustevatn.

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Incidents reported to the Norwegian Directorate for Civil Protection and Emergency Planning (DSB) (accidents and incidents), cf. form for reporting accidents and incidents, Section 8 of the Norwegian Safety regulations relating to the maintenance and operation of electrical installations	Number	0	0	

Indicator table: Contribution to society and local value creation

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Value creation and distribution to host municipalities in the form of direct taxes and fees	NOK million	447	474	Paid during the year. Includes natural resource tax and property tax.
Contributions to host municipalities/county authorities in the form of concessionary power benefit	NOK million	1,549	586	Paid during the year.
Contributions to municipalities/county authorities in the form of licence fees	NOK million	83	82	Paid during the year.

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Value creation and distribution to the Norwegian State in the form of direct taxes and fees	NOK million	4,960	132	Paid during the year. Tax, employer's National Insurance contributions, licence fee, NOx tax, and incineration fee.
Total remuneration to employees	NOK million	751	472	
Return to owner (City of Oslo) in the form of dividend	NOK million	1,750	850	Dividend paid in 2022.

Indicator table: Responsible procurement practices

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Number of known violations of human rights or workers' rights	Number	0	0	

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Number of supplier audits conducted, which includes sustainability issues	Number	0	0	No audits conducted. Work with due diligence assessments and follow-up of suppliers, including supplier audits, is to be strengthened in 2023. This may affect the results going forward.
Percentage of suppliers that have signed ethical guidelines for suppliers	Per cent	-	-	Suppliers sign ethical guidelines upon entering into contract. Better systems for following up and reporting on this will be introduced.

Indicator table: Focus on ethics and anti-corruption

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
EMPLOYEES WHO HAVE PLEDGED TO COMPLY WITH THE COMPANY'S ETHICAL GUIDELINES				
Hafslund Eco Vannkraft, Hafslund Vekst and the Group	Per cent	-	-	All new employees pledge to comply when signing employment contract. Complete overview of the percentage of non-compliance for the Group, excluding Hafslund Oslo Celsio. At Hafslund Oslo Celsio, 75.8% have signed ethical guidelines.
Hafslund Oslo Celsio	Per cent	75.8	-	
NUMBER OF CONFIRMED BREACHES OF ETHICAL GUIDELINES	NUMBER	0	0	

Indicator table: Secure IT services and systems

Indicator	Unit	Result 2022	Result 2021	Remarks 2022
Number of IT security incidents that were not dealt with	Number	0	-	New indicator. All IT incidents were dealt with and followed up.
Number of IT security incidents with serious consequences	Number	2	-	New indicator. Two registered incidents that can be categorised as being more serious. Both incidents were dealt with and followed up with incident reports that included follow-up points.
Number of IT emergency response exercises	Number	3	-	New indicator. A total of 3 IT emergency response exercises were held in 2022.

EU taxonomy

The EU taxonomy consists of the Sustainable Finance Disclosure Regulation and the Taxonomy Regulation, and is a classification system that the EU has introduced to determine the sustainability of an economic activity. In Norway, the EU taxonomy is applied through the Act relating to the disclosure of sustainability information in the financial sector and a framework for sustainable investments. The Act entered into force on 1 January 2023. This entails that there is no reporting requirement for the 2022 financial year. However, in line with the Ministry of Finance's request to Norwegian companies, Hafslund has chosen to include taxonomy-related information in Hafslund's annual report for the 2022 financial year. The reporting for the year is based on Hafslund's interpretation of the EU taxonomy in accordance with the framework and associated guidelines as of the reporting date.

An economic activity must make a substantial contribution to the attainment of at least one of the six environmental objectives in the EU taxonomy in order for it to be defined as sustainable. In addition, it must avoid significant harm to the other environmental objectives and satisfy minimum requirements for social standards, as set out in the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

The European Commission shall develop technical screening criteria for each environmental objective, which the economic activity has to satisfy. The Commission has thus far developed technical screening criteria for Objective 1 (climate change mitigation) and Objective 2 (climate change adaptation).

Hydropower production is one of the economic activities that has been assigned technical screening criteria, on the basis of the fact that hydropower can make a substantial contribution to achieving Environmental Objective 1.

In 2022, Hafslund assessed which of the Group's activities can be defined as eligible, and carried out an assessment of whether the activities align with the EU taxonomy criteria. Hafslund assessed that the Group's hydropower production, and the production and distribution of district heating/cooling, can be defined as eligible. Only assets of consolidated companies have been considered for eligibility. The Group's activities in Hafslund Vekst were not included in the assessments for the 2022 financial year, and are therefore classified as not eligible. These activities will be assessed during 2023. Hafslund Vekst currently accounts for a small share of the Group's three performance indicators of turnover, capital expenditure (CapEx) and operating expenses (OpEx). It is therefore not expected that the performance indicators will be significantly affected. Below we have included an overview of Hafslund's approach to the taxonomy criteria, and how we assess these for hydropower production and the production and distribution of district heating/cooling.



Taxonomy table

Economic activities	Code	Proportion of turnover	Proportion of CapEx	Proportion of OpEx
A.TAXONOMY-ELIGIBLE ACTIVITIES		%	%	%
A.1. ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (TAXONOMY ALIGNED)				
4.5 Electricity generation from hydropower	35.11	93%	61%	48%

Economic activities	Code	Proportion of turnover	Proportion of CapEx	Proportion of OpEx
4.15 District heating/cooling distribution	35.30	5%	19%	21%
Total of environmentally sustainable activities (Taxonomy-aligned) (A.1)		99%	80%	69%
A.2 TAXONOMY-ELIGIBLE BUT NOT ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (NOT TAXONOMY-ALIGNED ACTIVITIES)				
4.5 Electricity generation from hydropower	35.11	0%	0%	0%
4.15 District heating/cooling distribution	35.30	0%	2%	0%
Total of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0%	2%	0%
Total (A.1 + A.2)		99%	82%	69%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES				
Total of Taxonomy-non-eligible activities (B)				
Waste incineration		1%	7%	18%

Economic activities	Code	Proportion of turnover	Proportion of CapEx	Proportion of OpEx
Electricity generation using waste		1%	1%	0%
Other (incl. CCS)		0%	8%	0%
Fiber (ICT)		0%	2%	0%
Hafslund Vekst and Hafslund AS (not assessed)		0%	0%	13%
Total (A + B)		100%	100%	100%

[Download](#) full EU taxonomy table as PDF.

Our approach to the taxonomy criteria: Hydropower

Assessment of substantial contribution to Environmental Objective 1 (climate change mitigation)

In order for hydropower to make a substantial contribution to achieving Environmental Objective 1 (climate change mitigation), one of the following criteria has to be met:

- The power production comes from a run-of-river hydropower plant, which does not have an artificial reservoir.
- The power density of the power generation is above 5 W/m².
- Greenhouse gas emissions from the power production's life cycle are lower than 100gCO₂e/kWh.

As recommended in Renewables Norway's guide "Taxonomy requirements for hydropower", the approach in SINTEF's memo "Assessment of greenhouse gas emissions from hydropower for the

EU taxonomy” has been used to document a substantial contribution to Environmental Objective 1. In this memo, calculating power density (W/m²) is the recommended approach if the power plant is not a run-of-river hydropower plant.

A run-of-river hydropower plant is defined as a power plant with an upstream reservoir storage capacity below the 24-hour mean water flow. SINTEF recommends that run-of-river hydropower plants that are in a system with one or more other power plants and reservoirs should be analysed in combination with these, and thereby included in the calculation of installed capacity for further calculation of power density. Furthermore, it is recommended to set the system boundary at catchment areas, including water transfers from neighbouring fields, for a system of hydroelectric power plants, reservoirs and upstream catchment areas.

Based on these assumptions, we have chosen to divide reservoirs and power plants into four large watercourses in accordance with catchment areas and division into utility owners’ associations. These are the Glomma watercourse with Gudbrandsdalslågen, Hallingdal watercourse down to and including Nes power plant, Begna watercourse down to and including Eid power plant, and Aurland watercourse. We also have three smaller watercourses in Brødbøl, Trysil and Dokka. All regulating reservoirs and power plants that fall within these system boundaries are taken into consideration when calculating power density.

For most reservoirs, gross area (total area) is used in the calculations. For those reservoirs that are measured by depth, net area is used as a basis. Data on installed capacity is obtained from the Norwegian Water Resources and Energy Directorate’s (NVE) hydropower database for all power plants.

Based on the definition of run-of-river hydropower plants, there are a total of 11 power plants spread over the various production areas that are not included in the calculation of power density. They are not in the “system” and do not use, or use only very low quantities of, reservoir water.

Based on this approach, with the exception of the Trysil and Brødbøl watercourses, Hafslund’s entire production of hydropower makes a substantial contribution towards achieving Environmental Objective 1, in accordance with the EU taxonomy.

Assessment of significant harm to Environmental Objectives 2 to 6

In order to comply with the taxonomy, the activity must “do no significant harm” (DNSH) to the five other environmental objectives. For hydropower, this assessment is relevant for Environmental Objective 2 (climate change adaptation), Environmental Objective 3 (water and marine resources) and Environmental Objective 6 (biodiversity and ecosystems). There are no DNSH criteria for hydropower linked to Environmental Objective 4 (transition to a circular economy) or Environmental Objective 5 (pollution prevention and control).

Climate change adaptation (DNSH 2): In order to meet the taxonomy’s technical screening criteria for Environmental Objective 2 (climate change adaptation), a physical climate risk analysis must be carried out to identify the physical climate risks that are of significance to the activity. An

action plan is required for identified risks. The measures must be implemented within five years for existing facilities, and before the start of operations for new facilities.

A climate risk analysis for hydropower production in the Hafslund Group was carried out in autumn 2022. Physical climate risks were identified and assessed as part of the analysis. Risk and vulnerability analyses were also carried out for all of our hydropower plants. Furthermore, all dams are subject to government supervision through the Norwegian Dam Safety Regulations. The risk of increased precipitation and major flooding has been assessed and taken into consideration when assessing the safety of the dam facilities. Dam facilities are often dimensioned for 1,000-year floods, and the calculations include climate surcharges set by the NVE. Based on this, Hafslund finds that the criteria for Environmental Objective 2 have been met for all of our regulations and power plants.

Water and marine resources (DNSH 3): The technical screening criteria for the environmental objective relating to sustainable use and protection of water and marine resources are linked to the Water Framework Directive, which has been implemented into Norwegian law through the Regulations relating to the framework for water management (the Water Regulations). Norway is divided into water regions. Pursuant to the Water Regulations, there is a comprehensive water management plan for each region, with environmental objectives for all bodies of water and associated action programmes that are updated every six years. The Norwegian authorities administer the Water Framework Directive and action programmes that stipulate environmental objectives for each body of water. The provisions in the Water Framework Directive have been taken into consideration in all licensing processes since 2007. However, all hydropower activities, including those that do not require a licence and activities with older licences granted prior to 2007, are still covered by the water management plans and associated action programmes.

In accordance with the taxonomy's technical screening criteria, necessary measures to reduce the harmful impact of the activities need to be implemented, cf. Articles 4 and 11 of the Water Framework Directive. Article 4 includes the provisions relating to environmental objectives, while Article 11 applies to requirements for action programmes. As a general rule, the condition of the bodies of water must be protected from degradation, and improvements must be made with a view to achieving the environmental objectives of good ecological status or good ecological potential. Article 4 of the Water Framework Directive also permits deferred deadlines for the achievement of objectives, less stringent environmental objectives, and exemptions for new interventions and new activity. The provisions in Article 4 are also covered by the technical screening criteria in the taxonomy.

Most bodies of water that are impacted by Hafslund's hydropower activities have achieved environmental objectives in accordance with the Water Framework Directive. At the same time, many bodies of water are covered by ongoing audits, and the earliest point at which they will achieve the environmental objective is when the audit is completed. For the remaining bodies of water that have not achieved their environmental objective and are not being audited, active efforts are being made to acquire knowledge and to plan and implement measures that are necessary for achieving the environmental objective. We would also note that, for many of the bodies of water that have already achieved the environmental objective, more work is being done on measures to make further environmental improvements.

The Water Framework Directive presupposes that efforts to improve the water conditions are ongoing processes in which government authorities must ensure, through sectoral legislation, that there are continual improvements in the water condition, as well as doing cost-benefit assessments of issues such as whether social considerations may lead to the use of deadline extensions or less stringent environmental objectives. Hydropower plays an important function as a source of renewable energy (substantial contribution to Environmental Objective 1) and ensuring the supply of energy to the Norwegian and European markets. Therefore, the governmental authorities have an obligation to take both environmental considerations into account and carry out societal assessments when processing the necessary permits and approvals for power production.

Biodiversity and ecosystems (DNSH 6): The technical screening criteria for the environmental objective relating to biodiversity and ecosystems are particularly linked to the Environmental Impact Assessment Directive (the EIA Directive, which in Norway has been implemented through the Impact Assessment Regulations). We have assumed that requirements for environmental impact assessments will only apply to new power plants, and that existing power plants are already expected to have been subject to adequate impact assessments.

Those of our installations that are located in or near particularly vulnerable areas satisfy the requirements of the Preservation Regulations for the relevant area. We assume that the management of particularly vulnerable areas will be adequately carried out by the Norwegian authorities.

We are also of the view that the criterion relating to biodiversity and ecosystems will be satisfied if we make the expected contributions in processes with the Norwegian authorities concerning impact assessments. Based on this, it is our opinion that this criterion has been satisfied for our hydropower activities.



Our approach to the taxonomy criteria: District heating/cooling

Hafslund’s interpretation of the taxonomy is that activities related to both the production and distribution of district heating/cooling are included in economic activity 4.15 “District heating/cooling distribution”. The reason for this interpretation is that all revenues from district heating come from the distribution of heating/cooling to commercial buildings and households, and is based on the guidance provided by the European Commission (page 9, final sentence of the second paragraph under FAQ 8)* which states that “Operators that are active in several sectors across the value chain of one product or technology but generate revenue from that product only under one activity, must disclose only under that specific revenue-generating activity.”

Assessment of substantial contribution to Environmental Objective 1

The Group's heating/cooling activities make a substantial contribution to Environmental Goal 1 by satisfying the requirements for efficient district heating and cooling systems stipulated in Article 2, paragraph 41 of Directive 2012/27/EU*: "Efficient district heating and cooling means a district heating or cooling system using at least 50% renewable energy, 50% waste heat, 75% cogenerated heat or 50% of a combination of such energy and heat."

In 2022, the energy mix for district heating distributed in Hafslund Oslo Celsio's system consisted of 55.3 per cent waste heat from waste incineration, 12.5 per cent from electric boilers, 11 per cent from heat pumps (of which 3.3 per cent was electricity, while the remainder was excess heat), 11.4 per cent from wood pellets, 8.3 per cent from biooil/ biodiesel, 1.5 per cent from LNG and 0.1 per cent from heating oil. Hafslund Oslo Celsio's district heating system therefore satisfies the definition of an efficient district heating system in 2022, because 86 per cent of the heat is produced using waste heat from waste incineration, heat pumps, wood pellets (renewable energy) and various biofuels (renewable energy).

If waste heat from waste incineration is excluded from the calculation, the district heating system still satisfies the definition of an efficient district heating system because the proportion of heat from cogenerated heat, other waste heat, wood pellets and biofuel collectively amounts to 68 per cent. The cogenerated heat is based on waste heat from waste incineration (55 per cent of the total), but does not include energy from wood pellets, heat pumps or other biofuels (i.e. there is no double counting).

Assessment of the EU taxonomy's classification of waste heat from waste incineration

Waste incineration is not currently included in the EU taxonomy ("not eligible"). Based on this, we have classified revenues, investments and operating expenses associated with waste incineration activities as "not eligible". In this assessment, we distinguished between waste incineration as a necessary process for treating residual waste, and the utilisation of the waste heat produced from the incineration process in an associated district heating system. These are different industries with different industry codes.

As stated above, our interpretation of the EU taxonomy is that all revenues from district heating and cooling operations, which both produce and distribute energy, can be included in the EU taxonomy's economic activity 4.15 "District heating/cooling distribution". On this basis, the revenues, investments and operating expenses associated with this activity are classified as "eligible". We have not classified revenues, investments and operating expenses as "eligible" under any "production" activities (for example, electricity produced by turbines in the waste incineration plant). Activity 4.15 "District heating/cooling distribution", does not include criteria for

*not causing significant harm to Environmental Objective 4 (transition to a circular economy).**

As previously stated, the criteria for a substantial contribution to Environmental Objective 1 for economic activity 4.15 “District heating/cooling distribution” require that the system satisfies the definition of efficient district heating and cooling systems stipulated in Article 2, paragraph 41, of the Energy Efficiency Directive (Directive 2012/27/EU). Article 2 of the Energy Efficiency Directive refers to “waste heat”, but the EU Taxonomy Regulation and the Energy Efficiency Directive do not define “waste heat”. However, “waste heat” is defined in Article 2(9)** of the Renewable Energy Directive (Directive (EU) 2018/2001), which does not appear to exclude waste heat from waste incineration. In Annex IX of the Energy Efficiency Directive (EED), waste heat from waste incineration is explicitly referred to as an energy source that each country should utilise as much as possible to achieve efficient district heating systems. In light of this, we interpret this to mean that the utilisation of waste heat from waste incineration can be included in the assessment of whether the heating and cooling activities satisfy the definition of an efficient district heating system.

It is also worth noting that the Norwegian energy authorities recognise and encourage the use of waste heat from waste incineration. It is classified in the same manner as other sources of waste heat.*** Waste incineration is the only lawful option for the treatment of residual waste (volumes left over from sorting processes) in Norway, because disposal is prohibited. The primary purpose of incineration is to treat residual waste, while energy utilisation is an important secondary service. If waste heat is not used, the amount of residual waste, and thereby also the incineration process, will still be necessary and have the same CO₂ emissions. The waste heat currently used in the district heating system would then have to be replaced by other sources of energy, which would have had either a direct or an indirect adverse effect on climate and nature.

*It is our interpretation that compliance with the technical screening criteria established by the Delegated Climate Act (Regulation (EU) 2021/2139) can be used to determine whether an activity is “environmentally sustainable” and that further assessment under Article 3(b) of the EU taxonomy is not necessary.

**“Waste heat and cold” means unavoidable heat or cold generated as a by-product in industrial or power generation installations, or in the tertiary sector, which would be dissipated unused in air or water without access to a district heating or cooling system, where a cogeneration process has been used or will be used or where cogeneration is not feasible:

***<https://nve.no/nytt-fra-nve/nyheter-energi/stort-potensiale-for-mer-effektiv-opppvarming-og-b-ruk-av-spillvarme/> https://publikasjoner.nve.no/eksternrapport/2020/eksternrapport2020_08.pdf

Assessment of significant harm to Environmental Objectives 2 to 6

Climate change adaptation (DNSH 2): In 2022, Hafslund carried out a physical climate risk analysis for its heating and cooling activities in accordance with EU taxonomy requirements. An important principal finding was a potential risk for parts of the district heating grid located closest

to the sea. This is because, when viewed from a long-term perspective, the sea waters will rise and the infrastructure will be under water. Hafslund Oslo Celsio is aware of this risk and has the opportunity to implement measures to mitigate this well in advance.

Sustainable use and protection of water and marine resources (DNSH 3): All of our facilities were subject to regulatory approval processes during construction, and environmental impact assessments have been carried out when required by the Norwegian authorities. Necessary mitigating measures have been implemented for all facilities.

Statutory supervision of the facilities is carried out during the operational phase. This includes inspections and annual reporting on sustainability performance. A risk register has been established which includes relevant risks relating to the potential for incidents that may lead to impact on water. The district heating and cooling business is ISO 14001-certified, and life cycle assessments of the district heating business have been carried out.

Based on the fact that the activity is carried out in accordance with all relevant legislation, it is our assessment that all district heating and cooling activities satisfy the criterion.

Pollution prevention and control (DNSH 5): An independent technical review of the criterion has been carried out by technical experts at Sweco, with legal assistance from MSA. The “EU Taxonomy Review” report was developed by Sweco for Hafslund Oslo Celsio and concerned the applicability of this criterion.

The report concludes that this criterion is not relevant for assessing whether district heating (distribution and production) does significant harm to the objective of “pollution prevention and control”. The listed equipment does not impact the pollution levels from the production of district heating. The report also documents that the distribution of district heating does not generally result in a significant increase in emissions of environmental pollutants into the air, water or land when compared to the situation prior to when the activity started. Finally, the report notes that replacing specified equipment for the purpose of achieving a better energy label will lead to increased emissions from a life cycle perspective, because existing equipment does not impact pollution levels, while the production of new equipment will result in the use of resources and energy for production. Sweco’s conclusions are supported by Hafslund.

Sweco’s conclusions are also in line with the conclusions presented in the annex to the TEG report** (page 256) published in March 2020, which states that “when concerning the operation of the district heating grids, the potential significant impact is considered low”. Based on this, our assessment is that district heating distribution does not cause significant harm to the environmental objective of pollution prevention and control.

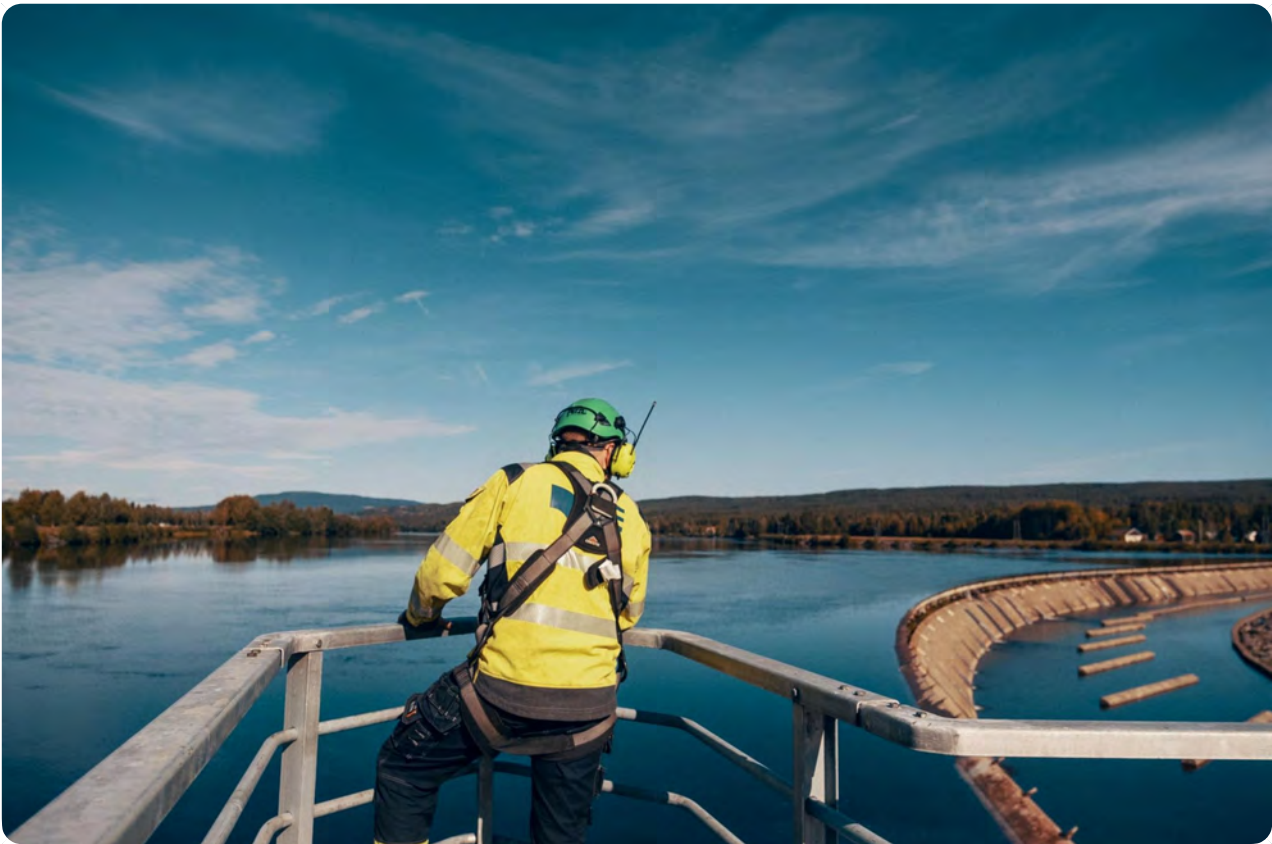
Protection and restoration of biodiversity and ecosystems (DNSH 6): All of our facilities were subject to regulatory approval processes during construction, and environmental impact assessments have been carried out when required by the Norwegian authorities. Necessary mitigating measures have been implemented for all facilities.

Statutory supervision of the facilities is carried out during the operational phase. This includes inspections and annual reporting on sustainability performance. The district heating and cooling business is ISO 14001- certified, and life cycle assessments of the district heating business have been carried out.

The main facilities are located in urban or industrial areas that are not close to vulnerable nature. For smaller facilities that pass through areas that are of significant importance to biodiversity (for example, one of the main pipelines constructed in 2009), several measurements are carried out in order to protect the surrounding areas (For example, the pipe has an electronic leak alarm system). Some district heating systems are located near rivers and streams. All of these are equipped with protection systems that prevent oil and chemicals from leaking out in the event of an accident.

Based on the fact that the activity is carried out in accordance with all relevant legislation, it is our assessment that all district heating and cooling activities satisfy the criterion.





Minimum requirements for social standards

The minimum requirements for social standards in the EU taxonomy entail that Hafslund’s financial activities need to be in compliance with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights. This includes compliance with the principles and rights stipulated in the eight fundamental conventions identified in the International Labor Organization’s “Declaration on Fundamental Principles and Rights at Work” and the “International Declaration of Human Rights.” Our assessment is that Hafslund complies with the minimum requirements for social standards. This assessment is based on our understanding of the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business, which emphasise that the implementation of the principles must be adapted to the conditions, including the size, complexity and context of a company’s activities (proportionality principle). See our discussion on compliance with the Transparency Act [here](#).

The Norwegian Transparency Act

In the materiality analysis from 2022, human rights and workers' rights were identified as important areas for Hafslund and the Group's stakeholders. In our important topics, these are included in "responsible procurement practices" and "attractive and developing workplace", for our suppliers and our employees respectively. We want to be an actor that contributes to responsible working conditions, both internally and in our supply chains. Several projects were initiated in autumn 2022 to improve the Group's internal routines and processes.

A key project was to strengthen our due diligence work in line with the new Transparency Act, which entered into force on 1 July 2022. The purpose of the Act is to promote companies' respect for fundamental human rights and decent working conditions in connection with the production and delivery of goods and services. This applies to our own business activities, suppliers and business partners. Hafslund's ongoing improvement work shall ensure that the entire Group works with due diligence in accordance with the requirements of the Transparency Act, the United Nations Guiding Principles on Business and Human Rights and the OECD's guide for due diligence. For 2022, and the first half of 2023, Hafslund has chosen to focus on an overall approach to the three business areas of Hafslund Eco Vannkraft, Hafslund Oslo Celsio and Hafslund Vekst.

As part of this improvement work, we have focused on:

- Updating the management system, and ensuring establishment in governing documents and with management.
- Adapting the division of roles and responsibilities and assessing internal expertise.
- Adapting reporting routines, including managing of requests for information.
- Assessing the potential and actual risk of violations of worker and human rights in own operations and supply chains.

Assessing the risk of violations of worker and human rights is an ongoing process at Hafslund. The risk landscape changes in line with changes in our business areas. It is our preliminary assessment that there may be risks in the following areas, which will be prioritised for further assessment and measures in 2023:

Hafslund Eco Vannkraft:

- Operations and maintenance contracts for hydropower plants in Norway, with a risk of labour market crime such as violations of pay and working conditions, etc. on the part of suppliers and their subcontractors who perform work for us.

Hafslund Oslo Celsio:

- Operations and maintenance contracts for facilities in Norway. This particularly applies to production stoppages at incineration plants, where there is a risk of labour market crime, violations of pay and working conditions on the part of suppliers and their subcontractors who perform work for us.
- Purchase of input factors for incineration plants (for example, biofuels, pellets, etc.) that have associated global value chains.

Hafslund Vekst:

- Safeguarding human rights in the production of solar and wind power plants, with complex global value chains linked to the production of solar panels, wind turbines, components in products and extraction of raw materials.

- Operations and maintenance contracts for facilities, with a risk of labour market crime, such as violations of pay and working conditions on the part of suppliers and their subcontractors.

As part of the risk assessments, we have started planning frameworks for risk classifications of third parties and prioritising follow-up of high-risk suppliers. The improvement work for strengthening our due diligence assessments, and our understanding of the risk landscape, will be presented in more detail in our due diligence report by 30 June 2023, [here](#).



Hafslund Eco Vannkraft

A word from the Managing Director

2022 will forever be a year characterised by energy shortages in Europe and record high energy and power prices. The primary reason for this is Russia's use of gas as a strategic weapon both before and after the invasion of Ukraine. A very dry and hot summer, both in Norway and on the continent, aggravated the situation. Fortunately, the autumn was warm and we had relatively good rainfall, and the supply situation improved considerably despite prices remaining at a very high level.

This situation was demanding for consumers, including both households and businesses, and was also unfortunate for us as a power producer. The electricity support scheme has been important for reducing the worst effects suffered by households. The support scheme for the business sector came late and did not have as great an impact. It is pleasing that steps have been taken to make it easier for power producers to offer fixed-price agreements. However, fixed-price agreements do not solve the fundamental problem – we need more renewable energy.

The opening of Mork power plant in Lærdal in August was the sixth power plant to open in four years. Together, these new power plants increase the production of new renewable energy by more than 1 TWh. The tax package announced by the government in September is of importance to the profitability of new projects. In 2022, we engaged in the public debate concerning how taxes can be arranged in a manner that does not impact the further development of hydropower and investments in the supply of new renewable power that is in high demand.

The low inflow and responsible production planning for the winter meant that we had lower production than normal for the year as a whole. However, operations were excellent thanks to the efforts of our skilled employees. We have also implemented a number of important and demanding processes to improve the efficiency of our work and make even better use of the resources. Most importantly, no one was seriously injured at work. The HSE figures were better than in the previous years due to systematic efforts within all parts of the organisation.

I extend my thanks to all employees who contributed to us achieving good results for the company in 2022.

Kristin Lian



Key events for Hafslund Eco Vannkraft in 2022

Stressed power situation

There was a stressed power situation for the second year in a row and several price records were also set in 2022. The average power price achieved was 147 øre/kWh, which compares to 62 øre/kWh in 2021 and 16 øre/kWh in 2020. At the same time, production was historically low due to historically dry weather, and Hafslund's production ended at 13.8 TWh. That is 22 per cent lower than for a normal year.

Mork power plant brought online in August 2022

Mork power plant in Lærdal municipality was brought online in June and officially opened in August 2022. The power plant contributes 42 GWh in annual increased production of renewable energy. State Secretary Aleksander Øren Heen from the Ministry of Climate and Environment was present at the opening and referred to the project as a pioneering development for future power plants due to low greenhouse gas emissions and the protection of nature during construction.

Acquisition of 100% ownership in Nedre Vinstra power plant

Hafslund Eco Vannkraft acquired an additional five per cent of the Nedre Vinstra power plant in Nord-Fron municipality and now has 100 per cent ownership of the plant. This corresponds to an increase of 66 GWh in annual power production and is in line with the hydropower business area's strategy of ensuring both organic and structural growth.

Perspectives on the resource rent tax rate

Profits from power production and taxation of hydropower activities have been the subject of intense discussion in the public debate. Significant tax hikes have been introduced through an increase in the resource rent tax rate from 37 to 45 per cent and the introduction of a high-price contribution. Hafslund Eco Vannkraft has provided perspectives on how taxation can be organised in a manner that does not inhibit the rate of investment for in-demand hydropower projects and regulatory capacity.

Electricity for 50,000 households in Ål and Hol municipalities

The upgrade of Usta power plant in the municipalities of Ål and Hol was completed in March 2022. The project started in the spring of 2019 and has provided approximately 17.5 GWh of new renewable energy. This is equivalent to the annual electricity consumption of about 900 households. In total, Usta power plant now produces 920 GWh a year – or electricity for about 50,000 households.

New long-term agreement with Hydro Energi AS

In January 2022, a new long-term agreement was entered into with Hydro Energi AS to supply a power volume of 1,300 GWh per year from 2023 to 2029. Half of the power will be supplied in NO1 (Southeast Norway) and half in NO3 (Central Norway). Hafslund Eco Vannkraft has had agreements with Hydro for several years and is now supplying more power than ever before to this major industrial actor.

Common work methodology and culture

Hafslund Eco Vannkraft has carried out an improvement project to coordinate and harmonise the processes at the company. Hafslund Eco Vannkraft is the combination of the hydropower companies that once existed in Hafslund Eidsiva Energi and E-CO Energi. A focus area since the merger has been to determine a common work methodology and an intertwined culture.

The Norwegian hydropower system

The Norwegian hydropower system has normal annual production of 138 TWh and total output capacity of 33 GW. In a normal year, hydropower production accounts for approximately 90 per cent of Norway's total power production. A particular feature of Norwegian hydropower is the ability to store energy and to produce as needed. Norway has about half of Europe's total reservoir capacity, and there are currently over 1,000 reservoirs in Norway. Most of the reservoirs in Norway were constructed before 1990, although upgrades and expansions of the power plants have increased the ability to utilise these.

Norway has both hydropower that can be regulated, in the form of hydropower plants with reservoirs, and non-adjustable hydropower, in the form of run-of-river hydropower plants. Flexible hydropower possesses features that no other renewable production technology presently has, and can adapt power production to demand, while production in non-flexible hydropower is determined by inflow. Most reservoirs are normally drawn down for the spring in order to be filled again during the melting season, and in this way, the reservoirs also have a flood-mitigating effect.



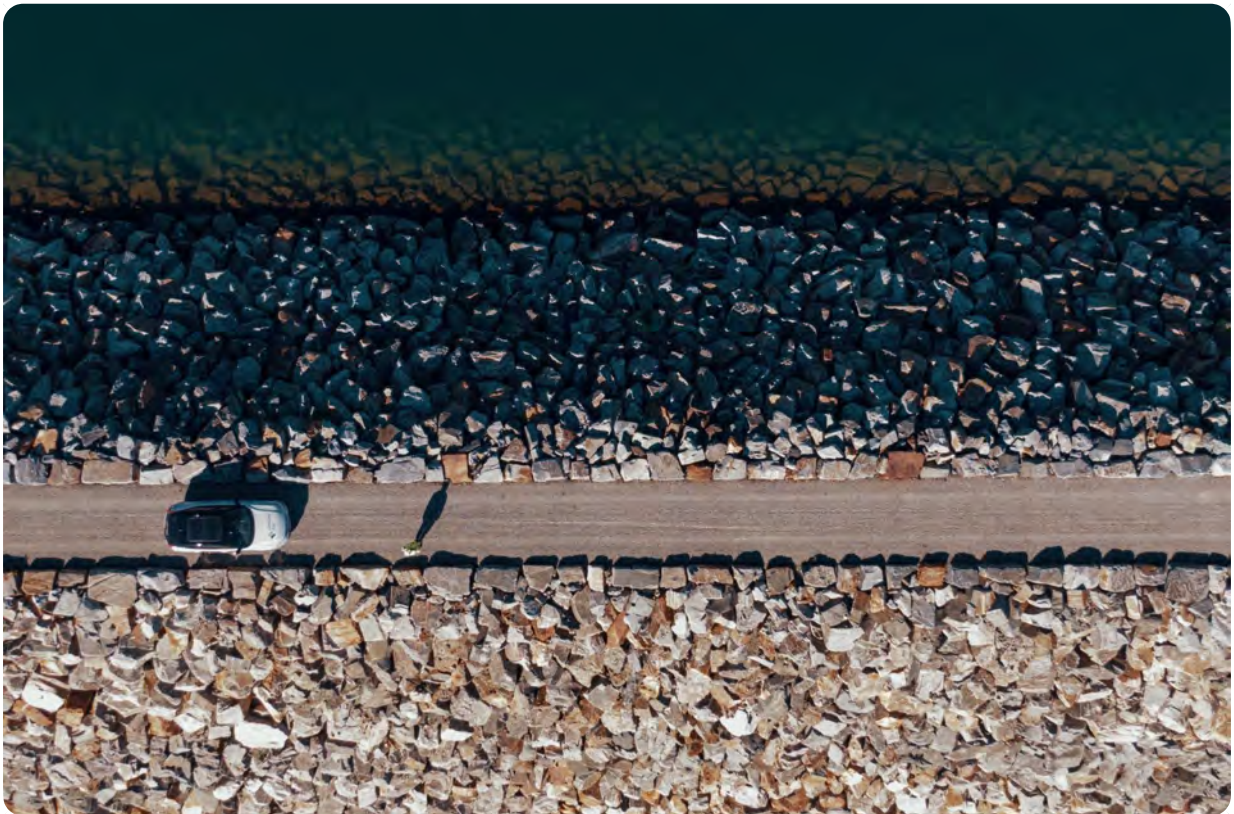
A particular feature of Norwegian hydropower is the ability to store energy and to produce as needed.

Hafslund's hydropower

Hafslund Eco Vannkraft is Norway's second largest hydropower company, and Hafslund's hydropower business area owns, operates and maintains hydropower plants, provides system services to the power system, and sells power in the wholesale market. The Group's annual normal power production is approximately 18 TWh (about 13 per cent of the total Norwegian hydropower production), and the company's total normal production is approximately 21 TWh per year. That is enough electricity to supply more than 2.8 million people. Of Hafslund Eco Vannkraft's annual normal production, about 60 per cent is adjustable (reservoir-based) and about 40 per cent non-adjustable (river power).

Hafslund wholly or partly owns 81 hydropower plants in Innlandet, Oslo, Viken and Vestland. Approximately 59 per cent of the annual power production is in price area NO1 (Southeast Norway), 36 per cent is in price area NO5 (Western Norway), and 5 per cent is in price area NO3 (Central Norway). The largest facility, Aurland 1, is Norway's third largest power plant, with annual normal production of 2.1 TWh and total installed capacity of 840 MW. The plant covers the annual electricity consumption of approximately 110,000 households. The hydropower business area's total installed capacity is approximately 5,200 MW. Further information about all of the power plants and their capacity is available at www.hafslund.no.

Norway and Europe have a strong need for new renewable energy, and Hafslund Eco Vannkraft has the goal of increasing renewable power production both organically and structurally. Over the past five years, Hafslund Eco Vannkraft has completed six new power plants that produce a total of over 1 TWh in new renewable power. The company has also upgraded and rehabilitated existing power plants, which has contributed about 38 GWh in increased power production.



Hafslund Eco Vannkraft is Norway's second largest hydropower company.

The Norwegian power market in 2022

Price development

The trend from 2021, with persistent price differences between Northern and Southern Norway, and historically high power prices in the south, intensified in 2022. The average spot prices for the year in the southern price areas were 194 øre/kWh for NO1 (Southeast Norway), 193 øre/kWh for NO5 (Western Norway) and 213 øre/kWh for NO2 (Southwest Norway), while the average prices for the northern price areas were 43 øre/kWh for NO3 (Central Norway) and 25 øre/kWh for NO4 (Northern Norway). In 2021, the corresponding spot prices were 75 øre/kWh for NO1, NO5 and NO2, 41 øre/kWh for NO3 and 35 øre/kWh for NO4. With abnormal and continually high price differences between price areas, the Nordic system price lost much of its value as a reference price and delivered an average price of 137 øre/kWh. By comparison, the system price was 63 øre/kWh in 2021.

Price drivers

Hydrology

Southern Norway experienced extreme hydrology in 2022, with a very dry summer and very wet autumn. At the start of 2022, the reservoir level in southern Norway was 48 per cent, which was 21 percentage points below the median level for the past 20 years. Less snow than normal and little precipitation in southern Norway from March to September resulted in continued low reservoir levels throughout the year, despite reduced production. At the end of the first half of the year, the reservoir level in southern Norway was 51 per cent, which was a historically low level. A mild and rainy fourth quarter lifted the reservoir levels in Southern Norway to 65 per cent at the end of 2022, which is six percentage points below the median. For the year as a whole, precipitation and inflow in Southern Norway was generally normal, with a total inflow of 88 TWh, which is only two per cent lower than the average for the past 20 years.

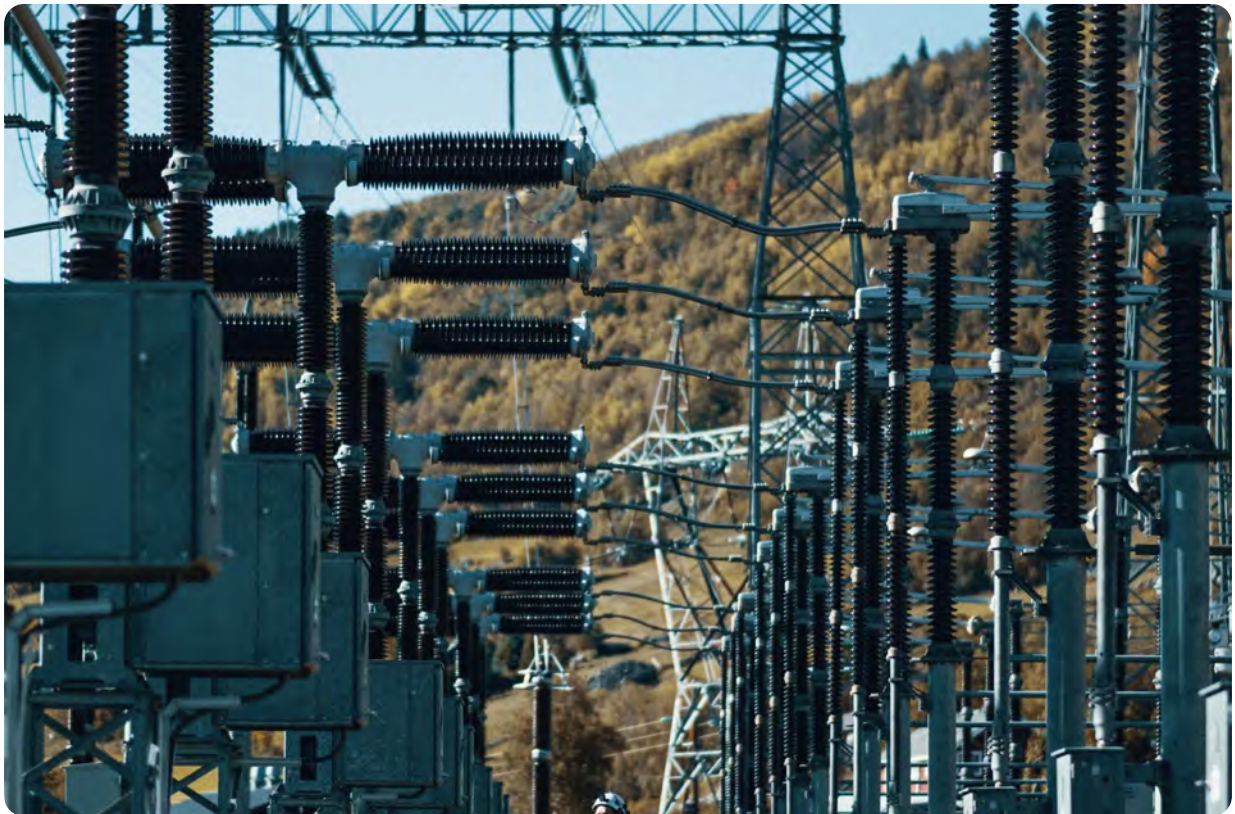
In the northern price areas (NO3 and NO4), the reservoir situation in 2022 was relatively normal, with reservoir level at the median at the start of 2022, and one percentage point higher than the median at the end of the year. Total inflow in Central and Northern Norway ended at the normal figure of 47 TWh in 2022. Large amounts of snow, water and wind, combined with limited southwards transmission capacity, resulted in decoupling towards the high prices in the south and the stable, low prices in the north.

Continental prices and energy crisis in Europe

The European power and gas markets were under significant pressure in 2022. Most importantly, the war in Ukraine and the subsequent sanctions against Russia led to reduced imports of Russian gas into Europe. In 2022, gas imports from Russia fell by about 55 per cent in comparison with 2021, and have continued to fall in 2023. At the same time, France experienced problems with nuclear power production, which was 22 per cent lower in 2022 than the average for the previous three years. Furthermore, Germany shut down three nuclear power plants in January 2022 which had a capacity of 4,000 MW. To top it all off, drought in Europe resulted in low hydropower production and low water levels in some European rivers. The latter presented logistical challenges in connection with the transport of coal, which in turn resulted in reduced coal production. All in all, this contributed to an extensive energy crisis in Europe and record-high prices for European power, gas and coal. The average spot price for German power was EUR 235/MWh in 2022, an increase of EUR 139/MWh from 2021.

Internal transmission capacity

Low installed transmission capacity from north to south in Norway meant that the areas in the north were not as affected by the price drivers on the continent. There were also periods in which we saw internal restrictions in the transmission capacity in Southern Norway, which resulted in price differences between the areas in the south.



Statement of value creation

NOK million	2022	2021	2020
Sales revenues	23,776	12,647	2,271
Other gains/losses	-3,334	-1,899	857
Other operating revenues	91	87	57
Operating revenues	20,534	10,835	3,185
Energy purchases and transmission	-96	-385	-305
Payroll and other personnel costs	-526	-479	-450
Property tax and other levied costs and compensation	-532	-687	-514
Other operating expenses	-239	-218	-174
Results from associates and joint ventures	112	46	-8
EBITDA	19,253	9,111	1,734
Depreciation, amortisation and write-downs	-510	-510	-489
Operating profit/loss (EBIT)	18,743	8,601	1,245
Net financial expenses	-144	-661	-577

NOK million	2022	2021	2020
Profit before tax	18,599	7,940	668
Tax expense	-14,596	-5,229	-141
Profit after tax	4,003	2,711	527
OTHER KEY FIGURES			
Underlying operating profit/loss (excluding changes in value)	19,182	9,468	1,213
Effective tax expense (as a % of pre-tax profit)	78%	66%	21%
Investments in property, plant and equipment	529	590	581
Hydropower production (TWh)	13.8	18.3	17.7
Power price achieved (øre/kWh)	150	62	16
Nordic system price (øre/kWh)	137	63	12
Number of employees	400	410	407

The hydropower business had operating revenues of NOK 20.5 billion in 2022 (NOK 10.8 billion). The operating profit (EBIT) of NOK 18.7 billion was an increase of NOK 10.1 billion from the previous year. The increase in operating revenues and operating profit was due to high power prices in Southern Norway, however this was tempered by low hydropower production and fixed-price sales to industry and the financial market. The operating profit includes a profit of NOK 112 million (NOK 46 million) from the 20 per cent ownership interests in the Austri Raskiftet DA and Austri Kjølberget DA wind farms.

The achieved power price was 150 øre per kWh in 2022. This is an increase of 88 øre per kWh from the

previous year, and, in isolation, contributed to an increase of NOK 12.4 billion in the operating profit. The achieved power price was 18 per cent lower than the average spot prices in the hydropower business' production areas, and in addition to the sale of concessionary power at prices determined by the government, must be viewed in connection with the hedging activity through the sale of power to the industry at fixed prices and realised losses from financial power hedging. The operating profit includes a change in value of NOK -0.4 billion (NOK -0.9 billion) related to financial power and currency positions and compensatory power appraised at market value in the result. The underlying operating profit (adjusted for changes in value) was NOK 19.2 billion in 2022 (NOK 9.5 billion).

Power production of 13.8 TWh in 2022 was 4.5 TWh lower than in 2021 and 3.9 TWh lower than normal production. Lower hydropower production contributed, in isolation, to reducing the operating profit by NOK 3.1 billion compared to 2021. Low hydrological balance throughout the year and security of supply, including responsible production planning, were the primary reasons for the reduction in produced volume. There were good operations and resource allocation, as well as a high level of availability at the power plants. There were no incidents involving significant operational disruptions in 2022.

Operating expenses including depreciation were NOK 1.9 billion (NOK 2.3 billion) in 2022. Lower transmission costs related to the energy component and a high actual change in value in 2021 for compensatory power that is recognised as fair value through profit or loss were the main reasons for reduced operating costs.

The tax expense of NOK 14.6 billion (NOK 5.2 billion) corresponds to an effective tax rate of 78 per cent relative to profit before tax. The high tax expense must be viewed in connection with a resource rent tax of NOK 9.5 billion and the new high-price contribution that came into effect from 27 September 2022 of NOK 1.0 billion. The increase in the resource rent tax from 37 per cent to 45 per cent effective from 1 January 2022 and the introduction of the high-price contribution have resulted in a total increase in the tax expense of NOK 3.6 billion for 2022, including a change in deferred tax liability of NOK 1.1 billion. The high effective tax rate in 2022 must also be seen in connection with the fact that losses from financial power hedging do not result in deductions from resource rent tax.

The profit after tax of NOK 4.0 billion (NOK 2.7 billion) for 2022 is an increase of 48 per cent from the previous year. The underlying profit after tax for the year (profit after tax, excluding changes in value and other non-recurring items) was NOK 4.1 billion (NOK 3.0 billion) in 2022.





Hafslund Oslo Celsio

A word from the Managing Director

2022 was a very eventful year for Hafslund Oslo Celsio, or Celsio, as we like to call ourselves. We have new owners and a new name, we started a pioneering project to construct a facility for full-scale carbon capture and storage at our Klemetsrud waste incineration plant, and we had zero incidents of injuries to employees.

Celsio is Norway's largest supplier of district heating and plays a key role in Oslo's circular energy system. We use excess heat from waste incineration, Oslo's sewage and data centres to produce renewable district heating for Oslo's residents and businesses. We currently provide 20 per cent of the capital's heating requirements, and have a strong ambition to increase this share in the years to come. We also own and operate Norway's largest waste incineration plant, and provide safe and environmentally friendly final treatment of residual waste that cannot or should not be recycled. District cooling is an important focus area for us. We initially plan to supply district cooling to businesses in three selected areas in Oslo, Ulven/Økern, and Indre by (inner city), including Filipstad and Skøyen.

Once completed, our carbon capture project at Klemetsrud will significantly reduce Oslo's CO₂ emissions. This will enable us to take an active role in the green shift and the global fight against climate change.

We have a great deal to be proud of at Celsio, but we will not rest on our laurels. We are well-equipped for growth and have what it takes to maintain our position as Norway's leading circular energy company.

Knut Inderhaug



Important events for Celsio in 2022

Hafslund Oslo Celsio

On 19 May, Fortum Oslo Varme was formally acquired by Hafslund (60 per cent), Infranode (20 per cent) and HitecVision (20 per cent). At the same time, the company changed its name to Hafslund Oslo Celsio (Celsio). Celsio has gained a group of financially strong owners that have extensive experience within energy, infrastructure and technological development, and has become part of the Hafslund Group.

Secured financing of CCS at Klemetsrud

Financing of carbon capture and storage (CCS) at Klemetsrud was secured on 28 June when an agreement was jointly signed by the Norwegian State, the City of Oslo and Celsio. The carbon capture plant will reduce a significant proportion of Oslo's CO₂ emissions, and the project is essential for Oslo being able to achieve its ambitious climate targets. In 2020, the City of Oslo adopted the target of reducing greenhouse gas emissions by 95 per cent by 2030, compared to 2009 levels. Construction of the carbon capture plant at Klemetsrud started in August 2022.

Knut Inderhaug became the new Managing Director of Celsio

Knut Inderhaug was appointed Managing Director of Celsio on 20 September. Inderhaug has worked at Celsio since 2012. He started as director of District Heating Sales, and has since been part of the management team and held several director positions. He has been acting Managing Director of the company since October 2021.

Celsio wins the Business Climate Prize

At the ZERO Conference on 24 November, Celsio was named the winner of the Business Climate Prize (Næringslivets klimapris). Celsio was awarded the prize because of its ambitious and forward-looking carbon capture and storage project. This was the ninth time the ZERO Prize had been awarded. The prize is sponsored by the Confederation of Norwegian Enterprise (NHO), Norwegian University of Science and Technology (NTNU) and the Environmental Foundation ZERO.

Celsio Academy

At between 9am and 10am on 16 December, Celsio set a new production record of 699 MWh. On that particular day, the outside temperature in Oslo was -14°C.

New production record at Celsio

Between 9am and 10am on 16 December, Celsio set a new production record of 699 MWh. On that particular day, the outside temperature in Oslo was -14°C.

Description of the business area

Celsio supplies the residents of Oslo with district heating and cooling. Among other things, district heating is produced by utilising excess heat from the city's waste incineration, data centres and sewage. Celsio owns and operates two waste incineration plants in Oslo and ensures sustainable handling of waste that cannot be recycled. In the summer of 2022, construction commenced on the world's first full-scale carbon capture and storage facility at the Klemetsrud waste incineration plant.

In addition to being an energy supplier, Celsio is an infrastructure and urban development company that contributes to the development of a greener and smarter Oslo. Celsio also owns 100 per cent of the fibre company Hafslund Fiber, which supplies dark fibre to the business sector. At the end of 2022, Celsio had approximately 200 employees working at the two waste incineration plants at Klemetsrud and Haraldrud and at the headquarters in Skøyen.

Waste incineration

Celsio owns and operates two waste incineration plants, one of which is located at Klemetsrud and the other at Haraldrud in Oslo. From these plants, the company provides safe and environmentally friendly final treatment of residual waste that cannot or should not be recycled. Celsio incinerated a total of 356,000 tonnes of residual waste in 2022. The waste heat from waste incineration is fed into the district heating network.

District heating activities and waste incineration are important and necessary parts of the circular economy. Incineration of this type of waste has a much lower impact on the environment than storing waste in landfill, which is still a common practice in many European countries. The CO₂ emissions emitted by one tonne of waste over the lifetime of the landfill are about 50 per cent higher than the CO₂ emissions emitted from the incineration of one tonne of waste. Incinerating the waste and utilising the energy that is created also reduces society's need for electricity, and relieves pressure on the rest of the energy system.

District heating

Celsio produces, distributes and sells district heating. The production of district heating is largely based on waste heat from the company's waste incineration plant, however also includes excess heat from data centres and Oslo's sewage. Other energy carriers such as bio-oil, electricity and wood pellets are also used during peak-load periods.

Heat production supplied to the district heating network amounted to 1,807 GWh in 2022. Of this total production, 1,016 GWh was from waste heat (waste heat from the incineration of sorted residual waste), 202 GWh was from heat pumps, 193 GWh was from wood pellets, 226 GWh was from electric boilers, 144 GWh was from bio-oil, 25 GWh was from liquefied natural gas (LNG) and 1 GWh was from fossil oil. Celsio's share of fossil fuels was 1.5 per cent in 2022. At Klemetsrud, 138 GWh of electricity was also produced using waste heat from waste incineration. This is Celsio's total energy production for 2022, while the figures for the consolidated accounts only reflect production after 19 May, when the company was acquired by the Hafslund Group.

Celsio is actively working to increase the use of local excess energy as sources of heat for district heating production. STACK's OSLO1 data centre at Ulven now transfers around 3.5 MW of thermal energy to Celsio's district heating system. This provides heat equivalent to heating and hot tap water for 4,000 Oslo homes, and reduces Celsio's need for an alternative supply of energy by 20 GWh.

District heating has traditionally also been an affordable source of heating for Oslo's residents and businesses. In 2022, the war in Ukraine and uncertainty associated with the supply of energy in Europe created high and unpredictable energy prices in the entire market. This also impacted the production costs and sales prices for district heating. The district heating price largely follows the spot price for electricity, and has increased so much during the past year that district heating is no longer competitive against alternative heat sources such as heat pumps. In order to retain existing customers, and to strengthen competitiveness against alternative energy sources, Celsio introduced a discount scheme for district heating from 1 November 2022, in which the discount rates rise as prices increase. The scheme is scheduled to continue until the end of 2023.

District cooling

It is Celsio's plan in the coming years to offer its commercial customers a total thermal energy solution, which is something that requires the company to be able to supply both district heating and cooling. Celsio currently supplies some customers with district cooling via a partner's district cooling centre. The company is also working to establish its own district cooling centres, which will produce district cooling by collecting cold water from the Oslo Fjord and/or by using large heat pumps. Cooled water will be transported in insulated underground pipes to substations/exchanges in the buildings that require cooling. The substations are connected to the internal cooling system in the buildings.

Celsio has thus far identified three areas for commercial growth in Oslo as being the most important market areas for district cooling: City-centre (within Ring 1, including Filipstad), Skøyen and Ulven/Økern. The commercial building Construction City is currently under construction at Økern/Ulven. Through the company Hovinbyen Energy Hub, which Celsio owns together with housing developer OBOS, a new district cooling centre will be established to supply district cooling to the commercial buildings in the Ulven/Økern area.

District cooling is an important part of future urban development. When buildings with their own cooling systems are converted to district cooling, roof areas can be freed up for technical installations and used for other purposes, such as living areas and management of urban runoff. Areas inside buildings, which were initially used to house energy systems, can also be freed up.

For the city of Oslo, district cooling will make a positive contribution towards infrastructure development and result in lower greenhouse gas emissions. When there is no longer a need for each building to have its own cooling production or energy wells, underground areas can be freed up for other infrastructure, for example, tunnels for public transport. District cooling will also contribute towards phasing out the use of hazardous hydrofluorocarbons (HFCs) in Oslo, in accordance with the climate plan for 2021-2030.

Carbon capture and storage

Celsio's waste incineration plant at Klemetsrud is Oslo's largest emission point and produces a significant proportion of the city's total CO₂ emissions. Without carbon capture at the plant, it will not be possible for the City of Oslo to achieve its ambitious climate targets. In June 2022, Hafslund Oslo Celsio, the City of Oslo and the Norwegian Government signed an agreement to finance a full-scale carbon capture and storage plant at Klemetsrud. The carbon capture project will be the first in the world to construct full-scale carbon capture at an operational waste incineration plant, and a great deal will be required from Celsio to make the project a reality. Construction commenced in August 2022 with blasting work and the demolition of administration buildings to prepare the area for the carbon capture plant.

Hafslund Fiber

Celsio owns 100 per cent of the fibre company Hafslund Fiber, which is a leading player within dark fibre in the Oslo area. Hafslund Fiber is building the next generation fibre network in and around Greater Oslo, and is an operator-neutral infrastructure partner. When Celsio lays district heating pipes to expand the district heating grid, Hafslund Fiber simultaneously lays fibre in conduits beside the district heating infrastructure. In 2022, Hafslund Fiber had 29 customers, which represented customer growth of 21 per cent from 2021.



Did you know that?

In addition to being an energy supplier, Celsio is an infrastructure and urban development company that contributes to the development of a greener and smarter Oslo.

Statement of value creation

The section below includes results during the Group's ownership period in 2022, i.e. 19. May to 31. December 2022.

For 2022, Hafslund Oslo Celsio had total operating revenues of NOK 1,479 million. This primarily related to revenues from district heating. In order to retain existing district heating customers, and to strengthen competitiveness against alternative energy sources, Celsio introduced a discount scheme for district heating from 1 November 2022, in which the discount rates rise as prices increase. The scheme is scheduled to continue until the end of 2023. Energy costs amounted to NOK 647 million. Energy costs for the production

of district heating rose sharply during the period in line with the general increase in European energy prices. The prices of all of the fuels Celsio uses from pellets, bio-oils, LNG and electricity have increased in line with European energy prices. Celsio had an operating profit of NOK 162 million in 2022. Net financial items amounted to NOK -148 million, and primarily consisted of interest costs on long-term interest-bearing debt to the parent company and minority owners. Profit after tax was NOK 13 million.

NOK million	2022	2021*)
Sales revenues	1,707	-
Other gains/losses	-247	-
Other operating revenues	19	-
Operating revenues	1,479	-
Energy purchases and transmission	-647	-
Payroll and other personnel costs	-151	-
Property tax and other levied costs and compensation	6	-
Other operating expenses	-293	-
Results from associates and joint ventures	-	-
EBITDA	394	-
Depreciation, amortisation and write-downs	-232	-
Operating profit/loss (EBIT)	162	-

NOK million	2022	2021*)
Net financial expenses	-148	-
Profit before tax	14	-
Tax expense	-1	-
Profit after tax	13	-

*) Hafslund Oslo Celsio was acquired on 19 May 2022 and there are thus no comparative figures for 2021.

Hafslund Vekst

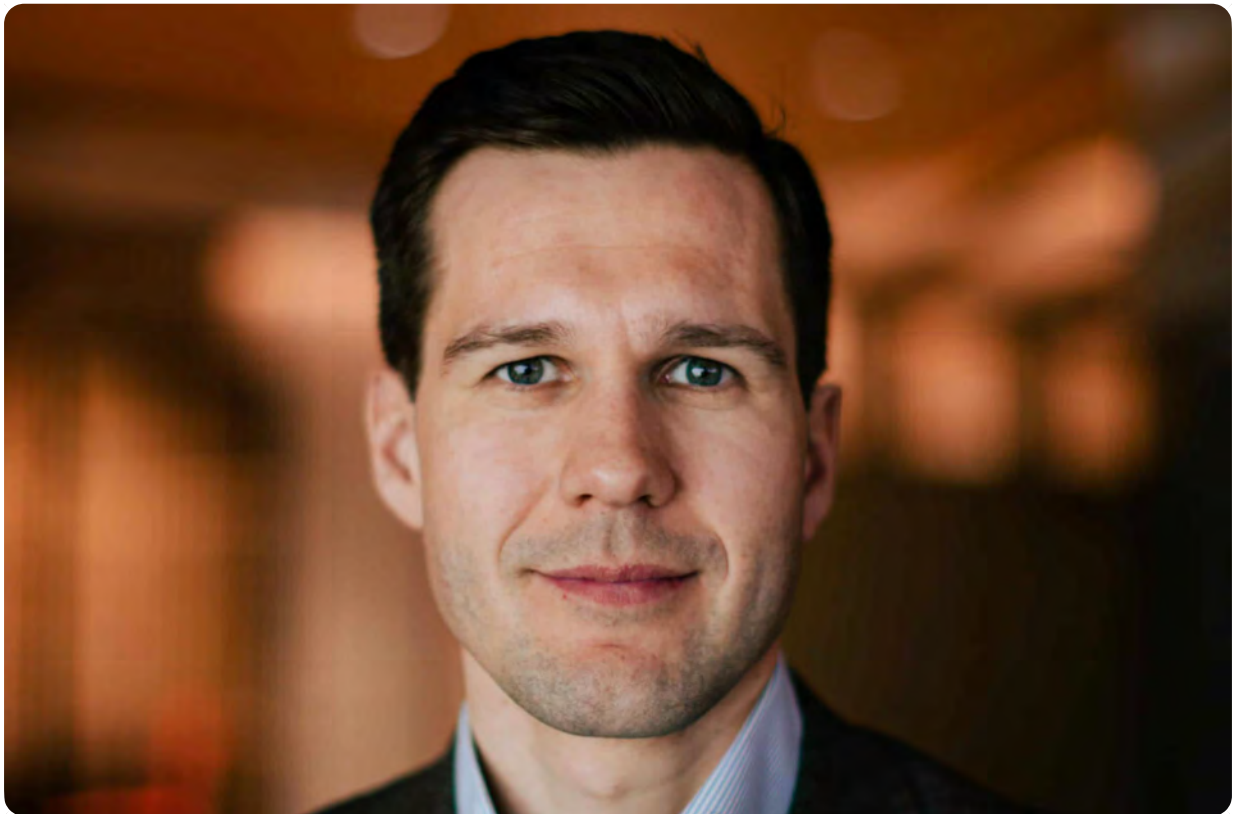
A word from the Managing Director

Hafslund Vekst AS was established as a separate company in September 2022. As the name suggests, we endeavour to create growth. We have high ambitions of contributing to a world in balance, with innovative work that accelerates the energy transition and contributes towards creating an even better future.

The energy crisis in Europe has highlighted the importance of our work. We need to find the long-term solutions that provide balance in a renewable energy system, and reduce emissions without compromising nature and the environment. At the same time, we will create good customer experiences that get the population involved in the energy transition. These are challenging and engaging issues that we are proud to work on. We have established several exciting partnerships and companies that we strongly believe will succeed in the future.

I am fortunate to be able to lead a group of employees with so much energy, who share knowledge and get the best out of each other. We grew significantly during 2022 and into 2023, and went from having 30 to almost 40 employees at the end of March. Hafslund Vekst facilitates an entrepreneurial mentality within a safe environment, and our culture welcomes new ideas. I am proud of the team we have assembled and everything we have accomplished over the past year. I now look forward to the continuation of this work and to us contributing to further growth in 2023.

Martin Sleire Lundby



Key events for Vekst in 2022:

Hafslund Vekst AS established as a separate company

Hafslund Vekst AS was established as a separate company in September and consists of what was previously the Growth and Investments business area at Hafslund. The number of employees increased from 30 to 40 during the year.

Hafslund Vekst competes for the first licences to be awarded for Utsira Nord and Sørlige Nordsjø II

In May, the Norwegian government upwardly revised its ambitions for offshore wind with the goal of awarding licences for 30 GW of power by 2040. This is good news, and Hafslund Vekst is making preparations to compete for the first licences for Utsira Nord and Sørlige Nordsjø II, as one of three partners in the Blåvinge offshore wind partnership.

A Norwegian offshore wind industry

Blåvinge's goal is to help facilitate a Norwegian offshore wind industry that uses Norwegian suppliers. Over the past year, agreements were entered into with Norwegian suppliers, such as the Rosenberg Worley shipyard in Stavanger and the Arendal-based company APL, which works with anchoring of floating offshore structures, and the cable manufacturer Nexans in Halden.

Hafslund Magnora Sol AS

Together with Magnora ASA and Helios AB, Hafslund Vekst established a solar power company, Hafslund Magnora Sol AS, with the goal of developing 1,000 MW of solar power in Norway by 2027. At the same time, Hafslund Vekst invested NOK 100 million in Magnora ASA.

Stenkalles Grund

Hafslund Vekst acquired a stake in the Stenkalles Grund wind project in Lake Vänern in Sweden. The project is jointly owned with Cloudberry Clean Energy and has the ambition of developing 100 MW of wind capacity, with the goal of being brought online from 2026.

Expansions of Hafslund Vekst's venture portfolio

Hafslund Vekst's venture portfolio was expanded to include four new growth companies: Smartwatt, Ducky, Over Easy Solar and Birdsviv.

Solway

Hafslund Vekst and OBOS established a joint solar power company called Solway, which will accelerate the development of the enormous potential for clean and locally-sourced solar energy from roofs and facades in Norway. In the long term, the company will supply solar panels to 10,000 apartments and commercial buildings per year.

Volte

Hafslund Vekst invested in Volte, which is a technology company for energy saving and electricity targeting the corporate market. Volte will make electricity and energy less complicated for companies, assist them in gaining an overview of electricity consumption, and identify opportunities for improving efficiency.

Description of the business area

Hafslund Vekst is working on established and new growth initiatives within the renewable value chain. The company finds new business opportunities associated with electrification, sustainability and new production and storage of renewable energy with alternative technologies.

Hafslund Vekst also has an important task in managing some of Hafslund's largest ownership interests, including ownership in Eidsiva Energi AS and Fredrikstad Energi AS, and the company has a dedicated group for investments and active ownership follow-up. Hafslund Vekst has, within a short period of time, become a medium-sized growth company with an extensive portfolio that includes offshore wind, solar power, electric vehicle charging, energy saving, business development, consulting and venture capital. Hafslund Vekst's various initiatives are described below:

New renewable energy production

An important initiative for Hafslund Vekst is to develop new renewable energy, and the company has ongoing projects within offshore wind and large-scale solar energy. The company will contribute strong renewable growth through solar and wind power, while also setting ambitious goals and measures for protecting nature. Hafslund Vekst is technology-neutral and assesses projects throughout the entire Nordic region.

Within offshore wind, Hafslund Vekst is one of three partners in the company Blåvinge, together with Fred. Olsen Seawind and Ørsted. Blåvinge is a long-term partnership for offshore wind in Norway, and has the goal of developing both fixed and floating offshore wind. Blåvinge is primarily working on preparations to compete for licences at Utsira Nord and Sørilige Nordsjø II. In 2022, Blåvinge entered into important agreements with Norwegian suppliers, such as the Rosenberg Worley shipyard in Stavanger and the Arendal-based company APL, which works with anchoring of floating offshore structures, and the cable manufacturer Nexans in Halden. By bringing together leading national players in the early phase, Blåvinge endeavours to find the best solutions, power innovation and reduce costs for floating offshore wind.

Hafslund Vekst has already started with lake wind in Sweden, and in 2022 the company acquired a stake in the Stenkalles Grund wind project in Lake Vänern. Hafslund Vekst owns the project together with the renewable energy company Cloudberry Clean Energy. For Hafslund, this is both the first wind power project that is not onshore and the first energy development project outside of Norway. The project has a licence for developing 100 MW of wind capacity and aims to be operational in 2026.

In autumn 2022, Hafslund Vekst established a new solar power company, Hafslund Magnora Sol AS, in Norway, together with the investment company Magnora ASA and the Swedish solar park developer Helios AB. The new solar power company has the ambition of developing 1,000 MW of solar power by 2027 and will develop solar power projects until they are ready for construction. Hafslund Vekst also has a first right to purchase the projects and has also invested NOK 100 million in Magnora ASA, which has provided an ownership interest of about seven per cent and makes Hafslund Vekst the largest single investor.

Business development, electrification solutions and distributed energy

The business developers at Hafslund Vekst are working to find good ideas that can be further developed into specific initiatives and ventures. When a concept is ready to be further developed, this often takes place through the company Hafslund Ny Energi AS, which is owned by Hafslund (65 per cent) and Eidsiva Energi (35 per cent). The charging company Elaway AS and the solar panel company Solway AS are examples of commercialised initiatives which originated from Hafslund Ny Energi.

The charging company Elaway builds and operates infrastructure for charging electric vehicles in condominiums and housing cooperatives. Elaway's vision is to become the largest charging operator for this customer group in Europe, and the company has established itself in both Sweden and Germany. In Norway, Elaway now has close to 50,000 parking spaces in its portfolio, and the goal is to be connected to 100,000 parking spaces by 2025. The company is owned by Hafslund Ny Energi together with Eviny.

Solway was established by Hafslund Ny Energi and OBOS in 2022 and is a company that will supply solar and other energy solutions to commercial buildings and housing companies. Solway will accelerate the development of the enormous potential for clean and locally-sourced electricity on Norwegian roofs and facades. The first facilities will be installed in early 2023 and the long-term ambition is for Solway to supply photovoltaic systems to 10,000 apartments and commercial buildings each year.

Hafslund Ny Energi also has its own advisory group, Hafslund Rådgivning, which specialises in emission-free transport and infrastructure, innovative energy systems, zero-emission construction sites, power grids and policy instruments for the green transition. Customers include private and public actors, such as Posten Norge, Unibuss, Mester Grønn, Vedal, Port of Flåm, Port of Borg, Port of Oslo, and Fredrikstad municipality.

Investments and ventures

In order to be able to solve the challenges of the future, it is essential to work together with others and to seek expertise and experience that Hafslund Vekst itself does not possess. For Hafslund Vekst, partnerships are an important instrument for gaining access to complementary expertise, reducing risk and enabling value-creating innovation across the renewable value chain.

Hafslund Vekst has its own investment group that evaluates opportunities for acquisitions and mergers that can contribute towards realising Hafslund's strategy and goal of value creation. Hafslund has been involved in a number of transactions in recent years, and the Group derives major benefit from having solid in-house investment expertise. 2022 was characterised by the major acquisition of majority ownership in Hafslund Oslo Celsio, although there were also smaller investments, such as the partnership with the developer company Magnora.

Hafslund Vekst also has a dedicated venture capital group that is continually looking for good and innovative investments. The goal is for the venture portfolio to consist of innovative start-up and growth companies with a strong technology component and a green electrification agenda for which Hafslund can contribute with value-added ownership. At the end of 2022, the portfolio included the following companies:

- Heimdall Power: Solutions that use artificial intelligence for monitoring and maintaining the high-voltage grid.
- Smartwatt: Control systems based on artificial intelligence for optimising energy consumption.
- Ducky: Digital tool for visualising and reducing the population's carbon footprint.
- Birdsvie: Smart solutions for monitoring and maintaining critical infrastructure, such as power and telephone poles.
- Overeas Solar: Innovative solar panel modules specially adapted to the needs of green and flat roof areas.

Ownership in Eidsiva Energi and Fredrikstad Energi

Hafslund Vekst has a significant ownership interest in grid operations, district heating and broadband as the largest owner of Eidsiva Energi with a 50 per cent stake. Eidsiva Energi owns 100 per cent of Elvia, which is Norway's largest grid company with about 970,000 customers. Elvia builds, operates, maintains and renews the power grid in Innlandet, Viken and Oslo. Eidsiva Energi also owns Eidsiva Bioenergi, which is Norway's third largest supplier of district heating and supplies approximately 460 GWh of district heating via its own infrastructure to the private and corporate markets in Innlandet. The company also owns Eidsiva Bredbånd, which supplies fibre and broadband to 90,000 customers, primarily in Innlandet. Hafslund Vekst also has a 49 per cent ownership interest in Fredrikstad Energi, which owns Norgesnett. Fredrikstad Energi builds, operates, maintains and renews the power grid for more than 100,000 customers in seven municipalities in Eastern and Western Norway.



Statement of value creation

Hafslund Vekst has the goal of achieving long-term renewable value creation. Value creation will be achieved by managing the industrial ownership of the company and through new growth initiatives. In this context, initiatives refers to companies and projects that Hafslund Vekst has invested in, or has started up itself or together with partners.

The common feature of all Hafslund Vekst's initiatives is that the objective is to be necessary pieces in the energy system of the future and contribute to a world in balance, with renewable energy. In practical terms, this means that the company's initiatives are, and must be, a contribution towards solving the climate problem in a financially viable manner, without significantly compromising other sustainability dimensions such as nature, biodiversity and society. In order to solve the challenges and create targeted growth, Hafslund Vekst invests in an extensive portfolio of initiatives with different business models and risks, and investments are made in several parts of the renewable value chain. This ensures that Hafslund Vekst has a well-diversified portfolio of initiatives to reduce overall risk exposure.

Hafslund Vekst's portfolio of companies and projects has different capital and knowledge requirements. They are at different stages of their development cycle and will operate in markets that may be both known and thus far unknown to Hafslund Vekst. Common to most new initiatives is that they are in a relatively early phase of their commercialisation process. This entails that the costs and investments are higher than the earnings, and that positive results and cash flow will be somewhat deferred into the future.

Hafslund Vekst's total operating revenues for 2022 amounted to NOK 5 million (NOK 8 million), primarily related to the sale of advisory services at Hafslund Rådgivning. The operating profit (EBIT) of NOK 552 million (NOK -52 million) is an increase of NOK 604 million from the previous year. The increase was primarily linked to an increase in the share of the profit from Eidsiva Energi and Fredrikstad Energi, which added NOK 614 million (NOK -16 million) to Hafslund Vekst's result. The results for both of these companies were largely characterised by high costs for network losses associated with grid operations in 2021, but the results improved in 2022 due to high bottleneck revenues towards the end of the year. Profit after tax was NOK 372 million (NOK - 215 million).

NOK million	2022	2021
Operating expenses	5	8
Payroll and other personnel costs	-23	-16
Other operating expenses	-18	-15

NOK million	2022	2021
Results from associates and joint ventures	588	-29
EBITDA	552	-51
Depreciation, amortisation and write-downs	-	-1
Operating profit/loss (EBIT)	552	-52
Net financial expenses	-240	-155
Profit before tax	312	-207
Tax expense	60	-8
Profit after tax	372	-215



Vision and values

For a world in balance, with renewables

At Hafslund, we work «for a world in balance, with renewables». This is our vision – and it is shared by the entire Group. We want a world that is better than the one we have today and ‘balance’ is an important keyword. The balance in the energy system needs to be restored, and it is more important than ever that this takes place in a sustainable manner. The balance between energy supply and demand, daily balancing of the power system, and the balance between the development of new renewable energy and the conservation of nature are examples of balancing actions that are important to Hafslund. At Hafslund, we want to make a contribution towards a better and more balanced world.



Our values

Hafslund’s values state that we shall be *open*, *responsible* and *innovative*. These values describe who we are and what we want to be. The Group’s culture is based on these values and they guide how we act. The values must be something we recognise in ourselves, while also representing something to strive for.

Open means that we welcome changes and that we know we do not already have all the answers. We appreciate different points of view, differences and diversity, and we seek collaboration across specialist fields and companies in order to find answers.

Responsible means that we take our social mission seriously and that we do what we can to ensure that we fulfil the responsibility that we have been assigned. We care and make the effort that is required to perform our tasks as best as possible.

Innovative means that we want to solve challenges and contribute to value creation. We want to do better than we did yesterday, and we move towards the future with an eager desire to learn.





Organisation and management

Legal structure

Hafslund is one of Norway's largest energy and infrastructure groups and is structured around three major subsidiaries: Hafslund Eco Vannkraft, Hafslund Oslo Celsio and Hafslund Vekst. Hafslund Eco Vannkraft is Norway's second largest power producer, and Hafslund Oslo Celsio is Norway's largest supplier of district heating. Hafslund Vekst owns 50 per cent of Eidsiva Energi, and the Group owns 50 per cent of Elvia, which is Norway's largest grid company. Hafslund is owned by the City of Oslo, which has a 100 per cent ownership interest.

Hafslund Eco Vannkraft

Hafslund's hydropower business consists of 81 power plants that are spread over large parts of Southern Norway and are based on three legal groups:

1. Hafslund Eco Vannkraft, with subsidiaries that own and operate power plants in Vestland, Viken and Innlandet – a total of approximately 18 TWh, of which 15 TWh is owned and managed. Hafslund has direct ownership in Hafslund Eco Vannkraft (56.5 per cent), and indirect ownership through a 50 per cent stake in Eidsiva Energi, which holds an ownership interest of 43.5 per cent. This gives the Group a total ownership interest of 78.3 per cent in Hafslund Eco Vannkraft.
2. Hafslund Produksjon Holding with subsidiaries that own and operate power plants in Lower Glomma – a total of approximately 3 TWh. Hafslund owns 90 per cent of Hafslund Produksjon Holding, while the remaining 10 per cent is held by Svartisen.
3. Oslo Lysverker, which owns and operates the Hammeren power plant in Oslo. Hafslund owns 100 per cent of Oslo Lysverker.

Hafslund Oslo Celsio

Hafslund has a 60 per cent ownership interest in Hafslund Oslo Celsio. In addition, Hafslund Oslo Celsio owns 100 per cent of the fibre company Hafslund Fiber.

Hafslund Vekst and Hafslund Ny Energi

Hafslund owns 100 per cent of Hafslund Vekst and 65 per cent of Hafslund Ny Energi. Hafslund Vekst owns 50 per cent of Eidsiva Energi, 49 per cent of Fredrikstad Energi and 50 per cent of Volte.

Did you know that?

Hafslund is one of Norway's largest energy and infrastructure groups.



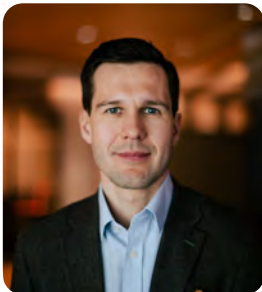
Management

Hafslund is headed by CEO Finn Bjørn Ruyter. The Group had 686 employees at the end of 2022. Several changes were implemented within the Group management team during the year. At the end of 2022, the Group management team consisted of eight directors, four of whom were new directors for the year. In addition to the CEO, the management team includes three directors who represent the three major subsidiaries and four directors who represent Group support units.



Finn Bjørn Ruyter
CEO

Finn Bjørn Ruyter has been CEO of Hafslund since 2012. He was CFO of the company in 2010 and 2011. From 2009 to 2010, he worked at the Filipino hydropower company SN Aboitiz Power. Between 1999 and 2009, he headed the energy division of Elkem ASA, having previously led the power trading business since 1996. Between 1991 and 1996, he worked in oil and power trading at Norsk Hydro ASA. Ruyter holds a Master of Science (MSc) in Mechanical Engineering from the Norwegian University of Science and Technology (NTNU) and an MBA from BI Norwegian Business School. He is Chair of Renewables Norway and serves as a director at Equinor ASA and Cegal AS.



Martin Sleire Lundby
Deputy CEO and Managing Director of Hafslund Vekst

Martin S. Lundby took up the position of Deputy CEO in September 2021 and was appointed as Managing Director of Hafslund Vekst in September 2022. He came from the position of EVP Growth and Investments, and prior to that was EVP Development and Growth. He has been EVP Projects since September 2019, and prior to that was acting CFO at Hafslund (2018–2019). He was also previously Head of Finance and Investor Relations (2016–2018) and Business Developer focusing on M&A and strategy (2013–2015) at Hafslund ASA. He also worked as a Transaction Adviser at EY (2011–2013). Lundby holds an MSc in Industrial Economics and Technology Management from the Norwegian University of Science and Technology (NTNU).



Toril Benum
Executive Vice President Projects

Toril Benum took up the position of EVP Business Support and Development in September 2021. She was assigned a new area of responsibility during the first quarter of 2023 and is now responsible for projects in the Group management team. She was previously EVP New Energy. She has been Project Director of the AMS Project at Hafslund Nett since May 2015 and Director of Projects and Development at Hafslund Nett since March 2017. She was previously CIO of Veidekke ASA (2010–2015), and also held several management positions at Aker Solutions. Benum holds a Master of Science (MSc) in Mechanical Engineering from the Norwegian University of Science and Technology (NTNU). She is a director at Eidsiva Energi AS.



Kristin Lian
 Managing Director Hafslund Eco Vannkraft

Kristin Lian took up the positions of EVP Hydropower and Managing Director of Hafslund Eco Vannkraft in September 2021. From 2019 to 2021, she was Managing Director of Elvia. Lian has a Master of Science (MSc) in Mechanical Engineering from the Norwegian University of Science and Technology (NTNU) and has been working in the energy industry since 1999. She has held various management positions at Hafslund Nett for 20 years, and was EVP and Managing Director of the company from 2013 to 2019. She is Chair of BKK AS and director of Arva AS.



Knut Inderhaug
 Managing Director of Hafslund Oslo Celsio

Knut Inderhaug took over as Managing Director of Hafslund Oslo Celsio in September 2022. He had been acting Managing Director of the company since October 2021. Inderhaug has previously held various management positions at Fortum and Hafslund, where he was first employed in 2010. He holds a degree in Business Administration from Sør-Trøndelag University College.



Berit Sande
 CFO

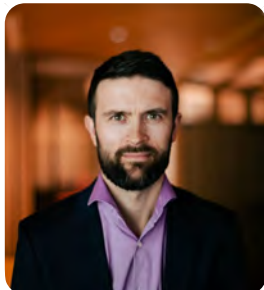
Berit Sande took up the position as CFO in August 2022. She previously held the position of EVP Portfolio and Strategy at Norsk Hydro ASA, but also has experience from Hydro Energi. She has extensive experience from Boston Consulting Group (2006-2017), where her principal focus was on the energy industry and renewables. Sande holds a Master of Science (MSc) in Industrial Economics and Technology Management from the Norwegian University of Science and Technology (NTNU).



Elise Horn
 Executive Vice President Corporate Development

Elise Horn joined Hafslund's Group management team in October 2022 and is head of strategy. Horn's area of responsibility was expanded in the first quarter of 2023, and she is now EVP Group Development with responsibility for strategy, HR, sustainability and brand. Horn joined Hafslund in 2018 and has since held several roles, such as adviser to the CEO, head of strategy and development for the power market and head of Group strategy. She has previously worked as a strategy consultant at Arkwright Consulting (2016-2018). Horn holds a Master of Science (MSc) in Industrial Economics from the Norwegian University of Science and Technology (NTNU). She is Chair of Ung i Fornybar (Young People in

Renewables).



Eirik Folkvord Tandberg

Executive Vice President Energy Markets and Public Relations

Eirik Folkvord Tandberg took up the position as EVP for Energy Markets in May 2022. He came from the position of VP for Strategy and Development at Fortum City Solutions. He held various positions in the Fortum Group and previously managed Hafslund Oslo Celsio (formerly Fortum Oslo Varme) for four years (2017-2021). Prior to this, he worked for six years in the Hafslund Group, with roles within strategy, framework conditions and management, particularly for the district heating company Hafslund Varme. Tandberg holds a Master of Science (MSc) in Industrial Economics from the Norwegian University of Science and Technology (NTNU).

The Board of Directors of Hafslund AS

The Board comprises eight members, three of whom are elected by the employees. No changes were made to the composition of the Board during the year. The Board has a good gender representation, and has appointed an Audit Committee and Compensation Committee as subcommittees to the Board of Directors.

The composition of the Board provides the Group with extensive and in-depth expertise for being able to make important decisions. The Board held eight regular board meetings in 2022, five extraordinary board meetings, and reviewed one item by email. During the previous year, the Board was particularly concerned with the strained power situation in Europe, the acquisition of Hafslund Oslo Celsio and the financing of the carbon capture project at Klemetsrud, capital management, framework conditions, further development of strategy, and opportunities for continued growth. Organisational work, risk and development of expertise were also important topics considered by the Board. The Board's work is intended to ensure that the Group develops in the best interests of its owners, employees and other stakeholders.

The Board of Directors



Alexandra Bech GjØrv
Chair

Alexandra Bech GjØrv is CEO of SINTEF, one of Europe's largest research institutes, which carries out extensive research activities in the energy industry. She has gained extensive industrial experience from management positions at Equinor and Norsk Hydro, where her responsibilities included developing activities in new energy.

GjØrv was previously Chair of Eidsiva Energi and a director of the French company Technip, Schibsted, Norske Skog and NRK. GjØrv has a degree in law. Between 2009 and 2015, she was a partner at the law firm Advokatfirmaet Hjort, where she specialised in areas such as employment law, energy law and investigations. She also headed the 22 July Commission.



Bård Vegar Solhjell
Director

Bård Vegar Solhjell is Director General of Norad (Norwegian Agency for Development Cooperation). He is Deputy Chair of the Fritt Ord (Free Word) foundation, and a member of the Arendalsuka main programme committee. Solhjell was previously a politician at the national level. He was Minister for the Environment, Minister of Education and Research, and State Secretary in Norwegian Prime Minister Jens Stoltenberg's "Red-Green" coalition government.

From 2009 to 2017, he was Member of Parliament for Akershus, and between 2007 and 2015 served as Deputy Leader of Norway's Socialist Left Party.

Solhjell is a regular columnist for two Norwegian newspapers, where he writes about the climate, energy, development and other social issues. He has published several books on key topical economic and political issues. Solhjell has a degree in Political Science from the University of Oslo.



Bente Sollid Storehaug
Director

Bente Sollid Storehaug is Managing Director of Digital Hverdag AS. She has been a member of several government-appointed business policy councils. In 1993, Sollid Storehaug established Norway's leading internet consulting company which is today known as Bouvet ASA.

She also sits on the boards of Eika-Gruppen, Polaris Media ASA, Europris ASA, Nortel AS, Questback and Motor Gruppen AS. She is Chair of Placewise Group and Ocean Visioneering. Sollid Storehaug has intermediate subjects in political science, executive studies at INSEAD and MIT within board work, blockchain, digital platforms, disruption and innovation. She currently lectures at BI Norwegian Business School on the Master's programme Innovation, Digitalisation and New Business Models.



Bjørn Erik Næss
Director

Bjørn Erik Næss is a professional director. Næss stepped down as CFO of DNB ASA on 1 March 2017, a position he had held for nine years. He was previously EVP and CFO of Aker Kværner ASA, and held similar positions at Orkla and Carlsberg (Denmark).

He has gained extensive experience of management roles both in Norway and internationally over the past 25 years. Næss is a graduate of the Norwegian School of Economics (NHH) and has completed an executive programme at Darden Business School in the USA.



Mari Thjømøe

Director

Mari Thjømøe is a professional director, investor and consultant. She has management experience from some of Norway's largest companies, was formerly CFO and acting CEO of Norwegian Property, CFO of the life insurance company KLP, and has 17 years of experience from Equinor and Norsk Hydro.

Thjømøe is Chair of Billington Process Technology, Seilsport Maritimt Forlag and ThjømøeKranen, and a director of Norconsult, Ice, the Danish insurance company Tryg, and the Swedish companies TF Bank and FCG Fonder. Thjømøe has a Master's degree in Business Administration from BI Norwegian Business School/American Graduate School of International Business, is a qualified CFA/Authorised Financial Analyst from the Norwegian School of Economics (NHH), and has completed executive management training at London Business School.



Ingvild R. Solberg

Employee-Elected Director

Ingvild R. Solberg joined Hafslund Eco Vannkraft in 2020. She has a degree in electrical engineering and currently works as a project manager for change projects. Solberg previously worked for seven years at the grid operator Elvia, formerly Hafslund Nett, in several different electric power engineering positions and in management positions with responsibility for personnel.



Håkon Rustad

Employee-Elected Director

Håkon Rustad joined Eidsiva Vannkraft in 2006. Rustad has a Master's degree in Energy and the Environment from the Norwegian University of Science and Technology (NTNU) in Trondheim. He is currently responsible for the grid and also participates in the company's offshore wind venture. Rustad has extensive experience of the physical management of power production, regulation of grid operations and development of hydro and wind power projects. Rustad is currently an employee representative for Tekna's corporate group at Hafslund.



Vegar Kjos Andersen
Employee-Elected Director

Vegar Kjos Andersen joined Hedmark Energi AS as an electrical engineer in 1998. He later worked as an electrical installation manager and section manager for maintenance at the companies Vannkraft Øst and Eidsiva Vannkraft. Since 2010, he has been power plant manager/maintenance manager. In addition to a trade certificate, he has completed technical vocational school studies in Industrial Electronics. Since 2003, he has been a member of the examination board for the power-supply operation profession.

Definitions and alternative performance measures

Definitions

Term	Definition
EBITDA	Operating profit/loss + depreciation
Net interest-bearing liabilities	Gross interest-bearing liabilities - interest-bearing receivables - bank deposits - money market funds
Engaged capital	Equity + net interest-bearing liabilities + Tax payable
ROE	Profit after tax/Avg equity 1.1.and 31.12
ROCE	Operating profit / Avg committed capital 1.1.and 31.12
Debt/EBITDA	Average net interest-bearing debt 1.1 and 31.12 / EBITDA
FFO/Debt	(EBITDA - interest paid - tax paid) / Average net interest-bearing debt 1.1 and 31.12
Hydropower production	Total production in power plants in TWh
Achieved power price	Power production sold in spot market, industrial contracts and concessionary power, and realised results from financial power hedging.
District heating sales	Total district heating volume sold, in GWh
Underlying results	Result corrected for non-recurring items and unrealised changes in value.

Key figures and list of definitions have been expanded in relation to 2021 as a result of Hafslund Oslo Celsio becoming part of the Hafslund Group during 2022.

Alternative performance measures

NOK million	31.12.2022	31.12.2021
GROSS AND NET INTEREST-BEARING DEBT		
Long-term interest-bearing debt	20,203	17,745
Value change loan portfolio	153	-259
Short-term interest-bearing debt	2,819	950
Gross interest-bearing debt incl subordinated debt	23,174	18,436
Cash and cash equivalents	13,497	6,988
Other long-term interest-bearing receivables	155	112
Net interest-bearing debt	9,523	11,336
CAPITAL EMPLOYED		
Equity	42,604	26,816
Net interest-bearing debt	9,523	11,336
Taxes payable	13,482	4,895

NOK million	31.12.2022	31.12.2021
Capital employed	65,609	43,046
UNDERLYING PROFIT		
Operating profit (EBIT)	19,340	8,463
Value changes in power price and foreign exchange contracts	435	647
Value change land compensation rights	8	220
Result share Eidsiva Energi - excess or defeat revenue after tax	131	349
Underlying operating profit	19,914	9,678
Profit after tax	4,344	2,611
Value changes and one-offs operating profit	574	1,215
Tax effects adjustments and one-offs	-101	-272
Underlying profit after tax	4,817	3,554
ROCE		

NOK million	31.12.2022	31.12.2021
Operating profit (EBIT)	19,340	8,463
Capital employed (average)	54,327	44,052
ROCE / return on capital employed	35.6%	19.2%
ROE		
Profit after tax	4,344	2,611
Equity (average)	34,710	26,327
ROE / return on equity	12.5%	9.9%
DEBT / EBITDA		
Net interest-bearing debt (average)	10,429	14,990
EBITDA	20,087	8,979
DEBT / EBITDA	0.5	1.7
FFO / DEBT		

NOK million	31.12.2022	31.12.2021
EBITDA	20,087	8,979
Interest paid	-664	-605
Taxes paid	-4,701	-273
Net interest-bearing debt (average)	10,429	14,990
FFO / debt	141 %	54 %



Report from the Board of Directors 2022

Hafslund in 2022

2022 was a demanding and transformative year for both Hafslund and the rest of the energy industry. The war in Ukraine, a halt in gas supplies to Europe, operational failures at vital nuclear power plants in Europe, and low wind levels combined with drought resulted in historically high energy prices in Europe. The same price development was experienced in Southern Norway, which also had very dry weather until October. Concerns about security of supply during a continued dry year meant that the Group produced at less than normal production during the first three quarters of the year, while the final quarter was characterised by more precipitation, higher power production and reservoir filling. The high prices for the year contributed to a good financial result and extraordinarily high tax expenses. However, Hafslund does not consider the price levels and the burden on private individuals and the business sector to be sustainable, and the Group is actively in dialogue with the government authorities to develop framework conditions that can help to resolve the crisis.

The energy crisis in Europe in 2022 has highlighted a strong need for more energy. In order to improve security of supply without destroying the possibilities for achieving targeted emission cuts, there is no doubt that much of the energy growth should come from renewable sources. Hafslund wants to make a strong contribution to increased production of renewable energy – both by upgrading and expanding hydropower plants and through new renewable energy, particularly from wind power.

In October 2022, the Norwegian Government announced significant tax increases for the renewables industry. The Board recognises that the government authorities have a need for financing, and agrees that the high energy prices constitute grounds for higher tax. However, Hafslund considers the design of these new taxes to be unfortunate, because they restrict the ability of the companies to bring new power into a strained market, because they will lead to higher prices for long-term power contracts for customers, and because they greatly complicate appropriate risk management and price hedging in an industry in which this is of vital importance. The company has therefore been heavily involved in proposing changes that mitigate the negative impact of the tax package.

In 2022, Hafslund expanded its portfolio through the acquisition of Hafslund Oslo Celsio and investments in offshore wind, solar and digital solutions for power sales to the business sector. It is clearer than ever before that Hafslund is an energy and infrastructure group that has an active role in the development of both a green and smart Oslo and a renewable Norway and Europe.

The most important single event of the year was the acquisition of 60 per cent of Fortum Oslo Varme, in which Hafslund acquired 10 per cent of the company for NOK 2 billion (NOK 1.6 billion for 10 per cent of the shares and NOK 0.4 billion to take over shareholder loan) and took over the City of Oslo's 50 per cent share. As a result, district heating production has now become Hafslund's second largest business area. Reuse of heat from waste incineration and other sources enables society to achieve circular resource utilisation. This relieves the pressure on the electrical energy system and CO₂ is extracted from the cycle by incinerating

biological material. Hafslund Oslo Celsio also has major plans for the development of district cooling in Oslo, which will produce significant benefits in terms of energy efficiency and better land use in the city. The company also owns Hafslund Fiber, which is developing the city's fibre network. The world's first climate-positive waste incineration plant is being created through the project for the development of carbon capture and storage (CCS) at the Klemetsrud waste facility.

The Hafslund Oslo Celsio transaction increased Hafslund's turnover by approximately NOK 1.5 billion in 2022. The district heating business has historically had good profitability and more stable revenues than hydropower, and the Board is of the opinion that this acquisition will reduce risk for the Group as a whole. Financing of NOK 9.1 billion for the CCS project was secured through an agreement between the Norwegian State, the City of Oslo and Hafslund Oslo Celsio in June 2022. It is positive for the business sector's ability to take risks through the early introduction of new climate technology that projects such as this can be realised through cooperation between the public and private sectors.

Important steps were taken in 2022 towards developing Norway as an offshore wind nation. Major ambitions relating to the awarding of licences by the government authorities make it more attractive to allocate resources and capital to offshore wind projects. This is a positive step, but there are still a very large number of issues that will need to be clarified to determine how attractive the licences will be. Hafslund is making preparations together with the Blåvinge partnership (which includes Fred. Olsen and Ørsted) to compete for offshore wind licences in 2023. The potential of solar power in Norway has also become a reality, and Hafslund has assumed positions within both large-scale solar and solar for buildings. The Norwegian Energy Commission stated that it is realistic to develop in the range of 5-10 TWh of solar power by 2030. In the autumn of 2022, Hafslund entered into a partnership with Magnora ASA and Helios AB for the development of solar parks in Norway and established a joint initiative with OBOS for solar for buildings, with the ambition of delivering solar panels to 10,000 apartments and business buildings every year.

During 2022, Hafslund carried out a Group strategy process, which focussed on, among other things, access to expertise, organisational efficiency and good leadership in Hafslund's diverse and geographically extensive activities. The Board considers this to be crucial for the Group's future competitiveness. Hafslund has increased its efforts to highlight and ensure that the Group also remains an attractive employer in the future. In 2022, Hafslund established a clearer Group structure around three companies and business areas: Hafslund Eco Vannkraft with its hydropower business, Hafslund Oslo Celsio with district heating and cooling, and Hafslund Vekst, which brings together ownership of Eidsiva and the other growth initiatives, including the development of offshore wind and solar.

The Board also wishes to pay special tribute to the Group's employees through 2022. Structural changes and adaptations to volatile market conditions and changed framework conditions have been handled very well, while at the same time the Group has maintained good operations, improved safety results and made improvements in strategy and organisation.

2022 was characterised by many new strategic initiatives for Hafslund. In 2023, the Group looks forward to further developing a larger and more extensive portfolio and continuing to work towards realising its vision: "For a world in balance, with renewables."



Hafslund's business areas in 2022

Hafslund Eco Vannkraft

Hafslund Eco Vannkraft operates and has full or partial ownership of 81 hydropower plants that produce approximately 21 TWh of power. The power plants are located in Vestland, Oslo, Viken and Innlandet, and consist of both reservoir and run-of-river power plants. The production of 13.8 TWh in 2022 was 22 per cent lower than production in a normal year.

The development of approximately 1 TWh in new renewable power production was completed from 2018 to 2022. Mork power plant in Lærdal municipality was the last of six power plants constructed during this period and was officially opened in August. The hydropower business continuously works to upgrade and expand power plants, and the increase in power production from this work is equivalent to 20–40 GWh per year. In addition, the company is continually on the look out for new and profitable projects. Hafslund Eco Vannkraft currently has more than ten different projects under development. These projects collectively have the potential to contribute 700 GWh of increased energy production and 600 MW in increased output.

Hafslund Eco Vannkraft had 400 employees at the end of 2022.

Hafslund Oslo Celsio

Hafslund Oslo Celsio owns and operates plants in the value chain from final treatment of waste to production, sale and distribution of district heating. In addition, Hafslund Oslo Celsio establishes operations within district cooling, and has 100 per cent ownership in the fibre company Hafslund Fiber. In 2022, the company generated 1.8 TWh of district heating, which is equivalent to heating and hot water for about 160,000 households in Oslo.

Hafslund Oslo Celsio operates two waste incineration plants in the Oslo boroughs of Klemetsrud and Haraldrud, and waste heat from incineration is fed into the district heating grid. District heating production is also based on other sources of waste heat, such as excess heat from data centres, and other energy carriers are also used for peak load periods. In August of 2022, construction work commenced on the development of the carbon capture and storage facility at the Klemetsrud waste incineration plant. Carbon capture can eliminate up to 17 per cent of Oslo's annual CO₂ emissions when it comes online in 2026.

Hafslund Oslo Celsio had 213 employees at the end of 2022.

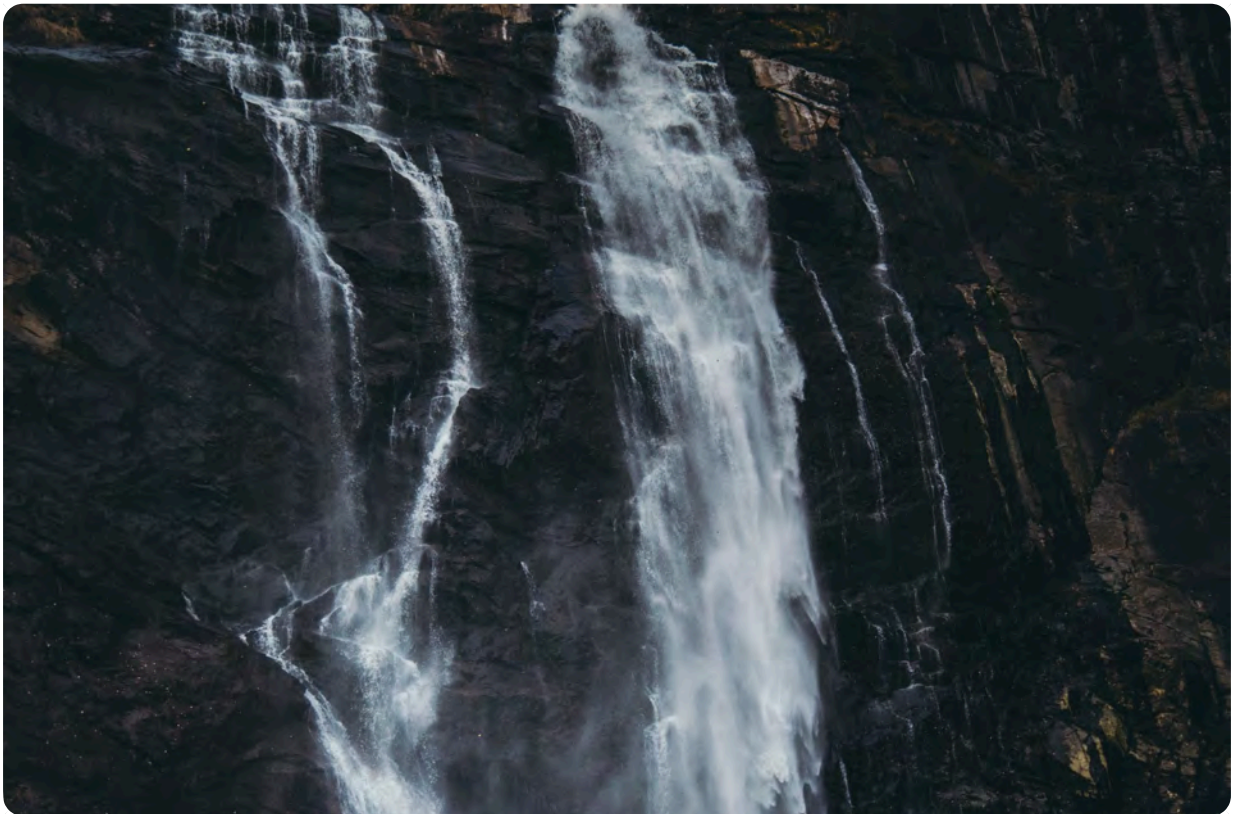
Hafslund Vekst

Hafslund Vekst was established as a separate company in 2022 and brings together the Hafslund Group's industrial ownership and growth initiatives. Offshore wind, business development, investment activities and follow-up of the Group's larger ownership interests, including Hafslund's important ownership interest in Eidsiva, are part of this company. Hafslund Vekst works with both established and new growth initiatives within the renewable value chain and has a clear partnership strategy. Hafslund Vekst collaborates with companies with complementary expertise and financial strength in order to make new opportunities a reality.

Hafslund formed the Blåvinge offshore wind partnership together with two partners, and is now preparing applications for licences for offshore wind development in the North Sea. Within solar, the company has been involved in establishing companies for the development of both large-scale solar and solar for buildings.

The ownership in Eidsiva Energi is followed up by Hafslund Vekst, which is the largest owner with a 50 per cent ownership interest. Eidsiva Energi owns 100 per cent of Norway's largest grid company Elvia, and also has business activities within district heating and broadband. Elvia had around 970,000 customers at the end of 2022 and builds, operates, maintains and renews the power grid in Innlandet, Viken and Oslo. Eidsiva Bioenergi is Norway's third largest supplier of district heating and supplies about 460 GWh of district heating in Innlandet, and Eidsiva Bredbånd supplies fibre and broadband to 90,000 customers.

Hafslund Vekst had 31 employees at the end of 2022.



Vision, strategy and sustainability

In 2022, a new and larger Group looked further ahead in its strategy work and worked with a time horizon towards 2035. As a producer of renewable energy with operations along the entire renewable value chain, it is particularly important for Hafslund to look far into the future when planning growth initiatives. With long licensing and development processes and exponential patterns of change within energy production and the green transition, it is essential for Hafslund to work with strategy that has a 10-15 year perspective.

In 2022, a bigger and broader Hafslund also established a new vision for the entire Group. Moving forward, Hafslund will work «for a world in balance, with renewables». A new vision was realised both as a result of the Group having a more extensive portfolio and due to the Group constantly facing issues in which ‘balance’ is an important keyword. Balancing energy supply and demand, daily balancing of the power system, and the balancing act between the development of new renewable energy and encroachment on nature are examples of balancing actions in which Hafslund plays a role. The balance in the energy system needs to be maintained, and it is more important than ever that this takes place in a sustainable manner.

The Group’s strategy is based on five strategic focus areas that set out the direction Hafslund will work towards up until 2035. Hafslund shall become climate and nature positive, contribute to strong renewable growth, balance the energy system of the future, contribute to green and smart urban development, and

attract and retain the best minds.

Hafslund's focus areas and goals for sustainability, circular economy and focus on future-oriented regenerative ecosystems are fully integrated with the Group strategy. The Group has carried out a materiality analysis that assesses Hafslund's impact on people and the environment, ESG risks and opportunities, and the topics identified as being important for sustainability are linked to the five strategic focus areas. [Strategy 2035](#) describes in detail how Hafslund works with strategy and sustainability. This description includes the obligation to report on corporate social responsibility efforts pursuant to Section 3-3c of the Norwegian Accounting Act.

Health, Safety and the Environment (HSE) and employees

Hafslund has an overall goal of zero injuries, for both its own employees and suppliers. Following the acquisition of Hafslund Oslo Celsio in May 2022, the Group's HSE work includes 200 new employees, two waste incineration plants, new infrastructure connected to the district heating grid in Oslo, and ongoing construction work for the company's major carbon capture project. Six injuries were registered in 2022, including injuries at suppliers and only two of these resulted in absence from work. The number of injuries per million working hours (H2) for 2022 was 2.9, compared with 6.9 in 2021. With regard to HSE in Eidsiva Energi, this is followed up by the board of Eidsiva Energi, and reported as part of Eidsiva Energi's internal and external reporting procedures.

The Hafslund Group saw a strong improvement in HSE in 2022, and in recent years there has been an increased focus on preventive work and risk understanding. The Group sets clear HSE requirements for suppliers, which include close follow-up of safety and risk management during the process and evaluation. HSE is the first item on the agenda at management and operations meetings, and it is an important topic in the leadership development programmes for highlighting responsibility on the line. A separate work methodology has been established for sharing experiences, which involves undesirable incidents and observations being investigated and analysed to detect direct and/or underlying causes.

Sick leave

Hafslund's goal is that total sick leave shall not exceed 3.5 per cent. Sick leave was 3.6 per cent in 2022, compared to 2.8 per cent in 2021. Targeted measures, and support and training of managers and employees are implemented to contribute to a low level of sick leave.

Employees, equality and diversity

The Group had 686 (compared to 438 in 2021) employees in majority-owned companies at the end of 2022. The increase in the number of employees is the result of the acquisition of Hafslund Oslo Celsio and the need for greater capacity for growth initiatives at Hafslund Vekst. There were also new hires based on the expected high level of retirements in the coming years.

All work at Hafslund must be based on the Group's values: Open, responsible and innovative. The cooperation between management and employee organisations works well and makes valuable contributions to the development of the Group.

Among other things, the core value of "transparency" means that value is placed on differences and diversity. Discrimination on the basis of gender, sexual orientation, ethnicity, religion or age must not occur under any circumstances. The Group work with diversity has a long-term focus, and in 2022 the Group worked to increase expertise and an interest in diversity across the Group. This will enable Hafslund to take active steps and work systematically on diversity in the coming years. The ambition is to develop an organisational culture that recognises differences as a strength. It is Hafslund's desire to honour an organisation with a high degree of psychological safety that enables everyone to be themselves and realise their potential.

In 2022, 22 per cent of the Group's employees were women, and this percentage has remained unchanged since 2021. The proportion of female employees is 24 per cent at Hafslund Eco Vannkraft, 18 per cent at Hafslund Oslo Celsio, and 48 per cent at Hafslund Vekst. The Board consists of four women and four men, and the same applies to the Group management team, which has been expanded by two members since the previous year.

New reporting requirements under the Activity and Reporting Obligation (ARP) will help to promote gender equality and prevent discrimination. Hafslund's gender equality report, which has been prepared in accordance with Section 26 of the Norwegian Equality and Anti-Discrimination Act, is available at www.hafslund.no.

Bonus schemes

Hafslund discontinued all individual bonus schemes for managers, and nearly all individual bonus schemes for employees in 2021. The administration can introduce bonus schemes for selected employees limited to 25 per cent of the annual salary.

At the start of 2022, Hafslund still had a collective bonus scheme, but this was decided to be discontinued in March 2022. In Hafslund Oslo Celsio, bonus schemes still existed in 2022 which were established under the ownership of Fortum. It has been decided that bonus schemes in Hafslund Oslo Celsio will be discontinued from and including 2023.

Obligation to report pursuant to the Norwegian Transparency Act

Hafslund has started work on due diligence in accordance with the Norwegian Transparency Act, and a report will be published on www.hafslund.no by the deadline of 30 June 2023. More information about the Group's work with the [Transparency Act can be found here](#).



Market and framework conditions

The power market in 2022

The historically high power prices from 2021 continued in 2022, and the power system was under considerable pressure. Most importantly, the war in Ukraine and the subsequent sanctions against Russia led to a sharp cut in imports of Russian gas into Europe. At the same time, France experienced problems with nuclear power production, Germany followed political resolutions to phase out nuclear power, and severe drought in Europe resulted in low hydropower production, low water levels in some European rivers, and

subsequent challenges in transporting and producing coal. This collectively contributed to an extensive energy crisis in Europe, record-high prices for European power, gas and coal, and an acknowledgement that Europe needs to make itself independent of gas imports from Russia.

Southern Norway experienced extreme hydrology in 2022, with a very dry summer and very wet autumn. For the year as a whole, precipitation and inflow were close to normal levels in Southern Norway and in Norway. A tight reservoir situation in Southern Norway during parts of the year contributed to increased exposure to power prices on the continent. The areas in the north were not as impacted by the price drivers on the continent, due to capacity constraints in the main grid and improved reservoir balance. Pressure exerted from fundamental drivers means that power prices are also expected to remain above historical levels in the period ahead.

The trend from 2021, with persistent price differences between Northern and Southern Norway, and historically high power prices in the south, further intensified in 2022. The average prices for the southern price areas were 193 øre/kWh for NO1 and NO5 (Eastern and Western Norway) and 213 øre/kWh for NO2 (Southern Norway), while NO3 and NO4 (Central and Northern Norway) delivered 43 øre/kWh and 25 øre/kWh respectively. The price in Eastern Norway, for example, varied from 822 øre/kWh for a single hour at the end of September to 1 øre/kWh for a single hour at the beginning of October.

At the start of 2022, the reservoir level in Southern Norway was 48 per cent of the maximum capacity of 57 TWh, which was an entire 21 percentage points below the median for the last 20 years. Less snow than normal and little precipitation in Southern Norway from March to September resulted in continued low reservoir levels throughout the year, despite reduced production. The reservoir level in Southern Norway at the end of the first half of the year was 51 per cent, which was historically low. A mild and rainy fourth quarter lifted the reservoir levels to 65 per cent at the end of year, which was 6 percentage points below the median. Total inflow in Southern Norway ended at 88 TWh, which was 2 per cent lower than the average for the past 20 years.

For the northern price areas, the reservoir situation in 2022 was relatively normal, with a reservoir level at the median at the start of 2022, and 1 per cent higher than the median at the end of the year. Total inflow in Central and Northern Norway ended at 47 TWh, which was 8 per cent above the average for the past 20 years. Large amounts of snow, water and wind, combined with limited southwards transmission capacity, resulted in decoupling towards the high prices in the south and stable, low prices in the north.

Developments in power production and power consumption

Periods with little precipitation and low inflow into the reservoirs led to reduced power production in Southern Norway of 85 TWh in 2022, which was 15 per cent lower than average production over the past seven years. Total power production for Norway was therefore around 144 TWh, which was below the average of 147 TWh for the past seven years, and well below the current normal production level of 155 TWh. In comparison, production in 2021 was 157 TWh, which was historically high.

The high power prices impacted consumption in Southern Norway, which ended at 84 TWh in 2022, 9 per cent lower than the average consumption over the past seven years.

On a national basis, power consumption was closer to normal, with 131 TWh in total consumption in 2022, one per cent lower than the average for the past seven years. This resulted in a power surplus for Norway of 13 TWh. Power-intensive industry had somewhat lower consumption in the second half of the year, but overall consumption ended at the same level as the record of 39 TWh, which occurred in 2021.

Price hedging

Hafslund has a power hedging strategy which has the objective of stabilising income and cash flow, and exploiting market opportunities. The Group conducts ongoing analyses to hedge the sale of power, primarily within the Nordic power market. In order to reduce risk, the Group hedges production revenues through financial power contracts and through direct long-term agreements with industrial companies for the physical supply of power. The hedged share of production is regulated by the Group's guidelines for risk management and power hedging and will vary in accordance with the expectations for production volume, assessment of the company's risk and market opportunities.

Historically high prices and volatility in the financial power market in 2022 led some members on the Nasdaq power exchange to publicly disclose in August the challenges of providing sufficient liquidity for their financial positions. An important step in reducing positions in the financial marketplace, and thereby helping to reduce risk, is to transfer positions to bilateral agreements with other power and energy companies. Hafslund preventively took such steps in the second quarter and increasingly through the third quarter of 2022.

The increase in the resource rent tax from 37 to 45 per cent and the introduction of the high-price contribution have produced a marginal tax rate of 90 per cent for power prices exceeding 70 øre/kWh. Earnings from hedging with financial contracts entered into prior to the tax changes being announced on 27 September 2022 will be charged a 22 per cent corporate tax and can be taken into consideration in the calculation of the high-price contribution. The tax changes mean that, in the event of rising prices, hydropower companies will be charged a marginal tax of up to 90 per cent on the physical spot delivery, but will only be able to deduct 22 per cent of the losses on financial contracts entered into after 27 September 2022. This asymmetry involves considerable risk, and under these conditions Hafslund can only use contractual forms for hedging in which the result is included in the basis for resource rent tax. This applies to contracts over seven years with power-intensive industries and fixed-price contracts for other industries in accordance with a new scheme applicable from 1 January 2023 of three, five or seven years. The company's options for risk management and price hedging have been weakened considerably since the tax changes were introduced in December 2022.

Work with framework conditions

Developments in 2022 have demonstrated that Norway and Europe have a major need for more renewable energy, and the strained power situation resulted in price records across national borders for the second year in a row. The scarcity of renewable energy places Norway and Europe in difficult situations that involve everything from national security and impact on climate and the environment to society's overall economy.

Norway has an efficient power system with a relatively high degree of flexibility and good access to new

renewable resources. However, recent analyses from Statnett show that Norway may have a power deficit as early as the second half of the 2020s due to the fact that the increase in consumption is exceeding new production. The framework conditions and the licencing system for new developments are of vital importance if Norway is to succeed in increasing power production and facilitating the emergence of green industry in the country. Historically high power prices and the market structure for power trading have also had a major impact on the financial basis for companies and private individuals. In 2022, Hafslund worked on framework conditions within the following topics:

Facilitating the development of hydropower and valuable regulation capacity

From 2018 to 2022, Hafslund participated in the development of a total of 1 TWh of new hydropower. The potential for larger hydropower projects is limited under the current framework conditions, and the new power taxes that were announced in autumn 2022 also increase the tax burden when power prices are low and will impact the rate of investment in new hydropower. Hafslund understands that the Norwegian State wants to impose more tax on the power industry during times of high profits, although the manner in which the new taxes have been arranged reduces the ability of the power industry to finance new renewable power development and has a major impact on the number and types of projects that will be profitable. The need for output capacity and regulatory capacity will only increase in the coming years because a larger proportion of the energy will come from non-adjustable sources such as solar and wind. Facilitating investments in hydropower and output today may be crucial for there being a good and well-functioning power system in the future. In 2023, Hafslund will continue its dialogue with decision-making bodies and other industry players on framework conditions that facilitate the development of the hydropower on which the energy system is dependent.

Facilitating large-scale industrial development of the offshore wind industry

Norway has enormous offshore wind resources, and the government's increased ambitions for the awarding of offshore wind licences by 2040 are important for this potential to be realised. Clear ambitions and underlying framework conditions are crucial for large-scale, industrial development and profitable utilisation of offshore wind resources. Hafslund is part of the Blåvinge partnership and contributes input in consultation processes regarding how the awarding of licences for the first fields in the North Sea can be organised in a sound manner that contributes to the long-term and sustainable development of Norway's offshore wind industry.

Facilitating further development of hydronic heating and cooling in Oslo

District heating can to a large degree cover heating and cooling needs in cities and towns and relieve the power system and power grid. Of particular importance are thermal energy systems that can exploit the large volume of excess heat generated in society, not least from new industries such as data centres and hydrogen production. Other examples of excess heat are waste heat from waste incineration and the use of heat from the sewage system, such as in Oslo.

A total of 1.9 TWh in district heating is produced in Oslo, and there is potential for developing significantly more. This will require the government authorities to establish key framework conditions. The energy labelling scheme must be changed so that it equates environmental grades for supplied energy (electricity and district heating) with so-called internal building solutions, such as heat pumps and solar energy. There is also a need for amendments to building regulations that have to set stricter requirements for the use of hydronic heating in buildings. This will facilitate flexible heating solutions over time.

In 2022, the NVE initiated work to assess new price controls for district heating. It is important that the price controls for district heating effectively safeguard customer needs while also providing incentives for both efficient operations and necessary investments in district heating that are linked to and relieve pressure on the rest of the energy system.

Facilitate more stable and predictable power agreements for end users

Electricity prices placed a strain on households and businesses in both 2021 and 2022. Hafslund has worked to ensure that the resource rent tax on fixed-price agreements is calculated based on a fixed price in accordance with the agreement and not the spot price. Acceptance of this has made it possible for Hafslund to introduce fixed-price agreements that will provide predictable power prices to a wider range of companies. The scheme will apply from 2023 onwards.

Ensure balanced assessment of environmental considerations

Hafslund is committed to ensuring that encroachment on nature takes place with the least possible impact. Hydropower is subject to licence conditions which stipulate requirements for water flows in rivers and water levels in reservoirs. The revision of these conditions is a process regulated by the government authorities with the objective of assessing whether the conditions should be adjusted. When such adjustments are necessary, Hafslund proposes knowledge-based environmental improvements that have the least possible negative impact on power production.

Increased electrification and reindustrialisation of society

With new developments of hydropower, wind and solar, a continued high power surplus will lay the groundwork for increased electrification of society. Electrification of transport, oil and gas, building and construction, and existing and new industry will be, in addition to more efficient energy use, essential if Norway is to succeed with the green transition. Hafslund works actively to ensure that government authorities set conditions for value-creating electrification and is involved in wide-ranging industrial policy cooperation.



Income statement, cash flow, balance sheet and equity – Group

Unless otherwise stated, figures for 2021 are in brackets.

Results

Hafslund had earnings before interest, taxes, depreciation and amortisation (EBITDA) of NOK 20,087 million (NOK 8,979 million) and an operating profit of NOK 19,340 million (NOK 8,463 million) in 2022. The increased operating profit compared to the previous year was primarily the result of a significant increase in power prices despite lower production and a negative contribution from hedging trades. The achieved power price of 150 øre per kWh in 2022 was an increase of 88 øre per kWh from the previous year, which contributed to increasing the operating profit by NOK 12,414 million. The achieved power price was 18 per cent lower than the spot prices in the hydropower business' production areas, and in addition to the sale of concessionary power at prices determined by the government, must be viewed in connection with the hedging activity, through the sale of power to the industry at fixed prices and realised losses from financial power hedging. The operating profit includes a change in value of NOK -443 million (NOK -866 million) related to financial power and currency positions, as well as compensatory power appraised at

market value, with changes through ordinary profit or loss.

Operating expenses, including depreciation, of NOK 3,404 million (NOK 2,398 million) were an increase on the previous year, and were primarily the result of the acquisition of Hafslund Oslo Celsio in May 2022. The share of profits of associates and joint ventures totalled NOK 716 million (NOK 14 million) in 2022, of which NOK 520 million (NOK -15 million) relates to the profit from the ownership interest in Eidsiva Energi. The increase in the share of the profit from the ownership in Eidsiva Energi when compared to 2021 was primarily due to the increased grid costs being mitigated by grid companies in high-price areas having received a share of Statnett's bottleneck revenues in the grid business (Elvia) as a result of significantly higher power prices.

Net financial items were NOK -462 million (NOK -562 million) in 2022. The change compared to the previous year was primarily the result of currency positions and somewhat lower interest-bearing debt, despite rising interest rates during the year.

The tax expense of NOK 14,535 million (NOK 5,291 million) corresponds to an effective tax rate of 80 per cent of the profit before tax. The very high tax expense must be viewed in connection with the special taxation of the hydropower business, which includes resource rent tax of NOK 9,476 million and the high-price contribution of NOK 1,030 million for the period from 28 September until 31 December 2022. The increase in the resource rent tax from 37 per cent to 45 per cent that entered into force from 1 January 2022 and the tax introduced through the high-price contribution resulted in a total increase in the tax expense of NOK 3,589 million for 2022, including a change in deferred tax liability of NOK 1,064 million. The high effective tax rate must also be seen in connection with the fact that losses from financial power hedging do not result in deductions from resource rent tax.

The profit after tax of NOK 4,344 million (NOK 2,611 million) in 2022 is an increase of NOK 1,733 million from 2021. The return on equity was 12.5 per cent (9.9 per cent) in 2022. The underlying profit after tax for the year (profit after tax, excluding changes in value and other non-recurring items) was NOK 4,817 million (NOK 3,554 million).

Cash flow

Hafslund had a net cash flow from operations of NOK 11,773 million (NOK 8,951 million) in 2022, following payment of tax in arrears for 2021 of NOK 4,701 million (NOK 273 million). In comparison, tax of NOK 13,482 million for 2022 will be paid in 2023.

Net cash flow to investment activities of NOK 2,447 million (NOK -124 million) in 2022 includes NOK 2,008 million relating to the Hafslund Oslo Celsio and Stange Energi transactions, and dividends from associated companies, including Eidsiva Energi, of NOK 450 million (NOK 513 million). Dividends paid to the City of Oslo and minority owners amounted to NOK 3,033 million (NOK 1,240 million). Despite the financing of Hafslund Oslo Celsio, which included taking over NOK 4.0 billion in debt on the acquisition date, the high cash flow from operations in 2022 contributed to a reduction in net interest-bearing debt for the Group of NOK 1.8 billion (NOK 7.3 billion) in 2022.

Balance sheet, financing and equity

As of the end of 2022, Hafslund had total assets of NOK 97 billion (NOK 64 billion) and capital employed of NOK 66 billion (NOK 43 billion). The Group had net interest-bearing debt, including subordinated loans of NOK 9.5 billion (NOK 11.3 billion), at the end of 2022. The average coupon rate for the loan portfolio, excluding subordinated loans, was 3.8 per cent and the average time to maturity is 5 years. Outstanding subordinated loans amounted to NOK 7.3 billion (NOK 5.3 billion) at the end of 2022.

The key credit figures of net interest-bearing debt/EBITDA and FFO/net interest-bearing debt were 0.5x and 141 per cent respectively for 2022, compared with 1.7x and 54 per cent respectively for 2021. The improvements in the key figures must be viewed in connection with the high cash flow and profit resulting from higher power prices.

Hafslund has a robust financing structure with long-term, committed credit facilities and liquidity to cover a minimum of 12 months' loan maturity. At year-end 2022, the Group had unused credit facilities of NOK 3.5 billion (including overdraft facility of NOK 1 billion). Hafslund also has an overdraft facility of EUR 50 million to cover daily market settlement for futures contracts on Nasdaq OMX, which was unused at the end of 2022. The Group has no loan agreements that impose requirements for financial key figures (covenants).

Hafslund established a green framework for financing in 2021. In 2022, the Group has adjusted the syndicated credit facility of NOK 2.5 billion by adding sustainability targets related to the reduction of greenhouse gases and increased biodiversity in a selected stretch of river. During the year, Scope Ratings confirmed Hafslund AS' BBB+ credit rating, and increased the outlook from stable to positive.

Result Hydropower

Hydropower had operating revenues of NOK 20,534 million (NOK 10,835 million). The operating profit (EBIT) of NOK 18,743 million (NOK 8 601 million) is an increase of NOK 10,142 million from the previous year. The increase in operating revenues and operating profit was primarily due to high power prices in Southern Norway, despite low production and losses from hedging activity.

The achieved power price of 150 øre per kWh in 2022 was an increase of 88 øre per kWh from the previous year, which, in isolation, contributed to increasing the operating profit by NOK 12,414 million. The achieved power price was 18 per cent lower than the spot prices in the hydropower business' production areas, and in addition to the sale of concessionary power at prices determined by the government, must also be viewed in connection with the hedging activity through the sale of power to the industry at fixed prices and realised losses from financial power hedging. The operating profit includes a change in value of NOK -439 million (NOK -866 million) related to financial power and currency positions and compensatory power appraised at market value with changes in value through ordinary profit or loss.

Power production was 13.8 TWh in 2022 (18.3 TWh). This was a decrease of 4.5 TWh from the previous year and 3.9 TWh lower than the annual mean production. In isolation, the decline in production contributed to a reduction in operating profit of NOK 3,106 million compared to 2021. Mork power plant was commissioned in June 2022 and has normal production for the year of 42 GWh. Good operations and resource allocation contributed to a high level of availability at the power plants. There were no incidents involving significant operational disruptions in 2022. Operation of the power plants has been continuously adapted to the coronavirus situation in early 2022, the power situation throughout the year and regulatory requirements.

Operating expenses including depreciation were NOK 1,903 million (NOK 2,280 million) in 2022. Lower transmission costs related to the energy component and a high actual change in value in 2021 for compensatory power that is recognised as fair value through profit or loss were the main reasons for reduced operating costs.

Result District heating and cooling

The section below includes results during the Group's ownership period in 2022, i.e. 19. May to 31. December 2022.

For 2022, Hafslund Oslo Celsio had total operating revenues of NOK 1,479 million. This primarily related to revenues from district heating. In order to retain existing district heating customers, and to strengthen competitiveness against alternative energy sources, Celsio introduced a discount scheme for district heating from 1 November 2022, in which the discount rates rise as prices increase. The scheme is scheduled to continue until the end of 2023. Energy costs amounted to NOK 647 million. Energy costs for the production of district heating rose sharply during the period in line with the general increase in European energy prices. The prices of all of the fuels Celsio uses, such as pellets, bio-oils, LNG and electricity, have increased in line with European energy prices. Celsio had an operating profit of NOK 162 million in 2022. Net financial items amounted to NOK -148 million, and primarily consisted of interest costs on long-term interest-bearing debt to the parent company and minority owners. Profit after tax was NOK 13 million.

Result Growth and investments

Hafslund Vekst's total operating revenues for 2022 amounted to NOK 5 million (NOK 8 million), primarily related to the sale of advisory services at Hafslund Rådgivning. The operating profit (EBIT) of NOK 552 million (NOK -52 million) is an increase of NOK 620 million from the previous year. The increase was primarily linked to an increase in the share of the profit from Eidsiva Energi and Fredrikstad Energi, which added NOK 613 million (NOK -15 million) to Hafslund Vekst's result. The results for both of these companies were largely characterised by high costs for network losses associated with grid operations in 2021, but the results improved in 2022 due to high bottleneck revenues towards the end of the year. Profit after tax was NOK 372 million (NOK - 215 million).

Results Other businesses

Other businesses consist of the parent company Hafslund AS, including the management of Hafslund Hovedgård and Group eliminations.

The operating profit (EBIT) from other businesses was NOK -117 million (NOK -87 million) in 2022.



Risk management

Hafslund is exposed to risk in a number of areas. The most important risks are of a financial, regulatory, political, operational and reputational nature. Risk management is an integral part of the Group's business activities and is designed to ensure that strategic, operational and financial objectives are achieved. Guidelines and frameworks for managing risk have been established. The Group's overall risk is continually monitored and assessed by the Audit Committee and the Board of Directors as part of the annual cycle and in the event of major changes. The Group's risk work is closely linked to the Group's strategy work and financial structure. The purpose of risk management is to take the correct risk based on the Group's appetite and capacity for risk, expertise, financial solvency, development plans and dividend targets. The Group's risk landscape changed significantly in 2022 as a result of the geopolitical situation and significant movements in markets and regulatory conditions that have a major impact on the Group's core business activities.

Financial risk - market risk

Due to the Group's hydropower and district heating activities, Hafslund is exposed to movements in market prices. Among the steps the Group takes to manage risk is active participation in different markets. All power trading is governed by frameworks and followed up through reporting to Group management and the Board. Parts of future exposure are hedged within these frameworks. The Group's power trading unit also actively takes positions in the market. The Group's operations are adjusted in accordance with factors such as the perception of future prices, own production capacity and regulatory conditions.

Hafslund generates substantial revenues in euros through its ownership interest in Hafslund Eco Vannkraft AS, and the Group is an active participant in energy markets where trading takes place in different currencies. Earnings in foreign currencies are converted to Norwegian kroner on an ongoing basis. The Group's costs are primarily in Norwegian kroner. Hafslund can enter into loan agreements and other agreements in a foreign currency. All loans in foreign currency and some of the power price-hedged volume are currency-hedged. The Group is exposed to interest rate risk on interest-bearing loans, and manages interest rate risk by exploiting the natural interest rate hedging between the interest rate element in the non-taxable income from the hydropower business and interest on the loan side.

Financial, credit and counterparty risk

The Group is exposed to credit and counterparty risk, primarily through the sale of district heating, financial and physical power trading, and in connection with financing activities. A significant share of hydropower production is sold on an ongoing basis in the spot market. When entering into longer-term physical and financial contracts, counterparty risk is managed using clearing, guarantees and settlement mechanisms. For the district heating business, the majority of debtors are public institutions, companies and private companies that purchase district heating. Exposure related to contract counterparties is continually monitored and evaluated. Counterparty risk relating to trading with financial institutions is limited by defining lower limits for credit ratings of approved counterparties, and by diversifying exposure over multiple counterparties. The Group has historically experienced low losses on receivables.

Financial risk – liquidity risk

The Group's cash flows vary in line with factors such as fluctuations in power prices, capital requirements for power hedging, seasonal fluctuations, investment levels and loan maturities. Liquidity risk is managed by maintaining sufficient liquid funds at all times to enable the Group to service all financial liabilities upon maturity, including for extraordinary events, without risking unacceptable loss or damaged reputation. There are continual analyses of ingoing and outgoing payments, and the liquidity risk is minimised by short and long-term borrowing. Hafslund has established long-term, committed credit facilities that ensure access to liquidity.

Regulatory and political risk

Hafslund is impacted by changes to framework conditions within a number of areas. Regulatory and statutory amendments can have a major impact on financial results and other goal attainment. Risks are closely monitored through continuous work on framework conditions. The Group places an emphasis on risk associated with long-term framework conditions in connection with all major investment decisions. The competitiveness of flexible hydropower is also dependent on market regulation in the physical and financial power markets. Changes to regulatory conditions could potentially limit power production.

Operational risk

Hafslund is exposed to operational risk along the entire value chain. The operational risk is greatest within ongoing operational activities and project execution. Line management is responsible for day-to-day risk management. The business areas manage operational risk through measures such as systematic maintenance, detailed procedures for activities, controls and emergency response plans. By adopting the use of artificial intelligence, machine learning and data from sensors, the ambition is to make better operational, maintenance and investment decisions. The Group has insurance contracts, which include damage to the Group's own production facilities and other property. Liability insurance agreements have been entered into, including dam liability insurance, which covers damage to third parties and third party property. The Group also has insurance related to lost power production in the event of interruptions.

Risk relating to security of supply is of vital importance, and cybersecurity is a focus area that is closely monitored. The global security situation in Ukraine has given rise to an intensified cyber threat landscape, and the Group has been forced to adapt to the new geopolitical cyber situation. Hafslund participates in KraftCERT, which is a specialist community within the field of cybersecurity in the power industry that assists its members with advice and management of ICT incidents that are a potential threat to security. The Group did not experience any targeted attacks in 2022.

Hafslund has established systems for the registration and reporting of censurable conditions, undesirable incidents, injuries and improvement measures. Analyses are continually carried out with the aim of assessing risk, prevention and implementing measures when necessary.

Internal control

Internal control is a vital part of risk management at Hafslund. The Group has internal functions for monitoring risk and for compliance with laws and regulations. The Group also has an independent internal audit function, which will contribute to continual improvement and increased goal attainment by carrying out independent assessments and providing advice relating to internal control and risk management. All Group companies are governed by legislation, regulations, regulatory requirements and internal guidelines. The Group continually works to manage the risk of non-compliance with laws and regulations. Work is carried out in the line with the support of specialist functions. Internal awareness-raising programmes are used to improve knowledge and ensure compliance within focus areas.

The Group has established routines for the implementation of financial reporting across the Group. Controls are particularly targeted at areas that are considered to have the greatest risk of errors in the accounts. Hafslund endeavours to be a responsible actor in all parts of its business activities, and shall ensure compliance by identifying risk and implementing measures that reduce risk.

Agreements with related parties

Subordinated loans from CCS Finansiering AS

Hafslund AS has three subordinated loans with outstanding loan amounts of NOK 2,347 million, NOK 1,000 million and NOK 2,075 million from CCS Finansiering AS, a company that is 100 per cent owned by the City of Oslo. The latter-mentioned loan was established in connection with the Celsio transaction. The loans were transferred from the City of Oslo to CCS Finansiering AS on 15 December 2022. All of the loans are interest-only and have a clause stipulating that if the Group's annual result shows a loss after interest that is charged, the interest rate shall be reduced by either the loss or to 0. The reduction is final and the interest amount will not be payable at a later date. For further information, see Note 9.1 to the consolidated accounts.

CCS Finansiering AS' preference shares

As of 31 December 2022, CCS Finansiering AS has contributed NOK 189.7 million as preference capital in Hafslund Oslo Celsio. The preference shares grant the right to a share of any excess return in the CCS project up to 2051, but do not confer voting rights, the right to ordinary dividends or other financial benefits.

CCS Finansiering AS will provide preference capital in line with the capital requirement in the CCS project, with a maximum limit of NOK 2.1 billion.

The Group has classified the preference shares as debt for accounting purposes and will classify future contributions of preference capital in the same manner. For further information, see Note 4.1 to the consolidated accounts.

Corporate governance

The City of Oslo owns 100 per cent of the shares in the parent company Hafslund AS. The Board has adopted principles for corporate governance in line with the Norwegian Code of Practice for Corporate Governance of 14 October 2021 (the "NCGB Recommendation") and the City of Oslo's principles for sound governance of limited companies. These principles are intended to support the owner's profit goals and contribute to long-term value creation, as well as ensure that owners and other stakeholders have trust in the Board, management and the company. Hafslund's principles for corporate governance and a declaration on corporate governance in accordance with Section 3-3b of the Norwegian Accounting Act are available at www.hafslund.no.

The work of the Board of Directors

The Hafslund Board of Directors comprises eight members, three of whom are elected by the employees. There are currently four female and four male directors. There were no changes to the composition of the Board in 2022, although the employee-elected board members Håkon Rustad, Vegar Kjos Andersen and Ingvild Marie Rikke Solberg were appointed from 1 January 2022.

Hafslund's Board of Directors works in accordance with the adopted rules of procedure. Hafslund has agreed not to establish a corporate assembly. The Board is therefore directly accountable to the General Meeting. The Board's Compensation Committee prepares matters for review by the Board and resolutions on compensation and other associated matters concerning the company's senior executives. In 2022, the Compensation Committee comprised Alexandra Bech Gjørsv (Chair), Bente Sollid Storehaug, Bård Vegar Solhjell and Håkon Rustad. For more information regarding the remuneration of senior executives and directors, and the Board's declaration and determination of salaries and other remuneration for senior

executives, see Note 7.1 Remuneration of senior executives and directors. The Board's Audit Committee assists the Board with the preparation of the financial statements and internal control. The Audit Committee comprises Bjørn Erik Næss (Chair) and Mari Thjømøe. The Audit Committee satisfies the requirement that at least one member must be independent of the Group's operations and have an accounting or auditing qualification. The experience and qualifications of each of the directors are described in the section of the report on the Board of Directors.

The Board held eight regular board meetings in 2022, five extraordinary board meetings, and reviewed one item by email. During the previous year, the Board was particularly concerned with the strained power situation in Europe, the acquisition of Hafslund Oslo Celsio and the financing of the carbon capture project at Klemetsrud, capital management, framework conditions, further development of strategy, and opportunities for continued growth. Organisational work, risk and development of expertise were also important topics considered by the Board. The Board's work is intended to ensure that the Group develops in the best interests of its owners, employees and other stakeholders.

As part of the Group's insurance coverage, insurance has been taken out for the directors and the CEO for their potential liability to the company and third parties. The total insurance amount is NOK 200 million.

Parent company Hafslund AS

The parent company Hafslund AS (formerly Hafslund Eco AS) comprises the Group management team and Group and support functions. The Group's debt is largely held by the parent company. The company's income primarily consists of interest income and dividends received. Hafslund AS had an operating profit (EBIT) of NOK -89 million (NOK -85 million) and net financial items of NOK 2,089 million (NOK 1,690 million) in 2022. The annual profit for 2022 was NOK 2,072 million (NOK 1,668 million).

Dividend and allocation of profit for the year

The dividend is determined each year in consultation with the owner and in such a manner that the Group's capital requirements and credit quality are maintained. The Board of Directors continually monitored the Group's market and operating conditions, the equity and liquidity situation, and the dividend capacity. Based on this, the Board has proposed a dividend for the financial year of NOK 1,500 million to be considered at the Annual General Meeting. The dividend level reflects the Group's equity situation, liquidity and future prospects. The Board proposes that Hafslund AS' profit for the year be allocated as follows:



Profit for the year in Hafslund AS' financial statements

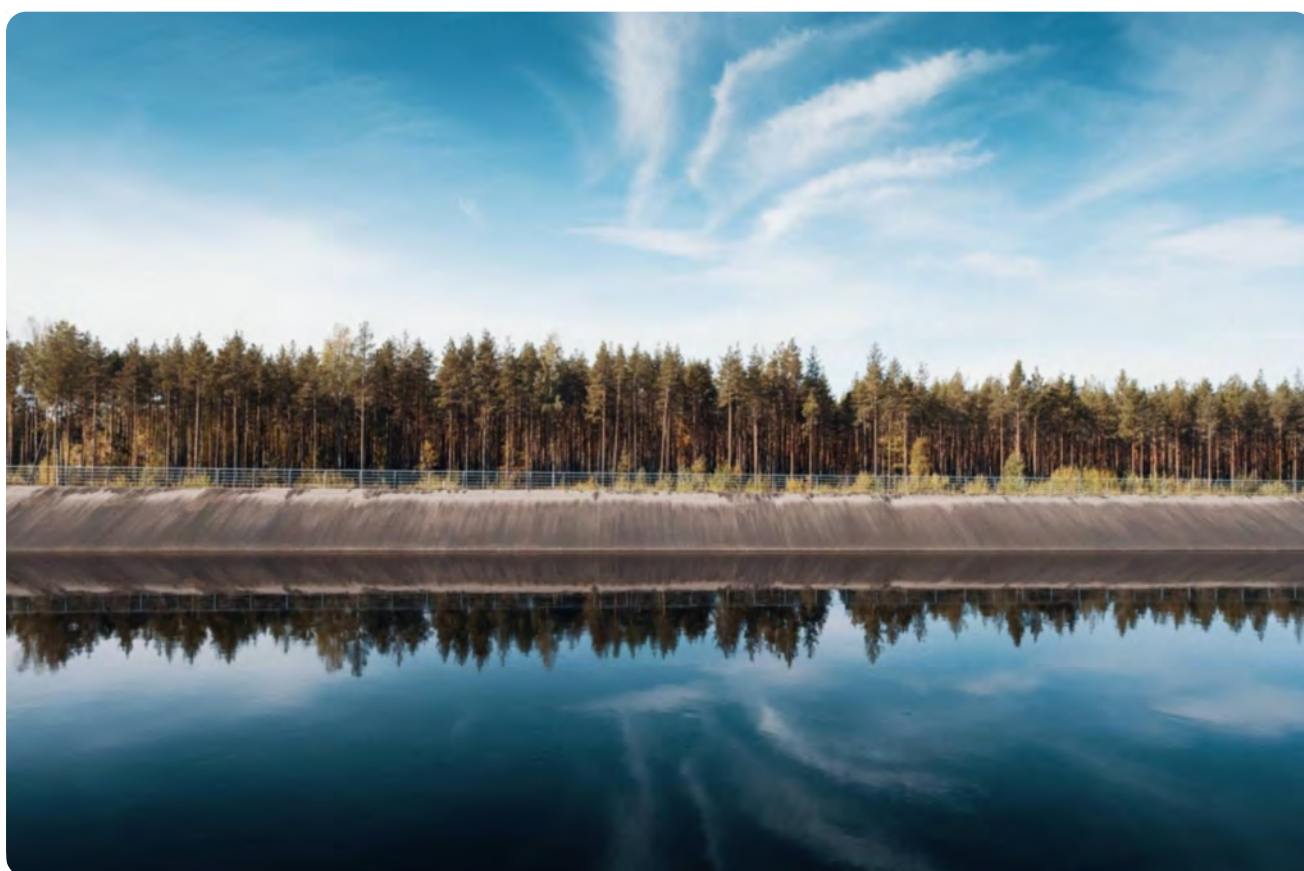
Profit for the year in Hafslund AS' financial statements	NOK 2,072 million
APPROPRIATIONS:	
Dividend allocated from Hafslund AS to the City of Oslo	NOK 1,500 million
To/from other equity	NOK 572 million

Going concern assumption

In accordance with the requirements of the Norwegian Accounting Act, the Board confirms that the annual financial statements have been prepared in accordance with the going concern assumption and that the conditions for this have been satisfied.

Events since the balance sheet date

On 16 March 2023, Hafslund Eco Vannkraft Innlandet AS and Eidsiva Energi AS agreed that the subordinated loan of NOK 1,917 million will be repaid to Eidsiva Energi in its entirety on 14 April 2023 by way of an extraordinary repayment.



Outlook

The last few years have been characterised by major changes and, to some extent, unforeseen challenges. However, Europe and Norway's need for significant increases in renewable energy and greater self-sufficiency represent long-term challenges that will most certainly define the coming years. Hafslund is in a good position to make a significant contribution, and ensuring a stable supply of renewable energy is at the very heart of the Group's activities.

Heightened geopolitical tension, a different threat landscape, increased volatility in the commodities markets and greater uncertainty are factors that Hafslund expects to have to contend with for many years to come. Hafslund considers the physical security of the Group's facilities and emergency preparedness, as well as ICT and cyber security, to be key focus areas. The Group is also feeling the implications of high inflation and strained supply chains in the Group's projects and development activities. The Board will place a strong focus on risk, preventive security measures and continuous assessment of future scenarios in the years ahead.

Moving forward, Hafslund will produce renewable energy from a broader portfolio – with energy from water, wind, solar, and hydronic heating and cooling. The Group's extensive portfolio of significant ownership interests in hydropower, district heating, grid, fibre and renewable growth initiatives places Hafslund in a strong position to create opportunities across value chains. Partnerships are an important model for the Group, and Hafslund collaborates with actors that have complementary expertise in order to realise new initiatives. Following the acquisition of Hafslund Oslo Celsio, Hafslund has become an energy and infrastructure group, and the Group takes a role in developing a greener and smarter Oslo.


Energy and climate challenges dominate the public debate, and changes in framework conditions and tax rules continue to have implications for the Group's operations. Hafslund will continue to use its deep insight into the power market and breadth of understanding through a large network of contacts and involvement in multiple sectors of society, to participate in the public debate with knowledge and perspectives on what is necessary to enable rapid and large-scale development of renewable energy and a stable power price level that maintains the attractiveness of Norway as a host country for green industry and new green jobs.

Over a longer time frame, we expect power prices to fall from the levels that were seen in 2022. However, there are fundamental factors which indicate that prices will remain at a higher level than what has historically been the case. Hafslund supports the steps taken by the government authorities to ease the cost burden of high power prices for both businesses and private individuals.

The Group started direct sales to the business sector on 1 January 2023 following changes to the resource rent tax on fixed-price agreements to the business sector.

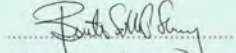
However, the most durable solution to the energy crisis and the associated price crisis is more renewable energy and energy efficiency. Growth in the renewables industry is essential for making the green transition a reality, and smarter solutions that connect technology, infrastructure, energy and urban development are necessary for Norway and Europe to have a sustainable future. Hafslund's goal is to be a growing renewable energy and infrastructure group that utilises its expertise in order to take an active role in overcoming some of society's greatest challenges. At the same time, the Group must ensure that it has a good level of profitability and the ability to pay a substantial dividend to the owner, the City of Oslo.

Oslo, 30 March 2023

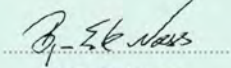
The Board of Directors of Hafslund AS

Alexandra Bech Gjerv

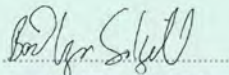
Board Chair



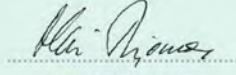
Bente Sollid Storehaug



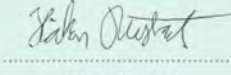
Bjørn Erik Næss



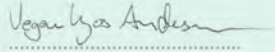
Bård Vegar Solhjell




Mari Thjømøe



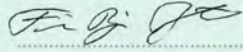
Håkon Rustad



Vegar Kjos Andersen



Ingvild Marie Rikoll Solberg

Finn Bjørn Ruyter
CEO



Annual report 2022

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Consolidated statement of comprehensive income

1 January - 31 December

NOK million	Note	2022	2021
Sales revenue	2.2	25 484	12 647
Other gain/loss	2.2	-3 581	-1 899
Other operating revenue	2.2	125	99
Revenues and other income	2.2	22 028	10 847
Energy purchases and transmission	2.3	-743	-385
Salary and other personnel costs	2.4	-751	-526
Property tax and other imposed costs and compensations	2.5	-527	-688
Other operating costs	2.6	-636	-283
Profit/loss from equity-accounted investees	3.5, 3.6	716	14
EBITDA		20 087	8 979
Depreciation and amortisation	3.1 - 3.4	-746	-516
Operating profit (EBIT)		19 340	8 463
Interest income	5.13	115	13
Interest expense	5.13	-817	-520
Other finance income/costs	5.13	241	-55
Net financial items	5.13	-462	-562
Profit before tax		18 879	7 901
Income taxes	6.1	-14 535	-5 291
Profit after tax		4 344	2 611

NOK million	Note	2022	2021
PROFIT ATTRIBUTABLE TO			
Owners of the parent company		3 636	2 200
Non-controlling interests	8.2	708	411
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS			
Hedging reserve	5.6	-2 200	-1 251
Income tax effects	5.6	1 258	470
Translation reserve equity-accounted investees	3.5	3	-19
Total items that may be reclassified to profit or loss in subsequent periods		-939	-800
ITEMS THAT MAY NOT TO BE RECLASSIFIED TO PROFIT OR LOSS			
Actuarial gains (losses) on defined benefit plans	7.2	-54	44
Income tax effects		59	-26
Equity-accounted investees - share of OCI	3.5, 7.2	-59	108
Total items that may not to be reclassified to profit or loss		-54	126
Other comprehensive income		-993	-674
Total comprehensive income		3 351	1 937
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Owners of the parent company		2 758	1 567
Non-controlling interests	8.2	593	369

Consolidated statement of financial position

31 December

NOK million	Note	2022	2021
ASSETS			
Deferred tax assets	6.1	212	277
Intangible assets	3.1	37 562	23 503
Property, plant and equipment	3.2	27 619	19 887
Right-of-use assets	3.4	339	158
Equity-accounted investees	3.5	10 669	9 597
Non-current financial derivatives	5.6	1 098	861
Other non-current receivables	5.9	1 579	1 256
Non-current assets		79 077	55 540
Inventory		77	1
Trade receivables	5.10	1 148	569
Other non-interest-bearing current receivables	5.10	1 026	365
Current financial derivatives	5.6	2 441	121
Cash and cash equivalents	5.11	13 497	6 988
Current assets		18 188	8 044
Assets		97 265	63 584

NOK million	Note	2022	2021
EQUITY AND LIABILITIES			
Paid-in capital	5.8	23 594	15 515
Other equity		9 696	8 550
Non-controlling interests	8.2	9 314	2 751
Equity		42 604	26 816
Non-current interest-bearing debt	5.2	20 203	17 745
Lease liabilities	3.4	306	135
Deferred tax liabilities	6.1	8 598	7 862
Pension liabilities	7.2	78	99
Non-current financial derivatives	5.6	337	-
Other liabilities and obligations	4.1	4 160	2 337
Non-current liabilities		33 682	28 178
Trade payables	5.12	736	608
Lease liabilities	3.4	40	25
Other current non-interest-bearing liabilities	5.12	3 196	2 080
Taxes payable	6.1	13 482	4 895
Current financial derivatives	5.6	707	32
Current interest-bearing debt	5.2	2 819	950
Current liabilities		20 980	8 589
Equity and liabilities		97 265	63 584

Consolidated statement of cash flows

1 January - 31 December

NOK million	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		18 879	7 901
Adjustments from:			
Depreciations, amortisations and impairments	3.1 - 3.4	746	516
Profit/loss from equity-accounted investees	3.5	-716	-14
Unrealised changes in derivatives		443	866
Changes in inventories		-57	2
Changes in trade receivables and other non-interest-bearing receivables		436	-395
Changes in trade payables and other non-interest-bearing liabilities	5.1	-472	1 366
Settlement of futures contracts		-3 210	-1 623
Net financial items	5.13	462	562
Other non-cash income and expenses		-36	42
Cash flows from operating activities		16 474	9 223
Taxes paid		-4 701	-273
Net cash flows from operating activities		11 773	8 951

NOK million	Note	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment		-870	-590
Cash paid to equity-accounted investees		-456	-40
Cash paid for new shares in subsidiaries		-185	-
Cash effect from Celsio transaction	1.5	-1 607	-
Dividend received from equity-accounted investees		450	513
Other investment activities		221	240
Cash flows from investing activities		-2 447	124
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan proceeds	5.2	3 380	500
Loan repayments	5.2	-2 553	-1 755
Dividends paid and other equity transactions		-3 033	-1 240
Interest paid		-664	-605
Other financing activities		141	101
Cash flows from financing activities		-2 729	-2 999
Changes in cash and cash equivalents			
Cash and cash equivalents at 1 January		6 988	1 008
Foreign currency gains/losses from cash and cash equivalents		-87	-96
Cash and cash equivalents at end of period		13 497	6 988

Consolidated statement of changes in equity

NOK million	Note	Share Capital	Share premium	Other equity	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Equity at 31 December 2021		100	15 415	8 550	24 065	2 751	26 816
COMPREHENSIVE INCOME 2022							
Profit for the year		-	-	3 636	3 636	708	4 344
Other comprehensive income		-	-	-878	-878	-115	-993
Total comprehensive income for the year		-	-	2 758	2 758	593	3 351
TRANSACTIONS WITH OWNERS							
Dividends		-	-	-2 301	-2 301	-643	-2 943
Business combinations	15	-	-	-	-	6 518	6 518
Transactions with non-controlling interests		-	-	-31	-31	31	-
Capital increase		10	8 069	216	8 295	63	8 358
Effect of dividends from Hafslund Eco Vannkraft AS to Eidsiva Energi AS	3.5	-	-	551	551	-	551
Total transactions with owners		10	8 069	-1 565	6 514	5 970	12 484
Other changes in equity		-	-	-47	-47	-	-47
Equity at 31 December 2022		110	23 484	9 696	33 290	9 314	42 604

Consolidated statement of changes in equity (cont.)

NOK million	Note	Share Capital	Share premium	Other equity	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Equity at 31 December 2020		100	15 295	7 811	23 206	2 632	25 838
Merger Oslo Energi Holding AS		-	150	48	198	-	198
Equity at 1 January 2021		100	15 445	7 859	23 403	2 632	26 035
COMPREHENSIVE INCOME 2021							
Profit for the year		-	-	2 200	2 200	411	2 611
Other comprehensive income		-	-	-632	-632	-42	-674
Total comprehensive income for the year		-	-	1 567	1 567	369	1 937
TRANSACTIONS WITH OWNERS							
Dividends		-	-	-1 124	-1 124	-283	-1 407
Capital increase		-	-	-	-	34	34
Effect of dividends from Hafslund Eco Vannkraft AS to Eidsiva Energi AS	3.5	-	-	274	274	-	274
Total transactions with owners		-	-	-850	-850	-249	-1 099
Other changes in equity		-	-30	-26	-56	-1	-57
Equity at 31 December 2021		100	15 415	8 550	24 065	2 751	26 816

Oslo, 30 March 2023

The Board of Directors of Hafslund AS

 Alexandra Bech Gjerv Board Chair	 Bente Sollid Storehaug	 Bjørn Erik Næss	 Bård Vegar Solhjell	 Mari Thjomøe	 Håkon Rustad	 Vegar Kjos Andersen	 Ingvild Marie Rikoll Solberg
 Finn Bjørn Ruyter CEO							

Note 1.1 General information

Hafslund is an energy and infrastructure group. The parent company Hafslund AS is owned 100 per cent by the City of Oslo.

The Group operates power generation through its subsidiaries Hafslund Eco Vannkraft AS, Hafslund Eco Vannkraft Innlandet AS and Hafslund Produksjon AS. In addition to operating an annual production of more than 21 TWh, the production company owns hydroelectric power plants which together produce approximately 18 TWh, enough power to supply more than 2.2 million people. The power plants are mainly in Vestlandet, Viken and Innlandet.

Through the subsidiary Hafsund Oslo Celsio AS (formerly Fortum Oslo Varme AS), in which Hafslund took over the majority share on 19 May 2022, the Group is Norway's largest producer and supplier of renewable district heating and cooling. See discussion of transaction and events in 2022 in [note 1.5](#).

Hafslund AS also has significant ownership in grid operations through its 50 per cent share in Eidsiva Energi AS. Eidsiva Energi AS owns 100 per cent of the shares in the grid company Elvia AS with more than 900,000 customers. Elvia builds, operates, maintains and renews the grid area in Innlandet, Viken and Oslo.

The Group's subsidiaries Hafslund Ny Energi AS and Hafslund Vekst AS utilises the expertise of the companies to create new growth opportunities, with the main emphasis on electrification. Hafslund also has a 49 per cent ownership interest in Fredrikstad Energi AS.

The company's head office is in Oslo. The consolidated financial statements were authorised for issue by the Board of Directors on 30 March 2023.

Note 1.2 General accounting policies

Basis for preparation of the annual financial statements

The consolidated financial statements for Hafslund AS for 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The consolidated financial statements have been prepared on the historical cost basis, with the exception of some assets and liabilities that are measured at fair value. Please see [note 5.5 Fair value](#) for a more detailed description. Preparation of financial statements in accordance with IFRSs requires the use of estimates and judgements. Items significantly impacted by judgements or assumptions and significant estimates are described in the relevant notes.

All amounts are stated in NOK million unless otherwise stated.

Currency

The consolidated financial statements are presented in Norwegian kroner (NOK), which also is the parent company's and the subsidiaries' functional currency.

Note 1.3 Changes in accounting policies

There are no changes in accounting policies for the 2022 financial statements.

Note 1.4 Changes in standards and interpretations with future effect

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. The Group does not expect the changes in these standards and interpretations to have a significant impact on the consolidated financial statements but will assess the impact when transactions and events arise that are affected by these changes. The Group's intention is to implement the relevant changes at the effective date provided that the EU adopts the changes prior to the presentation of the consolidated financial statements.



Note 1.5 Transactions and events in 2022

Acquisition of Hafslund Oslo Celsio

On 19 May 2022, a partnership consisting of Hafslund, HitecVision and Infranode carried out a transaction in which they together acquired 100 per cent of the shares in Hafslund Oslo Celsio AS (formerly Fortum Oslo Varme AS) with subsidiaries.

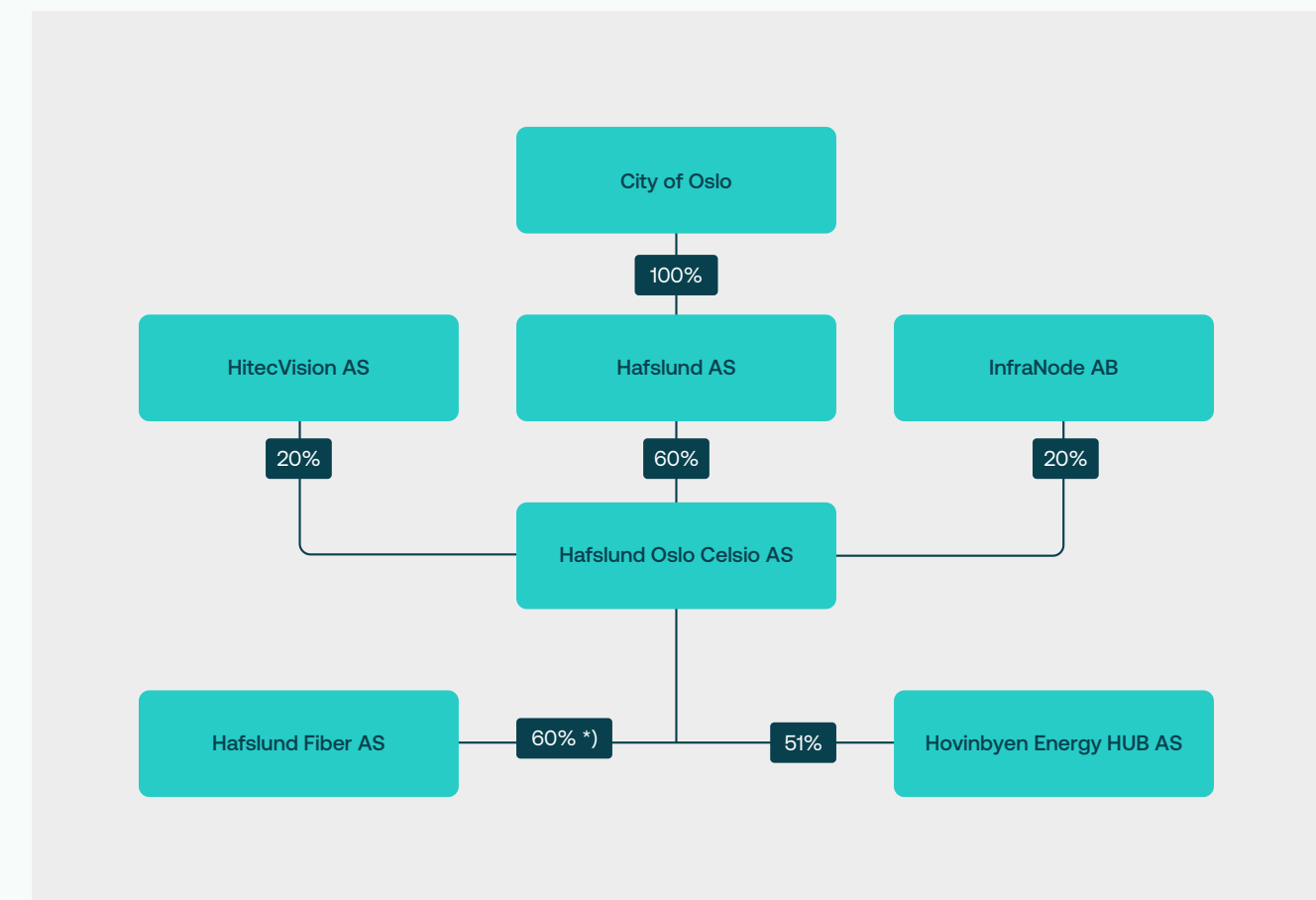
Hafslund Oslo Celsio AS manufactures and distributes renewable district heating and cooling in the Oslo region as well as in parts of Nordre Follo municipality. One of the key objectives of Hafslund's strategy is to ensure growth in hydropower and business areas closely linked to hydropower where the Group has operational and ownership synergies. District heating is such a related business area. Additionally, Hafslund Oslo Celsio AS is facing a strategically important investment in carbon capture and storage (CCS) in Oslo. The partnership sees the carbon capture and storage project as essential for sustainable energy recovery in a zero-emission society. Through the partnership's takeover of Hafslund Oslo Celsio, the financing of the carbon capture project at Klemetsrud has been secured.

Prior to the takeover, the City of Oslo and Fortum Participation Ltd each owned 50 per cent of Hafslund Oslo Celsio AS, of which Fortum was operationally responsible for Hafslund Oslo Celsio AS and had control secured through a shareholder agreement.

Several transactions were planned to achieve the current shareholder composition in Hafslund Oslo Celsio AS, and the takeover was carried out in several stages as part of a larger reorganisation. Following the transaction, Hafslund owns 60 per cent of the shares in Hafslund Oslo

Celsio AS, of which 50 per cent of the shares were transferred from the City of Oslo through a contribution in kind, and 10 per cent of the shares were purchased from Fortum Participation Ltd. At the same time, Hafslund took over NOK 2 billion in shareholder loans from the City of Oslo against Hafslund Oslo Celsio AS. Infranode AS and HitecVision AS each own 20 per cent.

The group structure after the transaction is as follows (simplified presentation):



*) Hafslund Oslo Celsio AS acquired the remaining 40 per cent in May 2022 and owns 100 per cent of Hafslund Fiber AS.

Note 1.5 Transactions and events in 2022

(cont.)

Calculation of consideration in the transaction

Hafslund Oslo Celsio and its subsidiaries were priced at NOK 20,414 million based on a gross company value of 100 per cent basis. The values of the shares were determined as a result of valuations by all parties involved (Hafslund AS, HitecVision AS, Infranode AS, the City of Oslo and Fortum Participation Ltd). External advisers are used to assist in the calculation. The shares in Hafslund Oslo Celsio AS are not listed on the stock exchange and therefore have no observable market value. Valuation models based on discounted cash flows have therefore been used.

The transaction is recognised as a business combination. The acquisition date was 19 May 2022, and is the time when Hafslund gained control of Hafslund Oslo Celsio. The fair value of 60 per cent of the total consideration for the shares was NOK 9,695 million at the time of the takeover. This represents the shares received as contributions in kind from the City of Oslo of NOK 8,079 million and Hafslund's share of the cash consideration to Fortum Participation Ltd of NOK 1,616 million. There is no contingent consideration in the transaction.

Hafslund's cash effect from the transaction:

NOK million	19 May 2022
Cash consideration	1 616
Cash and cash equivalents in the acquired companies	-9
Net cash effect from the transaction	1 607

Costs related to the transaction

Hafslund's costs in connection with the transaction amount to NOK 27 million. Transaction costs are expensed as part of other operating expenses in the total profit.

Identifiable assets and liabilities acquired in the transaction

The table below provides an overview of the fair value of identified assets and liabilities in Hafslund Oslo Celsio at the time of acquisition:

Acquired identifiable assets and liabilities

NOK million	19 May 2022
Property, plant and equipment, Heating	7 087
Other property, plant and equipment	121
Facilities under construction	269
Other non-current assets	192
Trade receivables	212
Other current assets	667
Cash and cash equivalents	9
Shareholder loans	-4 000
Deferred tax	-614
Other non-current liabilities	-226
Derivatives	-443
Other current liabilities	-692
Fair value of net identifiable assets	2 581
Non-controlling interests	-160
Goodwill	13 737
Total consideration	16 158
Hafslund's consideration for 60 per cent of the shares in Hafslund Oslo Celsio AS	9 695
Non-controlling interests	6 463
Total consideration	16 158

Non-controlling interests are booked at fair value on acquisition date.

Note 1.5 Transactions and events in 2022

(cont.)

Gross accounts receivable at the time of acquisition amounted to NOK 212 million, of which NOK 208 million was settled at the end of 2022. The remaining receivables are expected to be settled in full.

Hafslund Oslo Celsio has substantial property, plant and equipment related to district heating production. The property, plant and equipment are value-adjusted by estimating amortised replacement costs by adjusting the historical acquisition cost with an assumed price inflation in the period from the acquisition date until the date of takeover.

Goodwill and deferred tax

Recognised goodwill has been allocated to Hafslund Oslo Celsio AS (NOK 13,368 million), Hafslund Fiber AS (NOK 263 million) and Hovinbyen Energy Hub AS (NOK 106 million), primarily comprising:

- access to operate the district heating grid in Oslo (a natural monopoly defined as key infrastructure)
- the opportunity to benefit from experience across the partnership to grow and develop Hafslund Oslo Celsio further
- realise the carbon capture and storage project at the Klemetsrud waste heat recovery plant
- realise growth prospects for Hafslund Fiber

Recognised goodwill is not expected to be tax deductible. Of the total goodwill of NOK 13,737 million, NOK 491 million represents technical goodwill related to deferred tax for recognized excess values related to fixed assets in Hafslund Oslo Celsio AS.

Operating income and profit in the Celsio Group

Hafslund Oslo Celsio AS and its subsidiaries have contributed NOK 1,479 million to Hafslund's operating revenues and NOK 14 million to pre-tax profit in the period between the date of takeover and 31 December 2022.

If the acquisition had been completed on 1 January 2022 Hafslund's total operating revenues in the period 1 January to 31 December 2022 would have been NOK 23,392 million and a profit before tax of NOK 19,246 million.

The transaction with Stange Energi and Hafslund's acquisition of 5 per cent of Vinstra Kraftselskap DA and Viksdammen

Stange Energi and Eidsiva Energi completed a transaction in the first half of 2022 where Stange Energi became an owner of Eidsiva Energi in return for injecting its grid and hydropower activities. As a result, the Hafslund group's ownership in Eidsiva Energi fell below 50 per cent due to dilution, but Hafslund simultaneously bought new shares in Eidsiva Energi so that the ownership interest is back at 50 per cent.

On 1 June 2022 Hafslund Group acquired 5 per cent of Vinstra Kraftselskap DA from Eidsiva Energi in return for Eidsiva Energi receiving new shares in Hafslund Eco Vannkraft AS.

Following the transaction, Eidsiva Energi AS has increased its ownership interest in Hafslund Eco Vannkraft AS from 42.8 per cent to 43.5 per cent. At the same time Hafslund AS has reduced its ownership interest in Hafslund Eco Vannkraft AS from 57.2 per cent to 56.5 per cent and the Group has increased its ownership interest in Vinstra Kraftselskap DA from 95 per cent to 100 per cent. Due to the cross-ownership relationship with Eidsiva Energi, non-controlling ownership interests in

Note 1.5 Transactions and events in 2022

(cont.)

Hafslund Eco Vannkraft have been reduced from 78.6 per cent to 78.25 per cent.

The fair value of the consideration for the ownership interest in Vinstra Kraftselskap DA and Viksdammen is NOK 276 million, which mainly consists of hydropower plants and waterfall rights.

War in Ukraine

2022 has been a demanding and transformative year for Hafslund as well as the rest of the energy industry. The war in Ukraine, stoppage of gas supplies to Europe, operational failure of central nuclear power plants in Europe and little wind combined with drought led to historically high energy prices in Europe.

The war has also caused increased market risk and risks related to security of supply and cyber security are central. Management monitors the development of the situation and continuously follows up on the long-term consequences for the company.



Note 2.1 Segment information

Operating segments are reported according to the same structure as the management reporting. As a result of the takeover of Hafslund Oslo Celsio and higher activity within other renewable energy investments, the Group has three operating segments from 2022; Hydropower, District heating and cooling and Growth and investments.

The different segments are mainly linked to three different companies, Hafslund Eco Vannkraft with its hydropower business, Hafslund Oslo Celsio with its district heating and cooling business and Hafslund Vekst, which brings together the ownership of Eidsiva Energi and the other growth initiatives, including the development of offshore wind and solar.

Hydropower:

Hafslund Eco Vannkraft operates and wholly or partially owns 81 hydro-power plants with a production of approximately 21 TWh. The power plants are located in Vestlandet, Oslo, Viken and Innlandet and consist of both reservoir and run-of-river power plants. In 2022, the production was 13.8 TWh, 22 per cent lower than the production in a normal year.

District heating and cooling:

Hafslund Oslo Celsio owns and operates plants in the value chain from final treatment of waste to production, sale, and distribution of district heating. In addition, Hafslund Oslo Celsio establishes operations in district cooling and is 100 per cent owner of the fibre company Hafslund Fiber. In 2022, the company generated 1.8 TWh of district heating, which corresponds to heat and hot water for about 160,000 households in Oslo.

Growth and investments:

Hafslund Vekst was established as a separate company in 2022 and brings together the Hafslund Group's industrial ownership and growth initiatives. Offshore wind, business development, investment activities and follow-up of the Group's larger ownership, including our ownership interest in Eidsiva, are part of this company. Hafslund Vekst works with both established and new growth initiatives within the renewable value chain and has a clear partnership strategy. Hafslund Vekst collaborates with companies with complementary expertise and financial strength to realise new opportunities.

In addition to the operating segments, the segment reporting includes Other activities, this is the parent company Hafslund AS and Group eliminations, which are shown together in a separate column. Results from affiliated companies are presented in the respective operating segments Hydropower, District heating and cooling and Growth and investments, under operating profit. Transactions between the business areas are carried out in accordance with the arm's length principle.

Group management assesses the business areas' performance and profitability based on EBITDA, operating profit and profit after tax.

Specification of different revenue types per segment is given in [note 2.2 Revenues and other income](#).

It is the first time Hafslund has prepared a segment note and comparative figures have been presented according to the same principles as the current year's figures.

Note 2.1 Segment information

(cont.)

1 January – 31 December

NOK million	Hydropower		District heating and cooling ¹		Growth and investments		Other		Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Sales revenue	23 776	12 647	1 707	-	-	-	-	-	25 484	12 647
Other gain/loss	-3 334	-1 899	-247	-	-	-	-	-	-3 581	-1 899
Other operating revenue	91	87	19	-	5	8	10	3	125	99
Revenues and other income	20 534	10 835	1 479	-	5	8	10	3	22 028	10 847
Energy purchases and transmission	-96	-385	-647	-	-	-	-	-	-743	-385
Salary and other personnel costs	-526	-479	-151	-	-23	-16	-52	-31	-751	-526
Property tax and other imposed costs and compensations	-532	-687	6	-	-	-	-1	-	-527	-688
Other operating costs	-239	-218	-293	-	-18	-15	-86	-51	-636	-283
Profit/loss from equity-accounted investees	112	46	-	-	588	-29	16	-2	716	14
EBITDA	19 253	9 111	394	-	552	-51	-113	-81	20 087	8 979
Depreciation and amortisation	-510	-510	-232	-	-	-1	-4	-6	-746	-516
Operating profit (EBIT)	18 743	8 601	162	-	552	-52	-117	-87	19 340	8 463
Interest income	161	25	18	-	2	11	-67	-23	115	13
Interest expense	-705	-541	-146	-	-233	-180	267	202	-817	-520
Other finance income/costs	401	-145	-20	-	-8	14	-131	75	241	-55
Net financial items	-144	-661	-148	-	-240	-155	70	254	-462	-562
Profit before tax	18 599	7 940	14	-	312	-207	-47	168	18 879	7 901
Income taxes	-14 596	-5 229	-1	-	60	-8	3	-54	-14 535	-5 291
Profit after tax	4 003	2 711	13	-	372	-215	-44	114	4 344	2 611

¹⁾ For the period 19 May - 31 December

Note 2.1 Segment information

(cont.)

31 December

NOK million	Hydropower		District heating and cooling		Growth and investments		Other		Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
ASSETS										
Intangible assets	23 802	23 480	13 738	-	-	-	22	23	37 562	23 503
Property, plant and equipment	19 853	19 712	7 593	-	6	6	167	169	27 619	19 887
Equity-accounted investees	378	424	1	-	10 243	9 143	47	30	10 669	9 597
Other non-current assets	2 200	1 495	345	-	383	188	299	869	3 227	2 553
Non-current assets	46 234	45 111	21 677	-	10 632	9 337	535	1 092	79 077	55 540
Cash and cash equivalents	17 302	8 871	295	-	-741	-905	-3 360	-977	13 497	6 988
Other current assets	4 352	1 645	1 075	-	81	56	-817	-645	4 692	1 056
Current assets	21 654	10 516	1 370	-	-659	-850	-4 177	-1 622	18 188	8 044
Assets	67 887	55 627	23 047	-	9 973	8 487	-3 642	-530	97 265	63 584

NOK million	Hydropower		District heating and cooling		Growth and investments		Other		Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
EQUITY AND LIABILITIES										
Equity	18 235	18 112	16 269	-	3 670	2 364	4 430	6 340	42 604	26 816
Non-current liabilities	31 544	29 287	5 575	-	6 005	6 008	-9 442	-7 116	33 682	28 178
Current liabilities	18 108	8 227	1 203	-	298	116	1 370	246	20 980	8 589
Equity and liabilities	67 887	55 627	23 047	-	9 973	8 487	-3 642	-530	97 265	63 584

Note 2.2 Revenues and other income

Key accounting policies

The Group's revenues mainly comprise revenue from sale of power in the wholesale market, concessionary power, industrial contracts and results from financial power hedging. From 19 May 2022, operating revenues also consist of district heating revenues and revenues from waste management. See discussion of transactions and events 2022 in [Note 1.5](#).

The main principles for accounting for Hafslund's revenue streams are described below.

Sales revenue

Power revenue

Produced power is mainly sold through the Nord Pool spot exchange and by bilateral agreement to Fortum Hedging AS. The performance obligation is mainly power, and the transaction price is the consideration the Group expects to receive, at either spot price, regulated price or contractual price. The performance obligation is fulfilled over time, which means that the revenue is recognised for each unit delivered, at transaction price. Hafslund applies a practical approach where power revenue is recognized at the amount that the entity is entitled to invoice. The right to invoice arises when the power is produced and delivered, and the right to invoice will normally correspond directly to the value for the customer. The Group takes the view that Nord Pool should be regarded as a customer since the Group has an enforceable contract with Nord Pool AS. The same applies to Fortum Hedging AS. As a principal rule, power revenues from own production are generally presented gross in the income statement.

Concessionary power

The Group is obliged to deliver concessionary power to municipalities and county authorities at either a regulated OED (Ministry of Petroleum and Energy) price or the full cost. Hafslund does not consider revenue from delivery of concessionary power to derive from a customer contract as defined in IFRS 15 but applies the principles in IFRS 15 analogically and therefore also presents revenue from the sale of concessionary power as sales revenue.

Industrial contracts

Hafslund has also entered into bilateral agreements for the physical delivery of power to industrial companies. These industrial contracts are recognized under the same principles as other power sales.

District heating revenue

Income from district heating is recognized in accordance with customers' measured consumption of district heating. For commercial buildings, condominiums and housing cooperatives, meter readings are made every hour and customers are invoiced monthly. For private customers, monthly meter readings are made, and customers are invoiced monthly. District heating revenues are calculated by multiplying the measured consumption to customers by the current district heating tariffs for the period. From 1 November 2022, the subsidiary Hafslund Oslo Celsio AS introduced a discount scheme for district heating where rebates rise as prices increase. Hafslund is responsible for the delivery of the entire service and has concluded that the distribution and sale of district heating are not separate delivery obligations.

Connection fee is considered a separate delivery obligation and is recognised as income when heating is applied. Until the customer becomes affiliated, the fee is recognised in the balance sheet as deferred income. Expenses related to the connection are capitalized.

Note 2.2 Revenues and other income

(cont.)

Waste management revenue

Revenues from waste management mainly come from the fee the customer pays for the Group to receive waste. The fee is mainly calculated based on the quality and volume of waste received and there are variable elements in the pricing. The Group has an obligation to manage the waste, and this delivery obligation is fulfilled when the waste has been processed.

Other gains/losses

Hedging of financial power contracts and foreign currency derivatives

Hafslund uses financial derivatives to hedge the future revenues from the sale of district heating and revenues from hydropower production. The Group applies hedge accounting for both hedging of hydropower production and hedging of revenues from district heating, please see note 5.6 Derivates and hedging. Currency futures used to exchanges hedging settlements from euro to Norwegian kroner, hedging inefficiencies and results from other contracts that are not subject to hedge accounting are measured at fair value through profit or loss under Other gains/losses.

Financial power contracts

The group has a financial power contract as compensation for lost production. Revenue from the contract is presented under Other operating income. The contract is measured at fair value through profit and loss, and value adjustments are presented under Other gains/losses.

Revenue and other income

The company's operating revenues consist mainly of power sales at spot prices and sales of district heating. The Group does not have significant contract balances from sale of power, as spot contracts are settled daily. The district heating activities are mainly invoiced monthly.

NOK 110 million has been paid in connection fees, which are recognized as income at the time of heat application.

Delivery obligations and revenue recognition principles:

Performance obligation	Revenue recognition principle
Power revenue	Based on the right to invoice the customer (at the time of delivery)
District heating revenue	Based on the right to invoice the customer (at the time of delivery)
Waste treatment revenue	The time when the waste has been processed
Grid rental/actual revenue	The time of heat application (at the time of delivery)

Note 2.2 Revenues and other income

(cont.)

1 January - 31 December

NOK million	Hydropower		District heating and cooling ¹		Growth and investments		Other		Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
REVENUES AND OTHER INCOME										
Power revenue	22 846	11 782	181	-	-	-	-	-	23 027	11 782
Concessionary power	347	198	-	-	-	-	-	-	347	198
Industrial contracts	572	651	-	-	-	-	-	-	572	651
Heat sales	-	-	1 368	-	-	-	-	-	1 368	-
Waste treatment sales	-	-	158	-	-	-	-	-	158	-
Grid rental/actual revenue	11	15	-	-	-	-	-	-	11	15
Sales revenue	23 776	12 647	1 707	-	-	-	-	-	25 484	12 647
Realised gains/losses power derivatives and foreign currency derivatives	-2 903	-1 252	-243	-	-	-	-	-	-3 145	-1 252
Value adjustments power derivatives	-313	-646	-5	-	-	-	-	-	-317	-646
Value adjustments currency derivatives	-118	-1	-	-	-	-	-	-	-118	-1
Other gains/ losses	-3 334	-1 899	-247	-	-	-	-	-	-3 581	-1 899
Other operating income	91	87	19	-	5	8	10	3	125	99
Other operating income	91	87	19	-	5	8	10	3	125	99
Revenues and other income	20 534	10 835	1 479	-	5	8	10	3	22 028	10 847

1) For the period 19 May - 31 December

Note 2.3 Energy purchases and transmission costs

1 January - 31 December

NOK million	2022	2021
ENERGY PURCHASES AND TRANSMISSION COSTS		
Energy purchases	25	22
Purchases raw materials	647	-
Transmission costs	71	363
Energy purchases and transmission costs	743	385

Transmission costs primarily relate to feed-in costs to the transmission grid. Raw materials mainly consist of fuels consumed in the district heating and cooling segment.

Note 2.4 Salaries and other personnel costs

1 January - 31 December

NOK million	2022	2021
SALARIES AND OTHER PERSONNEL COSTS		
Wages and salaries	582	422
Employers' national insurance contributions	83	54
Pension costs	61	44
Other personnel costs	26	6
Salaries and other personnel costs	751	526
Average number of full-time equivalents employed in the Group	549	427

Note 2.5 Property tax and other imposed costs and compensations

Key accounting policies

Property tax

Property tax is classified and recognised under operating expenses in the income statement in the year it is levied.

License fees

License fees are paid annually to the government and local authorities for the right to use waterfalls. Such fees are recognised as costs in the period to which they relate.

Regulation costs and other compensations

See [note 4.1](#) Other liabilities and obligations for a more detailed description of power obligations.

1 January - 31 December

NOK million	2022	2021
PROPERTY TAX AND OTHER IMPOSED COSTS AND COMPENSATIONS		
Property tax	218	249
License fees	104	102
Fair value adjustment compensations	8	220
Regulation costs and other compensations	198	117
Property tax and other imposed costs and compensations	527	688

Property tax is calculated based on valuations determined in accordance with Section 8 of the Norwegian Property Tax Act. The tax rate is a maximum of 0.7 per cent.

Note 2.6 Other operating costs

1 January - 31 December

NOK million	2022	2021
OTHER OPERATING COSTS		
Maintenance	362	131
Purchase of external services	322	203
Office expenses	79	50
Insurance	27	27
Sales and marketing expenses	15	6
Loss on receivables	-1	-1
Reimbursement of operating expenses from joint owners	-152	-116
Own-investment work	-94	-73
Other items	78	58
Other operating costs	636	283

The increase in other operating costs compared to 2021 are mainly due to the acquisition of Hafslund Oslo Celsio. See discussion of transactions and events 2022 in [Note 1.5](#).

1 January - 31 December

NOK thousand	2022	2021
AUDITOR'S FEES		
Mandatory audit	4 361	3 176
Other assurance services	441	216
Tax consultancy services	84	-
Other non-audit fees	156	450
Total auditor's fees	5 042	3 842
Of which fees to group auditor	4 332	3 842

The specification includes audit fee for the whole Group. Value added tax is not included in the specified audit fee.

Note 3.1 Intangible assets

Key accounting policies

Intangible assets, which in Hafslund consist of waterfall rights and goodwill, are recognised at cost. Intangible assets with an indefinite useful life are not amortised but tested for impairment each year.

For detailed principles relating to impairment of intangible assets and goodwill, please see [Note 3.3 Impairment testing](#).

Key estimates and assumptions

The hydropower business mainly has perpetual licences (no right of reversion to state ownership) and purchased waterfall rights are deemed to be perpetual and are not amortised. The rights are classified as intangible assets since the Group takes the view that acquired waterfalls do not have physical substance but that the Group has paid for the right to utilise future precipitation and snow melt to generate power.

NOK million	Waterfall rights	Goodwill	Intangible assets
2022			
Balance at 1 January	17 292	6 211	23 503
Additions	26	-	26
Additions regarding transactions of Celsio and Stange-Energi	143	13 910	14 053
Amortisation	-20	-	-20
Balance at 31 December	17 441	20 121	37 562
Cost	17 504	20 121	37 626
Accumulated amortisation	-63	-	-63
Balance at 31 December	17 441	20 121	37 562
2021			
Balance at 1 January	17 303	6 211	23 514
Additions	9	-	9
Amortisation	-20	-	-20
Balance at 31 December	17 292	6 211	23 503
Cost	17 334	6 211	23 545
Accumulated amortisation	-42	-	-42
Balance at 31 December	17 292	6 211	23 503

Note 3.2 Property, plant and equipment

Key accounting policies

Property, plant and equipment is measured at cost less accumulated depreciation and impairment. Depreciation starts when the asset is completed and available for use as management intended. Facilities under construction are reclassified to district heating plants, power stations and dam facilities when the asset is considered available for use, normally after successful test operation.

The cost of property, plant and equipment is the purchase price, including levies/taxes and costs directly related to making the asset available for use.

Borrowing costs directly attributable to procurement, design or production of a qualifying assets are added to the cost. A qualifying asset is an asset that requires a long time to be prepared for its intended use or sale, for example a hydropower plant.

Expenses incurred after an operating asset has been taken into use, such as ongoing maintenance, are recognised in profit or loss, while other expenses (periodic maintenance) that are expected to generate future economic benefits are capitalised. The carrying amount of replaced parts is deducted and recognised in profit or loss.

Government grants are recognised at fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all relevant conditions.

Government grants are deferred and recognised in the income statement to match with the related costs. Reimbursements and grants related to investments are accounted for as a reduction of investment cost and recognized as a in the income statement through reduced depreciation of the related asset.

The depreciation method and period are assessed annually, and any changes are recognised as change in estimate.

For details of impairment policies for property, plant and equipment, please see [note 3.3 Impairment testing](#).

Key estimates and assumptions

Property, plant and equipment is depreciated over the asset's expected useful life. Expected useful lives are estimated based on experience, history and discretionary judgements relating to technical use and profitability and are adjusted to reflect any changes in expectations. Residual value is taken into account in determining depreciation, and assessment of residual value is also subject to estimates.

Provisions are not recognised for asset retirement obligations since there is no right of reversion to state ownership for the Group's hydropower plants.

Note 3.2 Property, plant and equipment *(cont.)*

NOK million	Power facilities	District heating facilities	Technical equipment and chattels	Other property	Facilities under construction	Property, plant and equipment
YEAR ENDED 2022						
Balance at 1 January	16 910	-	1 714	347	916	19 887
Operating investments	586	53	119	36	755	1 550
Additions regarding transactions Celsio and Stange-Energi	163	4 181	2 782	245	269	7 640
Disposals	-50	-	-3	-1	-	-54
Reclass from facilities under construction	-	-	-	-	-702	-702
Depreciation	-419	-96	-177	-9	-	-701
Impairment (-)/Reversal of impairment (+)	6	-	-	-	-	6
Other items	-	-	-	-	-6	-6
Balance at 31 December	17 196	4 138	4 435	618	1 232	27 619
Cost	29 304	4 234	4 792	763	1 232	40 324
Accumulated depreciation	-12 043	-96	-356	-145	-	-12 640
Accumulated impairment	-65	-	-	-	-	-65
Balance at 31 December	17 196	4 138	4 435	618	1 232	27 619
Depreciation period (number of years)	40-100	10-40	3-30	100/No depreciation	No depreciation	

Discussion of key matters

The table above also includes shareholdings in facilities that are owned through joint operations. Details of joint operations are given in [note 3.6 Joint operations](#).

Note 3.2 Property, plant and equipment *(cont.)*

NOK million	Power facilities	Technical equipment and chattels	Other property	Facilities under construction	Property, plant and equipment
YEAR ENDED 2021					
Balance at 1 January	16 687	1 760	352	1 208	20 007
Operating investments	711	50	2	-167	597
Disposal	-68	-49	6	-65	-176
Depreciation	-412	-48	-10	-	-471
Impairment	-7	-	-	-	-7
Other items	-1	2	-3	-60	-63
Balance at 31 December	16 910	1 714	347	916	19 887
Cost	28 814	1 896	415	916	32 041
Accumulated depreciation	-11 773	-182	-68	-	-12 023
Accumulated impairment	-131	-	-	-	-131
Balance at 31 December	16 910	1 714	347	916	19 887
Depreciation period (number of years)	40-100	3-30	100/ No depreciation	No depreciation	

Note 3.3 Impairment testing

Key accounting policies

Property, plant and equipment, intangible assets, goodwill and equity-accounted investees are monitored on an ongoing basis for indications of possible impairment. Cash-generating units (CGUs) with intangible assets with an indefinite useful economic life and goodwill are considered for indications of impairment semi-annually or if there is a significant change in core value drivers i.e. future power price. In the case of indications of impairment, impairment tests are carried out immediately. If the impairment tests indicate that the balance sheet values are no longer justifiable, they are written down to the recoverable amounts. At each reporting date, assessments are made for the potential reversal of previous impairments on property, plant and equipment. Impairments of goodwill are not reversed.

Equity-accounted investees are tested for impairment when there are indications of impairment.

Key estimates and assumptions

Cash-generating units

Power production: Power plants located in the same watercourse and which are managed collectively to optimise power production are regarded as CGUs. In addition to this, each individual power plant constitutes a CGU.

District heating and cooling: Include booked values in the Hafslund Oslo Celsio, which also includes the Carbon capture and storage (CCS) project.

Fiber: Include booked values from Hafslund Fiber's operations.

Equity-accounted investees: Each investment is a CGU, the main investments being Eidsiva Energi AS, Fredrikstad Energi AS, NorthConnect and the wind power companies Austri Raskiftet and Austri Kjølberget.

Uncertainty regarding estimates

The Group has significant property, plant and equipment and intangible assets which consist of power plants, dams, waterfall rights and goodwill. There is uncertainty regarding estimates related to Property, plant and equipment and Intangible assets, since both valuation and estimated useful life of assets are based on future information that is encumbered by a high degree of uncertainty. Intangible assets are considered to represent the greatest uncertainty. The value of the intangible assets is mainly derived from separate valuations and is generally capitalised in connection with business combinations.

Typical indicators of impairment can be negative shifts in future power prices, discount rates, technological or regulatory changes or other events. Whether or not these are indicators that may indicate a need for impairment is a discretionary assessment.

The calculation of value in use is based on several discretionary assessments and assumptions pertaining to future cash flows, where future power prices, production volumes inflation expectations and the discount rate are critical factors.

Budget and forecast assumptions

A price curve for power based on three years of observable market prices (Nasdaq) has been assumed, followed by a price curve based

Note 3.3 Impairment testing

(cont.)

on the Group's long-term price expectations. In the management's opinion, the long-term price expectations are within a reasonable range compared with power price curves from external players and analysis agencies. Production volume is based on the Group's long-term production plans and the estimated cash flows are calculated after tax.

Discount rate

The impairment assessments of hydropower production plant are based on a nominal after tax discount rate of 6.1 per cent. The discount rate used for district heating and cooling is 5.6 per cent.

Results

Based on the assumptions used, the impairment tests show that the book values of property, plant and equipment, waterfall rights and goodwill for all CGUs in hydropower production can be justified. The sensitivity analyses further indicate no potential impairment for any of the CGUs from a reduction in future power price or an increase in the discount rate.

The impairment test shows that balanced values in District heating and cooling can be justified. Capitalised values were recognised at fair value in connection with the Celsio-transaction in May 2022, resulting in limited robustness in the event of changes in the expected long-term power price or increased discount rate.

Equity-accounted investees consists essentially of a 50 per cent ownership interest in Eidsiva Energi. At the end of 2022, no indicators of impairment have been identified for the investment in Eidsiva Energi and the analyses show significant robustness in the values. The same applies

to the 49 per cent ownership in Fredrikstad Energi AS.

Booked values for the Group's investments in wind power (Austri Raskiftet and Austri Kjølberget) can be justified – also taking into account the introduction of resource rent tax on wind power from 2023 onwards. Sensitivity analyses indicate limited robustness in the values.

The overview below shows recognised values of tested assets:

NOK million	2022	2021
Property, plant and equipment	27 619	19 887
Goodwill	20 121	6 210
Waterfall rights	17 441	17 292
Right-of-use assets	339	158
Equity-accounted investees	10 669	9 597
Sum recognised value of tested assets per 31 December	76 214	53 146

NOK million	2022	2021
GOODWILL ALLOACTION PER SEGMENT		
Hydropower	6 361	6 188
District heating and cooling	13 738	-
Other	22	23
Sum goodwill per 31 December	20 121	6 210

Note 3.4 Leases

Hafslund leases office space, cars and other operating equipment.

NOK million	Note	2022	2021
RIGHT-OF-USE ASSETS			
Right-of-use assets at 1 January		158	175
Adjustments		4	4
Additions		54	4
Additions by transactions	1.5	158	-
Disposals		-7	-5
Depreciation		-29	-19
Right-of-use assets at 31 December		339	158
LEASE LIABILITIES			
Lease liabilities at 1 January		160	176
Adjustments		4	4
Additions		48	4
Additions by transactions	1.5	162	-
Disposals		-	-6
Lease payments		-34	-23
Interest		7	4
Lease liabilities at 31 December		346	160
Hereof current liabilities		40	25
Hereof non-current liabilities		306	135

On 19 May 2022, Hafslund acquired 60 per cent of Hafslund Oslo Celsio AS (formerly Fortum Oslo Varme AS) with subsidiaries. The Group thereby increased its right-of-use assets by NOK 158 million and lease obligations by NOK 162 million on acquisition date. Hafslund Oslo Celsio mainly leases office premises and buildings where production equipment is located.

Note 3.5 Equity-accounted investees

Key accounting policies

The Group's equity accounted investees are entities over which Hafslund has significant influence, but not control. Significant influence will generally exist when the Group has a shareholding of between 20 and 50 per cent of the voting rights. Joint ventures are entities where Hafslund has joint control with one or more other owners. Associates and joint ventures are accounted for using the equity method in the consolidated financial statements.

The Group has 50 per cent ownership in the joint venture Eidsiva Energi and has two subsidiaries where a proportion of the subsidiaries is owned through the joint venture. The Group has chosen to apply the so-called "look-through approach" when calculating non-controlling interests (please see [note 8.2 Non-controlling interests](#)) and the recognition of the share of profit from the subsidiaries coming from the joint venture is treated consistently with this approach. This means that the share of profit that applies to these subsidiaries is eliminated before the share of profit from the joint venture is included in the consolidated financial statements. Hafslund's opinion is that the "look-through approach" gives a more accurate picture of the Group's results and financial position, since under this approach double counting of results of subsidiaries where the joint venture has ownership interests is avoided.

Key estimates and assumptions

None of the Group's associates or the joint ventures are listed or have observable market values.

Company name	Acquisition date	Registered office	Share-holding	Voting rights	Type of investment
Austri Kjølberget DA	2019	Våler	20%	20%	Associate
Austri Raskiftet DA	2019	Trysil/Åmot	20%	20%	Associate
Eidsiva Energi AS	2019	Hamar	50%	50%	Joint venture
Elaway AS	2021	Oslo	50%	50%	Joint venture
Fredrikstad Energi AS	2014	Fredrikstad	49%	49%	Associate
Hafslund Magnora Sol AS	2022	Oslo	40%	40%	Associate
NGK Utbygging AS	2014	Oslo	25%	25%	Associate
NorthConnect AS	2010	Kristiansand	22%	22%	Associate
NorthConnect KS	2011	Kristiansand	20%	20%	Associate
NorthConnect Ltd	2019	Edinburgh	22%	22%	Associate
OF Energi AS	2022	Oslo	50%	50%	Joint venture
Solway AS	2022	Oslo	50%	50%	Joint venture
Springboard Energy Systems AS	2022	Oslo	50%	50%	Joint venture
Stenkalles Holding AS	2022	Oslo	50%	50%	Joint venture
Volte AS	2022	Bergen	50%	50%	Joint venture

Note 3.5 Equity-accounted investees

(cont.)

2022

NOK million	Eidsiva Energi AS	Other	Total
BALANCE AT 1 JANUARY	8 782	816	9 597
Share of profit after tax	549	196	745
Depreciation excess values	-29	-	-29
Profit/loss from equity-accounted investees	520	196	716
Equity accounted investees' share of OCI	-54	-4	-59
Additions	336	-24	312
Dividends from Eidsiva Energi	-470	-	-470
Dividends from Hafslund Eco Vannkraft to Eidsiva Energi (treated as capital increase)	551	-	551
Other equity changes	19	3	21
Balance at 31 December	9 683	986	10 669

2021

NOK million	Eidsiva Energi AS	Other	Total
BALANCE AT 1 JANUARY	8 879	748	9 627
Share of profit after tax	13	30	43
Depreciation excess values	-29	-	-29
Profit/loss from equity-accounted investees	-15	30	14
Equity accounted investees' share of OCI	113	-24	89
Additions	-	99	99
Dividends from Eidsiva Energi	-439	-	-439
Dividends from Hafslund Eco Vannkraft to Eidsiva Energi (treated as capital increase)	274	-	274
Other equity changes	-29	-36	-64
Balance at 31 December	8 782	816	9 597

Eidsiva Energi is one of Norway's largest energy and broadband groups, with operations in large parts of southern Norway. The company owns 43.5 per cent of Hafslund Eco Vannkraft and is the owner of Norway's largest grid business, Elvia. The head office is in Hamar. The company is owned by Hafslund (50 per cent), Innlandet Energi (49.4 per cent) and Åmot municipality (0.6 per cent).

Note 3.5 Equity-accounted investees

(cont.)

The table to the right summarises the financial information of Eidsiva Energi, included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. Hafslund applies the so-called "look-through approach" when recognising the ownership in Eidsiva Energi under the equity method. This means that the effect of the indirect ownership of subsidiaries are eliminated to avoid double counting in Hafslund's consolidated financial statements. The table also shows a reconciliation to the Group's carrying amount of its ownership interest in Eidsiva Energi.

NOK million	2022	2021
Non-current assets	39 785	37 828
Current assets	4 855	2 422
Non-current liabilities	-19 447	-17 788
Current liabilities	-5 826	-4 896
Net assets (100 %)	19 366	17 565
Carrying amount of interest in Eidsiva Energi at 31 December	9 683	8 782
Revenues	10 642	8 343
Depreciations and amortisation	-1 538	-1 641
Profit after tax	1 042	-29
Other comprehensive income	-108	226
Total comprehensive income	934	195
The Group's share of total comprehensive income (50 %) 1 January - 31 December	466	97

Note 3.6 Joint operations

Key accounting policies

The Group co-operates with other parties in the development and operation of power plants which are arranged as either a company with divided liability or as a co-ownership. These joint arrangements are split between joint ventures, joint operations and joint operations without joint control. For the two latter arrangements the owner companies are entitled to dispose of their relative share of the power production after the deduction of commitments to deliver concessionary power and the like.

Joint arrangements

A joint arrangement is an arrangement where two or more parties have joint control. Joint control is present when decisions about relevant activities require unanimity between the parties that share control. Investments in joint arrangements are classified as either joint operations or joint ventures. Joint ventures are arrangements where the joint venturers are entitled to the net assets and dividends of the arrangement instead of rights to dispose of their proportionate share of the power production and the obligation to cover a share of the costs. Here, the owner companies do not dispose of their proportionate share of the power production. Joint ventures are accounted for using the equity method, please see note 3.5 Equity- accounted investees.

Joint operations are arrangements under which the joint operators have rights to the assets and a responsibility for the obligations, and the right to dispose of their share of the power production and the obligation to cover a share of the costs so that there is a gross settlement of revenues and costs from the arrangement. For joint operations the Group

accounts for its interest in the arrangement's assets, liabilities, revenues and costs. The Group's interest normally coincides with the ownership share.

Joint operations without joint control

Some power plants are organised as either a company with shared liability (DA) or as a co-ownership without joint control. Ownership in these power plants entails that the Group has the right to dispose its share of the power production and an obligation to cover its share of the costs and owns a share in the assets and a share of the liabilities. Joint operations without joint control are accounted for in the same manner as joint operations.

Significant estimates and assumptions

The Group considers the rights and obligations that arise from each arrangement and especially evaluates if there is either a net settlement or an entitlement to a share of the power production and an obligation to cover a share of the costs. The group also assesses whether there is joint control if unanimity is required. The considerations sometimes require judgement and the interpretation of underlying agreements, but the Group also considers how the arrangements are operated in practice.

Note 3.6 Joint operations

(cont.)

The Group has an interest in the following joint operations and joint operations without joint control:

Company name	Classification	Registered office	Shareholding	Voting rights
Glommens og Laagens Brukseierforening ¹	Joint operations w/o joint control	Lillehammer	-	71,0 %
Foreningen til Hallingdalsvassdragets regulering	Joint operations w/o joint control	Oslo	-	65,0 %
Foreningen til Bægnavassdragets regulering ²	Joint operations w/o joint control	Hønefoss	-	41,1 %
Vinstra Kraftselskap DA	Joint operations w/o joint control	Lillehammer	100,0 %	-
Aurlandsverkene ³	Joint operations w/o joint control	Oslo	93,0 %	-
Storbrofoss Kraftanlegg DA ⁴	Joint operations w/o joint control	Lillehammer	80,0 %	-
Opplandskraft DA	Joint operations w/o joint control	Lillehammer	75,0 %	-
Rosten Kraftverk	Joint operations w/o joint control	Lillehammer	72,0 %	-
Lya Kraftverk	Joint operations w/o joint control	Oslo	70,0 %	-
Solbergfoss	Joint operations	Oslo	66,7 %	-
Usta Kraftverk	Joint operations w/o joint control	Oslo	57,1 %	-
Nes Kraftverk	Joint operations w/o joint control	Oslo	57,1 %	-
Øvre Otta DA	Joint operations	Lillehammer	55,0 %	-
Sarp Kraftverk	Joint operations	Sarpsborg	50,0 %	-
Nedre Otta DA ⁵	Joint operations	Lillehammer	50,0 %	-
Embretsfosskraftverkene DA	Joint operations	Drammen	50,0 %	-
Kraftverkene i Orkla	Joint operations w/o joint control	Rennebu	12,0 %	-
Uvdalsverkene	Joint operations w/o joint control	Porsgrunn	10,0 %	-

¹ The voting right includes the companies Hafslund Eco Vannkraft AS, Hafslund Eco Vannkraft Innlandet AS, Hafslund Produksjon AS and interests in the jointly owned companies Opplandskraft DA, Vinstra Kraftselskap DA and Øvre Otta DA.

² The voting right includes the companies Hafslund Eco Vannkraft Innlandet AS and Storbrofoss Kraftanlegg DA.

³ The Group has an option to redeem Statkraft's 7 per cent stake at market price in 2029.

⁴ The Group owns 80 % of Storbrofoss Kraftanlegg DA, but is entitled by contract to a 100 per cent share until 2050. Storbrofoss Kraftanlegg DA owns 20 per cent of Bagn kraftverk DA.

⁵ Sel and Vågå municipality has a withdrawal right which makes Hafslunds actual share 47 per cent. Sel and Vågå municipality do not have ownership in the joint operation.

Note 4.1 Other liabilities and obligations

Key accounting policies

Obligations related to power production

Under various agreements, the Group is obliged to pay compensation and supply free power to compensate for the inconvenience from using the waterfall and the land for hydropower production. The liabilities for annual compensation and free power are classified as non-current liabilities under the line-item Other liabilities and obligations. The contra entry is waterfall rights, which are classified as intangible assets. The effect from changes in the liability is presented in profit or loss as Property tax and other costs and compensations.

Free power – net financial settlements

Free power contracts which depend on the power price and are settled financially, are recognised at fair value with subsequent measurement at fair value through profit or loss. The liability includes grid rentals for those contracts where the Group also is committed to cover those costs for the recipient, and value added tax where this becomes a cost for the Group.

Free power – settled in kind

The Group considers its contracts related to the physical delivery of free power to fall within the scope of the «own use» exception. The Group recognises a provision equal to the present value of the full cost of delivering the power.

Cash compensations

The Group treats perpetual cash compensations with regular CPI adjusted annual amounts as financial liabilities that are recognised at fair value with subsequent measurement at amortised cost.

Concessionary power

The Group has been awarded perpetual licenses relating to the development and operation of hydropower plants and, as a result of this, the Group has annual obligations to supply concessionary power to municipalities and counties. Parts of the commitment are covered by physical deliveries, while parts have established a practice involving a financial settlement, where the Group pays the difference between the spot price and the concessionary power price to the party entitled to concessionary power. At the end of 2022, concessionary power supplied in return for financial consideration added up to a total volume of 135 GWh (127 GWh). Concessionary power is not recognised as a liability on the balance sheet.

License fees

License fees are not recognised as a liability on the balance sheet. Paid license fees are expensed as they accrue.

Other obligations

CCS Finansiering AS, a company wholly owned by City of Oslo, has invested preference capital in Hafslund Oslo Celsio. Due to the terms related to the preference capital, the transaction is accounted for as "Other liabilities" in the Group and is recognised at fair value at the time of investment - with subsequent measurement at amortized cost. Day 1 effects are capitalized on the same accounting line. See also [Note 9.1](#) Related party transactions for discussion of the matter.

Other liabilities that do not depend on the power price are recognised at fair value with subsequent measurement at amortized cost.

Note 4.1 Other liabilities and obligations

(cont.)

NOK million	2022	2021
FINANCIAL LIABILITIES TO LANDOWNERS		
Free power - settled in cash	588	602
Cash compensation to landowners	1 319	1 260
Financial liabilities to landowners at 31. December	1 907	1 862
OTHER FINANCIAL LIABILITIES		
Industrial contracts	2 030	425
Other financial liabilities	200	12
Other financial liabilities	2 230	437
PROVISIONS FOR OBLIGATIONS TO LANDOWNERS		
Free power - settled in kind	24	37
Provisions for obligations to landowners at 31. December	24	37
Other liabilities and obligations at 31. December	4 160	2 337

Other financial liabilities are mainly industrial contracts measured at fair value, with a negative value at 31 December 2022.

Note 4.2 Guarantees

Hafslund Eco Vannkraft AS has issued a surety guarantee for Hafslund Eco Vannkraft Innlandet AS's timely fulfillment of all obligations under the agreement on subordinated loan from Eidsiva Energi AS of NOK 1,917 million. If interest rates are reduced (in the event that profit after tax is not sufficient to pay the interest in full) to a greater extent than interest rates are reduced in accordance with the corresponding provision in the subordinated loan agreement between Hafslund AS and Hafslund Eco Vannkraft AS, Hafslund Eco Vannkraft AS shall compensate Eidsiva Energi AS so that interest rates are reduced proportionately in both loan conditions. Similarly, Eidsiva Energi AS undertakes to compensate Hafslund AS in the same way if interest payments in accordance with the loan agreement between Hafslund AS and Hafslund Eco Vannkraft AS are reduced to a greater extent than in the loan agreement between Eidsiva Energi AS and Hafslund Eco Vannkraft Innlandet AS. The purpose is to ensure that the lenders are treated equally under the two subordinated loan agreements.

The Group purchases bank guarantees to secure certain liabilities. As of 31 December 2022, these guarantees amounted to NOK 56 million in employee tax deduction guarantees (NOK 38 million) and NOK 21 million in guarantees for power trading (NOK 20 million).

Note 5.1 Financial instruments

Key accounting policies

Financial instruments are recognised when the Group becomes party to the contractual terms of the instrument.

Classification and measurement

Financial assets and liabilities are classified into three categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The classification is dependent on the method of initial recognition and the valuation is based on the Group's business model for management of its financial instruments and the characteristics of the cash flows for the individual financial instrument. Financial instruments are not reclassified after initial recognition unless the Group changes its model for management of its financial assets.

Amortised cost

Financial assets that the Group holds to collect contractual cash flows are recognised at fair value and subsequently measured at amortised cost. The main instruments in this category are trade receivables, other receivables and bank deposits.

Financial liabilities are recognised at fair value and as a main rule subsequently measured at amortised cost. Financial liabilities such as CPI-adjusted cash compensations to land owners, trade payables, bond loans, commercial papers and other loans are classified as amortised cost.

Fair value through other comprehensive income

The financial instruments that are measured at fair value with changes in value through other comprehensive income are part of the Group's hedge accounting. This includes the Group's hedging of sales from hydropower and district heating, industrial contracts that do not qualify for the own-use exemption, and contracts for swapping currency for loans denominated in foreign currency to Norwegian kroner. For all these instruments changes in value that are considered to be effective hedging are presented through other comprehensive income. Hedge accounting is further described in [note 5.6](#) Derivates and hedging.

For financial liabilities, changes in fair value attributable to changes in inherent credit risk are recognised through other comprehensive income, while the remaining change in value is recognised through profit or loss.

Fair value through profit or loss

Financial assets that are neither measured at amortised cost nor at fair value through other comprehensive income are measured at fair value through profit or loss. This primarily applies to financial power contracts and currency futures not subject to hedge accounting.

Financial liabilities that are not classified at amortised cost or that are not designated as hedging instruments are initially recognised at fair value and subsequently measured at fair value through profit or loss. This mainly applies to land-owner compensation dependent on power price, financial power contracts and currency futures not subject to hedge accounting that are liabilities in the balance sheet.

Note 5.1 Financial instruments

(cont.)

Derecognition of financial instruments

A financial asset is derecognized if one or more of the following criteria applies:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to collect cash flows from the asset and the Group has transferred all substantive risks and rewards relating to the instrument.
- The Group has transferred its rights to collect cash flows from the asset and the Group has not transferred or retained all substantive risks and rewards relating to the instrument but has transferred control of the asset.

A financial liability is derecognised when it has been redeemed, cancelled or matures. When an existing financial liability is replaced by another liability to the same lender on materially different terms, or the provisions for an existing liability have changed significantly, this is treated as a cancellation of the original liability and a new liability is recognised. The difference between the carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset, and there is an intention to settle the asset and liability net.

NOK million	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total
2022				
FINANCIAL ASSETS				
Non-current receivables	952	-	444	1 395
Non-current derivatives	401	697	-	1 098
Current derivatives	2 433	7	-	2 441
Trade receivables	-	-	1 148	1 148
Other current receivables	-	-	1 026	1 026
Cash and cash equivalents	-	-	13 497	13 497
Financial assets per 31 December	3 786	704	16 114	20 604
FINANCIAL LIABILITIES				
Current interest-bearing debt	-	-	2 819	2 819
Non-current interest-bearing debt	-	-	20 203	20 203
Current derivatives	420	287	-	707
Non-current derivatives	81	256	-	337
Other liabilities	588	2 030	1 519	4 137
Trade payables	-	-	736	736
Other current non interest-bearing liabilities	-	-	3 196	3 196
Financial liabilities per 31 December	1 088	2 573	28 472	32 134

Note 5.1 Financial instruments

(cont.)

NOK million	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total
2021				
FINANCIAL ASSETS				
Non-current receivables	738	48	211	997
Non-current derivatives	9	852	-	861
Current derivatives	121	-	-	121
Trade receivables	-	-	569	569
Other current receivables	-	-	365	365
Cash and cash equivalents	-	-	6 988	6 988
Financial assets per 31 December	868	900	8 133	9 901
FINANCIAL LIABILITIES				
Current interest-bearing debt	-	-	950	950
Non-current interest-bearing debt	-	-	17 745	17 745
Current derivatives	15	17	-	32
Other liabilities	602	425	1 272	2 300
Trade payables	-	-	608	608
Other current non interest-bearing liabilities	-	-	2 080	2 080
Financial liabilities per 31 December	617	442	22 655	23 714



Note 5.2 Interest-bearing debt

NOK million	Loan amount in currency	Currency	Due date	2022	2021
Bond issue in the Norwegian market	400	NOK	2022	-	400
Bond issue in the Norwegian market	500	NOK	2022	-	500
Private placement in the American market	75	USD	2023	739	661
Commercial paper issue in the Norwegian market	900	NOK	2023	900	-
Commercial paper issue in the Norwegian market	880	NOK	2023	880	-
Bond issue in the Norwegian market	300	NOK	2023	300	300
The Nordic Investment Bank	2 665	NOK	2024-2030	2 615	2 665
Bond issue in the Norwegian market	450	NOK	2024	450	450
Bond issue in the Norwegian market	293	NOK	2024	293	293
Private placement in the American market	290	NOK	2024	290	290
Bond issue in the Norwegian market	1 000	NOK	2025	1 000	1 000
Bond issue in the Norwegian market	500	NOK	2026	500	500
Private placement in the American market	25	USD	2026	246	220
Private placement in the American market	910	NOK	2027	910	910
Private placement in the Japanese market	5 000	JPY	2028	373	383
Bond issue in the Norwegian market	250	NOK	2029	250	250
Private placement in the Japanese market	5 000	JPY	2029	373	383
Private placement in the American market	723	NOK	2029	723	723
Bond issue in the Norwegian market	200	NOK	2030	200	200
Bond issue in the Norwegian market	200	NOK	2031	200	200
Private placement in the American market	125	USD	2031	1 232	1 102
Private placement in the German market	30	EUR	2031	315	301

Note 5.2 Interest-bearing debt

(cont.)

NOK million	Loan amount in currency	Currency	Due date	2022	2021
Private placement in the American market	848	NOK	2032	848	848
Private placement in the American market	600	NOK	2033	600	600
Subordinated loan CCS Finansiering AS	2 347	NOK	2037	2 347	2 347
Subordinated loan Eidsiva Energi AS	1 917	NOK	2039	1 917	1 917
Subordinated loan CCS Finansiering AS	1 000	NOK	2041	1 000	1 000
Subordinated loan CCS Finansiering AS	2 075	NOK	2042	2 075	-
Loan HitecVision	800	NOK	2047	800	-
Loan Infranode	800	NOK	2047	800	-
Interest-bearing debt translated to NOK				23 176	18 443
Carrying amount of interest- bearing debt related to fair value hedges				-153	259
Amortisation of fees				-1	-7
Interest-bearing debt, balance at 31 December				23 022	18 695
Hereof current interest-bearing debt				2 819	950
Hereof non-current interest-bearing debt				20 203	17 745

Note 5.2 Interest-bearing debt

(cont.)

Loans denominated in foreign currency are hedged into Norwegian kroner by entering combined interest and currency swaps which exchange the principal payments in foreign currency to principal payments in Norwegian kroner. The table above shows the value of the loan translated at the exchange rates as of the balance sheet date, before the effect of combined interest and currency swaps. The Group has three subordinated loans from CCS Finansiering AS, a company 100 per cent owned by the City of Oslo. The City of Oslo was previously the debtor of these loans which were transferred to CCS Finansiering AS on 15 December 2022. The Group also has a subordinated loan of NOK 1,917 million through its subsidiary Hafslund Eco Vannkraft Innlandet AS from Eidsiva Energi AS.

As of 31 December 2022, Hafslund had interest-bearing debt of NOK 23,022 million, of which NOK 2,819 million was current. Related to the full consolidation of Hafslund Oslo Celsio, the Group increases interest-bearing debt to the minority owners with NOK 1,600 million. In addition to this, the Group increased external interest-bearing debt by NOK 3,380 million and repaid interest-bearing debt by NOK 2,553 million.

NOK million	2022	2021
CHANGES IN INTEREST-BEARING DEBT		
Interest-bearing debt at 1 January	18 695	20 250
Increase in interest-bearing debt	3 380	500
Repayment of interest-bearing debt	-2 553	-1 755
Sum of changes cash flow from financing activities	827	-1 255
Increase in interest-bearing debt without cash effect	3 675	-
Effect of currency fluctuations (without cash effect)	229	-19
Effect of fair value hedges (without cash effect)	-412	-186
Other changes without cash effect	8	-95
Sum changes without cash effect	3 500	-300
Interest-bearing debt at 31 December	23 022	18 695

Note 5.3 Maturity structure, financial liabilities

The table shows undiscounted cash flows by interval and for interest-bearing debt only shows principal payments. Combined interest rate and currency exchange contracts that swap payments of principal amounts in foreign currency with payments of principal amounts in Norwegian kroner are included in the table regardless of whether the agreements are classified as a liability or an asset in the balance sheet. Consequently, the table shows the net principal amount paid in Norwegian kroner.

The maturity structure for liabilities relating to landowner compensation and free power has not been included in the table below since these are mainly perpetual contracts.

Industrial contracts with a negative fair value is excluded from the maturity structure below as the contracts entail physical delivery of power.

NOK million	Within 12 months	1 to 3 years	3 to 5 years	More than 5 years	2022
FINANCIAL LIABILITIES RELATED TO DERIVATIVES					
Interest and currency derivatives	-310	-	-103	-424	-837
Interest rate swaps	13	-	-	-	13
Power derivatives	678	324	-	-	1 002
Currency futures	29	-	-	-	29
Derivative financial liabilities at 31 December	411	324	-103	-424	207
OTHER FINANCIAL LIABILITIES					
Non-current interest-bearing debt	-	2 778	1 726	15 853	20 357
Current interest-bearing debt	2 819	-	-	-	2 819
Trade payables and other current liabilities	3 932	-	-	-	3 932
Other liabilities	-	-	-	200	200
Non-derivative financial liabilities at 31 December	6 751	2 778	1 726	16 053	27 308

NOK million	Within 12 months	1 to 3 years	3 to 5 years	More than 5 years	2021
FINANCIAL LIABILITIES RELATED TO DERIVATIVES					
Interest and currency derivatives	-	-232	-77	-299	-608
Currency futures	32	-	-	-	32
Derivative financial liabilities at 31 December	32	-232	-77	-299	-576
OTHER FINANCIAL LIABILITIES					
Non-current interest-bearing debt	-	2 074	2 385	13 033	17 493
Current interest-bearing debt	950	-	-	-	950
Trade payables and other current liabilities	2 688	-	-	-	2 688
Non-derivative financial liabilities at 31 December	3 638	2 074	2 385	13 033	21 131

Note 5.4 Financial risk management

Hafslund's business is exposed to risk in several areas. The most important of these are of a market, regulatory, financial, operational, reputational, and political nature. Risk management is an integral part of the Group's business activities and is designed to secure achievement of strategic and operational goals. Guidelines and frameworks have been established for the management of risk in the business areas. The Group's overall risk is assessed by the Audit Committee and the Board of Directors. The purpose of risk management is to take the right risk based on the Group's risk capacity and ability, expertise, solidity and development plans.

Market risk

As a power producer, Hafslund is exposed to fluctuations in market prices and volume uncertainty, and the Group manages risk through market participation.

Power price fluctuations, together with factors that affect production volumes, will be of significant importance for financial results. The Group manages risk through utilisation of water resources in the reservoirs, optimization of district heating production and from entering physical and financial contracts. A strategy, systems and reporting routines have been established to manage risks relating to power production. Exposure shall be kept within defined limits and risk management is followed up through reporting to the Management and the Board.

Prices for part of the future hydropower production and district heating sales are hedged within adopted frameworks. The scope of hedging

may vary, based on an overall assessment of market prices and future developments that could impact the power production.

The Group's hedging strategy takes into account applicable resource rent taxation, where an increase in the spot price of power is expected to have a neutral or positive effect on expected cash flows after tax.

Instruments that can be used to hedge future power production include bilateral price hedging agreements, futures, forward contracts and EPADs (Electricity Price Area Differentials). Hafslund achieves area prices for physical power sales. Use of hedging instruments with other price references could reduce the effectiveness of hedging due to deviations between price reference and the area price where the Group has power production.

The currency market is used to manage currency risk derived from hedging where the value of hedged production can be fully or partly hedged from euro to Norwegian kroner using currency futures.

The Group has the following exposure and sensitivity from financial power contracts at +/- 30 per cent change in power prices:

Financial power contracts NOK million	Fair value 2022	+30 %	-30 %
Futures / Forward contracts	-2 944	-1 411	1 411
Industrial contracts	-2 030	-833	833
Other financial power contracts	615	205	-205
Total effect on profit after tax		552	-552
Total effect on equity at 31 December		-1 216	1 216

Note 5.4 Financial risk management

(cont.)

Interest rate risk

Hafslund is mainly exposed to interest rate risk through its financing activities in Norwegian kroner and in foreign currency (note 5.2 Interest-bearing debt). The Group's operating revenues and cash flows from operations are also sensitive to interest rate fluctuations to some degree. The Group is exposed to fluctuations in interest rates due to the fact that some of its interest-bearing debt is subject to floating interest rates. This exposure is primarily managed using instruments that balance the weighting of financing at floating and fixed interest rates.

The Group's loan portfolio has the following ratio of floating and fixed interest rates:

Distribution of fixed and floating interest rate on the Group's loan portfolio*	Nominal amounts	
	2022	2021
NOK million		
Fixed interest rate		
Debt with fixed interest rate	8 994	8 114
Effect of interest rate swaps	-2 693	-3 193
Loan amount with fixed interest rate after effect of interest rate swaps at 31 December	6 301	4 921
Floating interest rate		
Debt with floating interest rate	4 408	4 458
Effect of interest rate swaps	2 693	3 193
Loan amounts with floating interest rate after effect of interest swaps at 31 December	7 101	7 651

*The table above is exclusive of subordinated loans

Based on the Group's interest rate exposure at 31 December, a change in interest rates of ± 0.5 percentage points over the entire curve would result in a change in the Group's direct borrowing costs (after tax) of approximately $-/+$ NOK 28 million (NOK 30 million).

At year end 2022, 7,101 NOK million of the Group's debt was quoted with NIBOR as the reference rate including the effect of interest rate swaps. This means that a change from NIBOR to an alternative reference rate would impact the Group's interest rate exposure. A task force initiated by the Central Bank of Norway has suggested that NIBOR should be replaced by a reformed NOWA-rate («Norwegian Overnight Weighted Average»), but a decision on this matter has not yet been made. A central difference between NIBOR and NOWA is that NIBOR is a forward-looking term rate (for instance for 3 or 6 months), while NOWA is a historical overnight rate determined by actual transactions in the market for overnight loans between selected Norwegian Banks. The Group monitors the ongoing discussion and will consider the consequences closely if a more detailed suggestion regarding NIBOR emerges.

Hafslund is exposed to a limited scope of indirect interest rate risk in relation to currency and power derivatives. No correlation has been observed between the interest rate level and prices in the power market.

Note 5.4 Financial risk management

(cont.)

Currency risk

The Nordic power markets use euro as a trading and clearing currency. This means that the Group receives most of its power revenues from physical and financial trading in euro. Revenues from district heating and most of the Group's incurred costs are in Norwegian kroner. Hafslund uses currency futures to reduce/hedge the consequences of mismatches in foreign euro revenues and costs in Norwegian kroner. Currency hedging is performed for the future sales of power that are hedged using power derivatives and industrial contracts. Spot sales of power are recognised at the transaction rate. Other transactions-denominated in foreign currency are recognised using the transaction rate. Power production is mainly sold via the Nord Pool Spot exchange or directly to Fortum Hedging AS. Power is sold in euro, and is converted to Norwegian kroner on an ongoing basis. In the event of major investments in foreign currency, currency hedging is assessed on the basis of total currency exposure and other relevant factors.

Principal payments for all loans nominated in foreign currency are hedged into principal payments in Norwegian kroner by entering combined interest rate and currency swap agreements at the time of initial borrowing. Monetary items and borrowings in foreign currency are measured at the rate at the balance sheet date. Currency losses or gains

are recognised in profit or loss as a currency gain or currency loss, unless the item is part of an accounting hedge and the hedge is effective (see [note 5.6 Derivatives and hedging](#)). Any ineffectiveness is recognised in profit or loss.

The Group has entered combined interest rate and currency swaps to reduce currency exposure on borrowings in foreign currency. Fluctuations in foreign currency against Norwegian kroner will therefore not materially impact the Group's borrowing costs.

Credit risk

The Group is exposed to credit risk mainly through trade and other current receivables within its core activities ([note 5.10 Trade and other receivables](#)) as well as counterparty risk on entering derivative contracts ([note 5.6 Derivatives and hedging](#)).

The Group's main counterparties for physical power sales are Nord Pool and Fortum Hedging AS. The Group has also entered long term bilateral industrial contracts with physical delivery to Norwegian industrial players.

Trading in power derivatives consists of both bilateral trading and cleared trading on organised marketplaces (Nasdaq OMX Commodities and the European Energy Exchange). In 2022, the Group transferred significant positions from Nasdaq to bilateral counterparties (see separate

Note 5.4 Financial risk management

(cont.)

discussion under liquidity risk). For bilateral financial power derivatives, agreements have been entered into that allow for offsetting gains against losses with all counterparties. In the district heating business, bilateral agreements are entered into with future delivery of various fuels, which implies risks related to defaults on deliveries.

Credit risk is limited through diversification and by determining a lower limit for approving the creditworthiness of counterparties. Interest rate and currency derivatives are only entered into with banks with a minimum “investment grade” rating. The Group assesses credit risk for its actual exposures on an ongoing basis. Counterparties in new exposures are subject to counterparty assessments.

The Group sells district heating and incineration services to a large portfolio of customers, both public and private. Historically, losses on receivables for the business have been very low.

Project risk

Hafslund undertake project risk in several parts of the business. Through its ownership interest in Hafslund Oslo Celsio AS, the Group is building a full-scale carbon capture plant in Oslo. The Group's share of planned investments in the plant, until it is operational in 2026, is about NOK 0.8 billion (P50) with a commitment of up to about NOK 1.5 billion (P85).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to service its financial liabilities as they mature. The Group is exposed to liquidity risk to the extent that cash flows from operations do not correspond with financial liabilities. The cash flows fluctuate in line with factors such as market prices, seasonal variations, and investment levels.

Historically high prices and volatility in the financial power market in 2022 led some members of Nasdaq power exchange to report challenges in providing sufficient liquidity for their financial positions. In 2022 Hafslund took steps to reduce its exposures on Nasdaq by transferring positions to bilateral agreements with other power and energy companies, which has significantly reduced the Group's margin requirements against Nasdaq.

The Hafslund Group has a 50 per cent ownership in Norway's largest grid company Elvia through its investment in Eidsiva Energi, this contributes to steady profits. The result for 2022 is characterised by increased transmission loss costs as a result of high power prices, while Elvia also made a positive contribution by recognizing a share of Statnett's congestion revenues.

The Group's strategy for managing liquidity risk is always to maintain sufficient liquid funds so that financial liabilities can be redeemed on

Note 5.4 Financial risk management

(cont.)

maturity, including for extraordinary events, without risking unacceptable financial or reputational loss. The maturity structure for debt and other financial liabilities, including derivatives and other current liabilities are presented in [note 5.3 Maturity structure financial liabilities](#).

Liquidity risk is minimised through analysing expected inflows and outflows and assumption of current and non-current borrowings. In order to minimise refinancing risk, i.e. the risk of not being able to refinance a loan or cover a short-term liquidity requirement on normal commercial terms, the Group has established long-term, committed drawdown facilities in order to secure availability of liquidity, including in periods when it may be difficult to obtain financing in the markets. As of 31 December 2022 unused drawdown facilities amounted to NOK 2.5 billion (NOK 2.5 billion).

To reduce liquidity risk, the Group also holds a liquidity reserve in the form of bank deposits. As additional security against turbulence in the finance markets and potential losses of financing sources, credit lines of NOK 1 billion (NOK 400 million) which is unused as of year-end 2022. In addition the group has line of credit of EUR 50 million to cover daily settlements of futures on Nasdaq Clearing AB.

Climate risk

Hafslund is directly exposed to climate risk arising from changes in weather and climate. Hydropower production is largely exposed to inflow. Changes in precipitation can both change the average production from hydropower plants, as well as increase fluctuations so that production planning becomes more demanding. Changes in temperature will affect the Group's snow reservoirs as well as the consumption of electricity and district heating.

Parts of the Group's infrastructure is located in the lowlands, which means that it may be affected by rising sea levels and thus have a physical climate change risk.

The Group's long-term power price curves are largely based on estimates, and the estimates take into account how different scenarios affect climate both in a short and long term. The Group's long-term power price curve is used in the preparation of the accounts to estimate the fair value of industrial contracts and financial power agreements, as well as free power compensations and power derivatives. The long-term power price curve is also a key assumption in the Group's impairment tests. Significant negative shifts in the price curve can potentially lead to impairments that may affect the accounts.

After the Hafslund Oslo Celsio-transaction, the Group is also a significant player in the production of district heating and is to a far greater extent than earlier directly exposed to changes in the price of CO2 allowances. In 2022, the Group started investing in a carbon capture plant at Klemetsrud, and the profitability of this project depends, among other things, on developments in the price of CO2 allowances.

In addition, the transition to a low-carbon economy is expected to involve extensive political, legal, technological and market changes, with the potential to have a significant impact on the Group.

Note 5.5 Fair value

Key accounting policies

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy:

Fair value measurements are classified at the following levels:

- Level 1: Valuation is based on listed prices in active markets for identical assets or liabilities
- Level 2: Valuation is based on inputs other than listed prices covered by Level 1 that are observable for the asset, either directly or indirectly
- Level 3: Valuation is based on non-observable inputs for the asset or liability

The Group endeavours to maximise the use of observable data where possible.

Key estimates and assumptions

When there is no quoted market price in an active market, fair value is calculated by discounting future cash flows. Future cash flows are discounted based on the market interest curve. The market interest curve is in turn derived from available swap rates.

For the valuation of financial power contracts and compensation to landowners that depend on power price the Group has applied the forward curve from Nasdaq for three years, and then the Group's long-term price expectations as a basis for the valuation. The long-term

price expectations are, in the management's view, within a reasonable range compared to power price curves from external actors and analysis agencies.

The reasonableness of the estimated present value of forward exchange contracts, interest rate and currency swaps, as well as interest rate swaps, are assessed against valuations from contract counterparties.

Financial instruments measured at fair value:

	Level 1	Level 2	Level 3	2022 Fair value	2022 Booked value
NOK million					
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
Shares	95	-	93	188	188
Other long-term receivables	-	-	763	763	763
Interest and currency derivatives	-	-	697	697	697
Currency futures	-	15	-	15	15
Power derivatives	-	2 827	-	2 827	2 827
Total financial assets measured at fair value at 31 December	95	2 842	1 553	4 490	4 490
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE					
Power derivatives	-	1 002	-	1 002	1 002
Currency futures	-	29	-	29	29
Interest rate swaps	-	13	-	13	13
Industrial contracts	-	-	2 030	2 030	2 030
Compensation to landowners and free power	-	-	588	588	588
Total financial liabilities measured at fair value at 31 December	-	1 044	2 618	3 662	3 662

Note 5.5 Fair value

(cont.)

NOK million	Level 1	Level 2	Level 3	2021 Fair value	2021 Booked value
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
Other long-term receivables	-	-	786	786	786
Interest and currency derivatives	-	-	861	861	861
Power derivatives	-	121	-	121	121
Total financial assets measured at fair value at 31 December	-	121	1 647	1 768	1 768
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE					
Power derivatives	-	32	-	32	32
Industrial contracts	-	-	425	425	425
Compensation to landowners and free power	-	-	602	602	602
Total financial liabilities measured at fair value at 31 December	-	32	1 027	1 059	1 059

Please see [note 5.2 Interest-bearing debt](#) for more information about the Group's interest-bearing debt.

For other financial liabilities measured at amortised cost the value is approximately equal to fair value. Financial assets measured at amortised cost primarily consist of accounts receivable and other receivables where amortised cost is approximately equal to fair value.

NOK million	Level 1	Level 2	Level 3	2022 Fair value	2022 Booked value
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST					
Other current non-interest bearing liabilities	-	-	3 196	3 196	3 196
Trade payables	-	-	736	736	736
Interest bearing debt	-	21 500	-	21 500	23 021
Other liabilities	-	-	200	200	200
Total financial liabilities measured at amortised cost at 31 December	-	21 500	4 132	25 632	27 153

NOK million	Level 1	Level 2	Level 3	2021 Fair value	2021 Booked value
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST					
Other current non-interest bearing liabilities	-	-	2 080	2 080	2 080
Trade payables	-	-	608	608	608
Interest bearing debt	-	19 230	-	19 230	18 695
Total financial liabilities measured at amortised cost at 31 December	-	19 230	2 688	21 918	21 383

Note 5.6 Derivatives and hedging

Key accounting policies

Introduction

The Group hedges revenue from both future power production and district heating sales in addition to swapping of interest rate terms and hedging of currency exposure in connection with borrowings.

Revenue from future power production and district heating sales is hedged financially through system price contracts and electricity price area differentials (EPADs). For the hedging of power production, the Group's basis hedging portfolio for hedging of system price is subject to hedge accounting, while other financial power hedging instruments are measured at fair value through profit or loss. For the hedging of district heating sales, both system price contracts and EPADs in the primary hedging portfolio are subject to hedge accounting.

Additionally, the Group hedges revenue from hydropower production by entering industrial power contracts with physical delivery. Industrial contracts with delivery in price areas where the Group has sufficient power production hour-by-hour, are treated under the own-use exemption and are not recognised in the balance sheet. If such contracts are denominated in euro where the functional currency of the counterparty is not euro, an embedded currency derivative is separated from the host contract for accounting purposes. These currency derivatives are measured at fair value through profit or loss under Revenues and other income.

Industrial power contracts with physical delivery in price areas where the Group does not have sufficient production hour-by-hour are recognised as financial instruments and measured at fair value in the balance sheet. These contracts are accounted for as all-in-one hedges measured at fair value through other comprehensive income. Day 1 gains/losses are amortised over the duration of the contract.

Derivatives are both initially and subsequently recognised at fair value. The accounting treatment of associated gains and losses depends on whether the derivatives are designated as hedging instruments and whether the hedging relationship is deemed to be a cash flow hedge or a fair value hedge.

The hedging of currency exposure in connection with borrowings, the hedging of revenue from power production, district heat sales and hedge accounted industrial power contracts are accounted for as cash flow hedges. Changes in fair value that constitute effective hedging are presented through other comprehensive income, and remain in the cash flow hedging reserve until the contracts:

1. are delivered,
2. are bought back and the hedged transactions are no longer likely to occur, or
3. no longer meet the criteria for hedge accounting.

The ineffective portion of the hedge, as well as changes in fair value for other power and currency contracts are presented in the profit or loss as Other gain/loss under Revenues and other income.

Note 5.6 Derivatives and hedging

(cont.)

Hedge accounting

General

The criteria for entering a hedging relationship are determined in the Group's risk management strategy and involve a qualitative and prospective approach to assessing hedge effectiveness. Both the hedged item and the hedging instrument are designated and documented when hedging relationships are established and sources of ineffectiveness are identified. The Group only designates contracts with external parties as hedging instruments.

Hedge accounting of financial power contracts for hedging hydropower production

For the hedging of revenue from hydropower production, the Group's basis portfolio for hedging of system price is designated as the hedging instrument. Hedging of the difference between system price and area price (EPADs) are not subject to hedge accounting.

The hedging instrument can be summarised as follows:

	Contract value (MEUR)
31 December 2022	
2023	-121
2024-2026	-117
Total	-239

	Contract value (MEUR)
31 December 2021	
2022	-34
2023-2024	-38
Total	-71

NOK million	Fair value of hedging instruments		Change in fair value used to measure inefficiency in the period
	Assets	Liabilities	
31 December 2022			
Financial hedging	-	-1 434	-653
Total	-	-1 434	-653
31 December 2021			
Financial hedging	-	-781	-751
Total	-	-781	-751

The designated hedging item is the highly probable future sales of power in the spot market. The available hedging area is defined as the highly probable future production of hydropower less physical commitments such as industrial power contracts and concessionary power. To ensure reliable measurement of the hedging item, the hedging item is defined as an interval in the hedging area starting from the first hour of the month. A volume equivalent to the hedged volume is distributed over the available hedging area per hour starting from the first hour of the month.

Note 5.6 Derivatives and hedging

(cont.)

When entering a financial power contract an interval in the hedging area is designated and allocated to the hedging instrument. In the subsequent period, the effectiveness of the hedge is measured by comparing changes in value of the hedging instrument with changes in value of expected future sales of the power for the designated interval. Both the hedging instrument and the hedging item are denominated in euro.

Changes in cash flows from financial power contracts where settlements quote the system price are expected to closely match the changes in cash flows from the highly probable future sale of hydropower. This means that there is a strong economic relationship. Nasdaq is the counterparty for financial power hedging and credit risk is not considered to be significant.

A quantitative assessment of hedging effectiveness is carried out for each reporting period where changes in value of the hedging item is compared to changes in value of the hedging instrument. The effective part of the hedge is recognised through other comprehensive income whilst the ineffective part of the hedge is presented as Revenues and other income under Other gain/loss.

Inefficiencies in the hedge are mainly caused by:

1. Differences between the system price attributed to the hedging instrument and the area price attributed to the hedging item. However, there has historically been a strong correlation in prices between the price areas NO1 and NO5 and the Nordic system price.
2. Differences in price profiles as the hedging instrument is delivered evenly for each hour of the month, whilst the hedging item is a per-hour allocation starting from the first hour of the month. Effects attributed to differences in price profiles can be the result of price differences between day and night, weekends, and weekdays and between holidays and weekdays.

Over-hedging occurs if the Group has entered financial power contracts for a higher volume than the available hedging area. Over-hedging is presented in profit or loss the same way as inefficiency.

The Group's hedging activities affect other comprehensive income and profit or loss as follows:

	Change in fair value hedge instrument	Change in fair value hedge item	Efficient hedging through other comprehensive income	Inefficiency through P&L
NOK million				
31 December 2022	-653	1 808	-541	-112
31 December 2021	-751	1 293	-761	9

The hedging item is not recognised in the balance sheet.

Note 5.6 Derivatives and hedging

(cont.)

Hedge accounting of industrial power contracts and related currency futures

The Group has an industrial power contract denominated in euro subject to the own-use exemption, but is designated as fair value measurement in the balance sheet. This contract involves the physical delivery of power for the period 2021-2030 with a total contract value of euro 111 million. Of this amount, euro 55 million has been swapped to NOK 581 million using currency futures. The Group has hedge accounted both for the industrial contract and for the currency futures.

The currency futures are designated as the hedging instrument in a cash flow hedge, while the euro exposure arising from the contract as the designated hedging item. There is not considered to be significant credit risk against the banks which are the counterparties. The hedge is considered to be a perfect hedge.

In addition, the Group has hedge accounted for industrial contracts denominated in euro for the delivery of power from 2023 until 2028, with a total remaining contract value of euro 18 million (euro 36 million).

These hedging instruments can be summarized as follows:

NOK million	Fair value of hedging instruments		Change in fair value used to measure inefficiency in the period
	Assets	Liabilities	
31 December 2022			
Industrial contracts	-	-2 030	-1 653
Currency futures	7	-	24
Total	7	-2 030	-1 628
31 December 2021			
Industrial contracts	48	-425	-526
Currency futures	-	-17	28
Total	48	-442	-498

The certain cash flows in euro from the industrial power contracts are designated as the hedging instrument in a cash flow hedge.

The hedging item is the future sales of hydropower in euro arising from the contracts. There is not considered to be significant credit risk related to the contracts. The industrial power contracts hedge themselves and are thus considered perfect hedges.

The effect on profit or loss and other comprehensive income from these hedging activities are as follows:

NOK million	Change in fair value hedge instrument	Change in fair value hedge item	Efficient hedging through other comprehensive income	Inefficiency through P&L
31 December 2022	-1 628	1 628	-1 628	-
31 December 2021	-498	498	-498	-

Note 5.6 Derivatives and hedging

(cont.)

Hedge accounting of financial power contracts for hedging district heating revenues

For the hedging of revenue from district heating sales, the Group's hedging portfolio consisting of both system price contracts and EPADs are designated as hedging instruments. The hedging instruments are either financial contracts with Nasdaq as counterparty or bilateral positions. Credit risk is in any case not considered to be significant.

The hedging instruments consist of contracts denominated in euro or Norwegian kroner. The table below shows the value of contracts denominated in euro and Norwegian kroner respectively:

	Contract value (MEUR)	Contract value (MNOK)
31 December 2022		
2023	-4	-94
2024-2026	17	-161
Totalt	13	-256

NOK million	Fair value of hedging instruments		Change in fair value used to measure inefficiency in the period*
	Assets	Liabilities	
31 December 2022			
Financial hedging	-	-503	-57
Total	-	-503	-57

*District heating operations acquired from May 19th 2022



Note 5.6 Derivatives and hedging

(cont.)

The designated hedging item is highly probable future district heating sales to commercial customers and is based on historical sales data and managements forecasts. To ensure reliable measurement of the hedging item, the hedging item is defined as an interval in the hedging area starting from the first hour of the month. When entering a financial contract an interval in the hedging area is designated and allocated to the hedging instrument. The hedging instrument is denominated in euro or Norwegian kroner, while the hedging item is denominated in Norwegian kroner.

In subsequent periods, the effectiveness of the hedge is measured by comparing changes in value of the hedging instrument with changes in value of expected future district heating sales for the designated interval. The effective part of the hedge is recognised through other comprehensive income whilst the ineffective part of the hedge is presented as Revenues and other income under Other gain/loss.

Changes in cash flows from the hedging instruments are expected to closely match the changes in cash flows from the highly probable future district heating sales. This means that there is a strong economic relationship.

Inefficiencies in the hedge is mainly caused by:

1. Differences between the system price and the area price when only system price contracts are entered into.
2. Differences in price profiles as the hedging instrument is delivered evenly throughout the delivery period (i.e. annual contracts), whilst the hedging item is a per-hour allocation.
3. Progressive discounts on district heating sales to commercial customers, affecting only the value of the hedging item.

Over-hedging occurs if the Group has entered financial contracts for a higher volume than the available hedging area. Over-hedging is presented in profit or loss the same way as inefficiency.

The Group's hedging activities affect other comprehensive income and profit or loss as follows:

	Change in fair value hedge instrument	Change in fair value hedge item	Efficient hedging through other comprehensive income	Inefficiency through P&L
NOK million				
31 December 2022	-57	300	-48	-9

The hedging item is not recognised in the balance sheet.

Note 5.6 Derivatives and hedging

(cont.)

Hedging related to borrowings

The Group has the following hedging relationships: (nominal value: + indicates the principal amounts paid by the Group, and - indicates the principal amounts received by the Group):

NOK million

Reference	Hedged item	Currency	Nominal amount	Due date	Interest rate	Line-item in balance sheet ¹
A	Fixed rate loan	USD	75	2023	4,77%	Non-current interest-bearing debt
B	Fixed rate loan	USD	25	2026	4,95%	Non-current interest-bearing debt
C	Fixed rate loan	JPY	5 000	2028	1,51%	Non-current interest-bearing debt
D	Fixed rate loan	JPY	5 000	2029	1,38%	Non-current interest-bearing debt
E	Fixed rate loan	NOK	250	2029	4,40%	Non-current interest-bearing debt
F	Fixed rate loan	USD	125	2031	3,14%	Non-current interest-bearing debt
G	Fixed rate loan	EUR	30	2031	2,29%	Non-current interest-bearing debt

¹The first year's instalment is classified as current interest-bearing debt.



Note 5.6 Derivatives and hedging

(cont.)

NOK million

Reference	Hedging instrument	Currency	Nominal amount	Due date	Interest rate	Line-item in balance sheet
A	Combined interest rate and currency swap	USD	-75	2023	4,77%	Non-current financial derivatives
A	Combined interest rate and currency swap	NOK	429	2023	3M NIBOR +0,86%	Non-current financial derivatives
B	Combined interest rate and currency swap	USD	-25	2026	4,95%	Non-current financial derivatives
B	Combined interest rate and currency swap	NOK	143	2026	3M NIBOR +0,86%	Non-current financial derivatives
C	Combined interest rate and currency swap	JPY	-5 000	2028	1,51%	Non-current financial derivatives
C	Combined interest rate and currency swap	NOK	301	2028	6M NIBOR +0,92%	Non-current financial derivatives
D	Combined interest rate and currency swap	JPY	-5 000	2029	1,38%	Non-current financial derivatives
D	Combined interest rate and currency swap	NOK	296	2029	6M NIBOR +0,87%	Non-current financial derivatives
E	Interest rate swap	NOK	-250	2029	4,40%	Non-current financial derivatives
E	Interest rate swap	NOK	250	2029	3M NIBOR +2,4 %	Non-current financial derivatives
F	Combined interest rate and currency swap	USD	-125	2031	3,14%	Non-current financial derivatives
F	Combined interest rate and currency swap	NOK	1 036	2031	3M NIBOR +1,524%	Non-current financial derivatives
G	Combined interest rate and currency swap	EUR	-30	2031	2,29%	Non-current financial derivatives
G	Combined interest rate and currency swap	NOK	237	2031	6M NIBOR +1,1%	Non-current financial derivatives

Note 5.6 Derivatives and hedging

(cont.)

The Group's hedging instruments are presented under the line-item Non-current financial derivatives, and are recognised in the balance sheet at the following amounts:

NOK million	Fair value of hedging instruments		Change in fair value used to measure inefficiency in the period
	Assets	Liabilities	
31 December 2022			
Combined interest rate and currency swaps	697	-	-155
Interest rate swaps	-	13	-22
Total	697	13	-178
31 December 2021			
Combined interest rate and currency swaps	852	-	-178
Interest rate swaps	9	-	-22
Total	861	-	-199

Currency risk

The Group's policy is to reduce currency risk by swapping the payments of principal amounts and fixed interest in foreign currency to Norwegian kroner in a 1:1 ratio using combined interest rate and currency swaps. Under the combined swaps, payments of fixed interest are also exchanged to payments of floating interest so that the Group receives fixed interest in foreign currency and pays floating interest in Norwegian kroner. The exchange from fixed to floating interest in foreign currency is treated as a fair value hedge, while the exchange from floating interest payments and principal payments in foreign currency to floating interest and principal payments in Norwegian kroner is treated as a cash flow hedge.

Cash flows from payments of principal amounts and floating interest rates in foreign currency are designated as hedging items, and cash flows from the combined swaps are accordingly designated as hedging instruments. The basis spread is excluded from the designated hedging instrument. There is an economic relationship between the hedged item and the hedging instrument as the critical terms for exchanging from foreign currency to Norwegian kroner matches. Hedge effectiveness is assessed on a qualitative basis.

Changes in the fair value of the effective portion of the hedge are recognised in other comprehensive income until the period when changes in value of the hedged item affects profit or loss. The ineffective portion of the hedge is expensed under "Other finance income/costs."

Inefficiency in the hedge could arise from the fair value of credit risk affecting the hedging instrument, but not the hedged item.

The ineffective portion of the cash flow hedge recognised through profit or loss was immaterial for 2022 and 2021.

Summary of cash flow hedging related to borrowings

The hedged item and hedged instrument affect the balance sheet and profit or loss as follows:

NOK million	Change in fair value hedge instrument	Change in fair value hedge item	Efficient hedging through other comprehensive income	Inefficiency through P&L
31 December 2022	-18	18	18	-
31 December 2021	8	-8	8	-

Note 5.6 Derivatives and hedging

(cont.)

Movements in the cash flow hedging reserve:

NOK million	Financial hedging portfolio hydro-electric power	Industrial contracts and currency futures	Financial hedging portfolio district heating	Combined interest rate and currency swaps	Total
31 December 2020	-19	43	-	-37	-13
Change in fair value through other comprehensive income	-761	-498	-	8	-1 251
Deferred tax	167	304	-	-2	470
31 December 2021	-612	-151	-	-31	-794
Change in fair value through other comprehensive income	-541	-1 628	-48	18	-2 200
Deferred tax	119	1 132	11	-4	1 258
31 December 2022	-1 034	-647	-38	-17	-1 736

Fair value hedges

The Group's loan portfolio includes loans with both fixed and floating interest rate terms, and the Group has for a few loans used derivatives to exchange interest terms from fixed to floating rates.

Interest rate exposure

Bond loans in Norwegian kroner for which interest rate swaps from fixed to floating interest rates have been entered are recognised as fair value hedges. The same designation applies to interest rate hedges from fixed to floating interest rates in foreign currency from combined currency and interest rate swaps. The Group has adopted the changes regarding the interest rate reform which give temporary relief by allowing the assumption that specific considerations for hedge accounting is not affected by uncertainty arising from the interest rate reform.

The hedged risk arises from changes in value of fixed interest payments that mainly derive from changes in swap rates (OIS) and NIBOR interest rates.

There is an economic relationship between the hedged item and hedging instrument because the critical terms for exchanging from fixed to floating interest rates match. Hedge effectiveness is assessed on a qualitative basis.

Ineffectiveness in the hedge could arise from differing settlement times for interest payments/establishment of interest rates between the hedged item and the hedging instrument, as well as the fair value of credit risk affecting the hedging instrument, but not the hedged item.

The ineffective portion of the fair value hedge recognised through profit or loss under "Other finance income/costs" was immaterial in 2022 and 2021.

Note 5.7 Capital management

Hafslund's capital management is intended to ensure that the Group has financial flexibility in the short and long term and maintains a high credit rating. The Group aims to achieve cash flows that ensures competitive returns for the owners through dividends and increase in share value without disadvantaging the Group's creditors.

In addition to cash and cash equivalents, the Group's liquidity reserve consists of unused long-term, committed credit facilities. Hafslund has access to diversified loan sources and primarily uses the Norwegian bond market, the bank market and international private placement markets.

The Group has long-term financing and unused credit facilities that together ensures financial room to maneuver even when it is difficult to obtain financing in the markets.

The loan portfolio (excluding subordinated loans) comprises a balanced mix of loans with a maturity structure between 1 and 11 years, with a weighted average term of 5 years. The maturity structure of the Group's interest-bearing debt and other financial liabilities are shown in [notes 5.2 Interest-bearing debt](#) and [5.3 Maturity structure financial liabilities](#).

At the end of 2022 the Group had unused credit facilities considered sufficient to cover the Group's refinancing requirements over the next 12 months. External borrowing is centralized at parent company level in Hafslund AS, in addition to the loans from the minority owners in Hafslund Oslo Celsio AS. The capital needs of the respective subsidiaries are normally covered through internal loans, primarily through corporate cash pooling systems, in combination with equity. The capital structure in the subsidiaries is adapted to commercial, legal and tax-related considerations. The Group attaches importance to ensuring a balanced and reasonable capital composition that maintains reasonable equity based on the risk and scope of the business.

The Group's loan agreements contain covenants regarding negative pledge. Some loan agreements also stipulate that material assets cannot be disposed of without approval, and one ownership clause requiring more than 50 per cent of shares issued by Hafslund AS to be directly or indirectly owned by the City of Oslo. The Group's loan agreements do not impose any other financial covenants.

In 2022, Scope Ratings updated Hafslund AS' corporate issuer rating of BBB+ from stable to positive outlook, and maintained an S-2 short term rating. Hafslund aims to maintain an "investment grade" credit profile and monitors quantitative and qualitative factors that affect creditworthiness by following, among other things, the development of its equity ratio, net interest-bearing debt and cash flows from operations. The Group's capital consists of net interest-bearing debt and equity.

The Group is not subject to any external requirements with regards to the management of its capital structure other than with regards to market expectations and the owner's dividend requirements.

Note 5.7 Capital management

(cont.)

NOK million	2022	2021
NET INTEREST-BEARING DEBT		
Current interest-bearing debt	2 819	950
Non-current interest-bearing debt	20 203	17 745
Fair value adjustment loan portfolio/fair value hedges	153	-259
Non-current interest-bearing assets	-155	-112
Cash and cash equivalents	-13 497	-6 988
Net interest-bearing debt at 31 December	9 523	11 336
Unused drawing rights	3 500	2 900
EQUITY SHARE		
Equity	42 604	26 816
Assets	97 265	63 584
Equity share at 31 December	44%	42%

Note 5.8 Share capital and shareholder information

NOK million	Number of shares	Share capital	Premium fund	Paid-in capital
PAID-IN CAPITAL				
As of 31 December 2022	100 000	110	23 484	23 594

All shares are owned by the City of Oslo. Dividends paid during 2022 were NOK 3,260 million, of which NOK 1,750 million were paid to the City of Oslo.

Note 5.9 Other non-current receivables

Key accounting policies

All non-current receivables mature more than one year from the balance sheet date.

NOK million	2022	2021
OTHER NON-CURRENT RECEIVABLES		
Other non-current interest-bearing receivables	155	112
Other non-current non-interest-bearing receivables	1 052	812
Net pension funds	184	258
Non-current equity investments	188	73
Other non-current receivables at 31 December	1 579	1 256

Note 5.10 Trade receivables and other current receivables

Key accounting policies

Accounts receivables contain both receivables arising from contracts with customers and other types of receivables. Receivables arising from contracts with customers are recognised at the agreed amount, reduced by expected credit loss. Other receivables and accruals are recognised at fair value and measured in subsequent periods at amortised cost.

Key estimates and assumptions

Inaccurate assessment of the customer's ability to pay could result in losses on receivables that subsequently must be written down through profit or loss. The Group estimates and recognises a provision for expected losses based on historic figures. The Group deems the credit risk to be acceptable.

NOK million	2022	2021
TRADE RECEIVABLES		
Trade receivables	1 148	569
Trade receivables 31 December	1 148	569
RECEIVABLES		
Other non-interest-bearing current receivables	438	363
Accrued other income/prepaid expenses	588	2
Other non-interest-bearing current receivables 31 December	1 026	365

Note 5.11 Cash and cash equivalents

NOK million	2022	2021
CASH AND CASH EQUIVALENTS		
Bank deposits	12 939	6 624
Restricted assets	558	364
Cash and cash equivalents at 31 December	13 497	6 988

Key matters

The Group's available cash and cash equivalents consist mainly of bank deposits. The Group also has an overdraft facility of NOK 1,000 million, which was unused per 31 December 2022. Furthermore, the Group has an overdraft facility of EUR 50 million (unused per 31 December 2022) to cover the daily mark to market settlements for futures contracts at Nasdaq Clearing AB.

Hafslund AS has a syndicated credit facility of NOK 2,500 million maturing in November 2027 with an option for a one-year extension. The credit facility is used as back-stop for loan maturities and as general liquidity reserve and was unused per 31 December 2022.

Note 5.11 Cash and cash equivalents

(cont.)

The Group has corporate cash pooling systems in Nordea, DNB and SEB. A corporate cash pooling system entails joint liability among the participating companies. Hafslund AS's accounts constitute single, direct accounts for transactions with the bank, while deposits into and withdrawals from the respective subsidiaries' accounts are treated as intercompany balances with Hafslund AS.

The Group's restricted funds, NOK 558 million (NOK 364 million) includes provision of security for power trading activities. The Group purchases bank guarantees as security for withholding tax and other liabilities. Refer to [note 4.2 Guarantees](#), for further information.

Note 5.12 Trade payables and other current liabilities

Key accounting policies

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. The main rule is that trade and other current payables are classified as current if they fall due within one year. Trade and other current payables are measured at fair value in the balance sheet on initial recognition and subsequently measured at amortised cost.

NOK million	2022	2021
TRADE PAYABLES		
Trade payables	736	608
Trade payables at 31 December	736	608
OTHER CURRENT LIABILITIES		
Value added tax	1 275	864
Charges related to salaries	51	40
Accrued interest	558	372
Other accrued costs	660	-
Other short-term liabilities	577	636
Dividend not paid per 31 December	75	168
Other current liabilities at 31 December	3 196	2 080

Note 5.13 Financial items

Key accounting policies

Currency gains and losses that derive from operational hedging of power sales are reported under revenues as other gains/losses. Value adjustments of receivables and liabilities in foreign currency are recognised as currency gains/losses under other financial income/financial costs, respectively.

1 January - 31 December

NOK million	2022	2021
INTEREST INCOME		
Interest income	115	13
Interest income	115	13
INTEREST EXPENSE		
Interest expense	-819	-535
Capitalised interest expense	8	19
Interest expense lease liabilities (IFRS 16)	-7	-4
Interest expense	-817	-520
OTHER FINANCIAL INCOME/COSTS		
Currency gains or losses	310	-96
Change in financial instruments recognised at fair value	56	-32
Profit of sales in shares	-	4
Other financial income or cost	-120	-13
Fair value adjustment investments	-5	16
Reversal of impairment Hafslund Eco Pension Fund	-	66
Other financial income/costs	241	-55
Net financial items	-462	-562

Note 6.1 Taxes

General information

Apart from ordinary income tax, Hafslund's power production activities are subject to separate rules for taxation of hydropower production companies. The Group is therefore also charged resource rent tax and natural resource tax. As of 28 September 2022, the Group also pays high-price contribution on power plants subject to resource rent taxation.

Ordinary income tax

The tax expense primarily consists of taxes payable and changes in deferred tax. Payable income tax is calculated at 22 per cent (22 per cent). Deferred tax is calculated based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, as well as the tax loss carried forward, where a tax rate of 22 per cent (22 per cent) is applied.

Resource rent tax

The resource rent tax depends on the profit and as of 1 January 2022 amounts to nominal 57,7 per cent (47,4 per cent) of the net resource rent income for each power plant. The nominal resource rent tax rate is 57,7 per cent, while allowing for the deduction for a resource rent related income tax of 22 per cent. Net resource rent tax is thus 45 per cent (37 per cent).

Resource rent income is calculated based on each power plant's production hour-by-hour, multiplied by the spot price hour-by-hour. The achieved prices are used for deliveries of concessionary power and

industrial contracts with more than 7 years duration. The resource rent income is reduced by operating expenses, tax-related depreciation and non-taxable income to arrive at net resource rent income. Non-taxable income is stipulated based on the average tax-related value of production equipment for the year for each power plant, multiplied by a prescribed interest rate. The prescribed interest rate was 1,7 per cent for 2022 (0.3 per cent). As of 2021 the resource rent tax regime is a cash flow tax, where new investments – with some exceptions – are directly expensed and thereby not included in the basis for non-taxable income.

Income and expenses in the ordinary income related resource rent tax are the same as those included in the resource rent tax, except for new investments which are capitalized and depreciated.

Negative resource rent income that has arisen in a power plant from and including 2007 can be coordinated with positive resource rent income from other power plants. The negative resource rent income that arose prior to 2007, with interest, can be offset against positive resource rent income from the same power plant only. Negative resource rent income is included in the calculation of deferred tax/deferred tax assets in resource rent taxation along with deferred tax/tax assets related to temporary differences pertaining to production equipment in power production to the extent this can feasibly be offset within a 10-year period.

The resource rent tax in the profit or loss consists of this year's payable resource rent tax plus the change in deferred resource rent tax. Deferred resource rent tax is calculated using a nominal resource rent rate of 57.7 per cent (47.4 per cent) reduced by resource rent related income tax of 22 per cent. The increase in resource rent tax leads to an increase in deferred tax in the balance sheet and the change is reflected in the tax expense for the year.

Note 6.1 Taxes

(cont.)

Natural resource tax

Natural resource tax is calculated based on the individual power plant's average power production over the past seven years without regard to profitability. The tax rate is set at 0.013 NOK (0.013 NOK) per kWh. Natural resource tax can be offset against taxes payable from ordinary income tax. Natural resource tax carried forward is offset against deferred tax in the balance sheet. If it is likely that the natural resource tax represents a final payment where an offset is not likely, it is expensed through profit or loss.

High-price contribution

With effect from 28 September 2022 a new tax, referred to as "high price contribution", was introduced for revenues from the production of power in resource rent-taxable hydropower plants. As of January 2023, the tax will also apply to onshore wind farms, as well as hydropower plants outside the resource rent tax regime with installed capacity above 1 MW.

The tax has a monthly resolution and is calculated separately per price area and per category: spot revenues, concessionary power, own power, withdrawal rights and other revenues. The tax amounts to 23 per cent of the tax basis, which is the achieved average price exceeding 0.7 NOK/KWh. The tax basis can be adjusted for gains or losses from financial contracts entered into before 28 September 2022, provided that these constitute actual hedging of spot revenues from power production. Pumping costs are divided on total production and are deductible in the tax basis.

The sum of ordinary income tax of 22 per cent, resource rent tax of 45 per cent and high-price contribution of 23 per cent gives a marginal tax rate of 90 per cent for hydropower activities at achieved power prices above 0.7 NOK/KWh.

The Group has presented the high-price contribution as a tax expense according to IAS 12. This is a result of the Group considering the tax base to represent a net result and that the high-price contribution is imposed on the same tax subjects as for ordinary income tax and resource rent tax. Furthermore, the high-price contribution is not deductible in the income tax.

The Group has adjusted the tax base with gain/loss from financial power hedging from contracts considered to be "actual power-hedging" and which were entered before 28 September 2022. As a result of the uncertain effect gain or loss from financial power hedging will have on future high-contribution calculations, no deferred tax assets have been entered for these positions.

If the Group had concluded that the tax base did not represent a net result, the tax would have been presented as an operating expense.

Property tax

Power production operations are also subject to property tax, which is up to 0.7 per cent of the taxated value. Property tax is recognised as an operating expense. See [note 2.5](#) Property tax and license fees.

Note 6.1 Taxes

(cont.)

Key accounting policies

Deferred tax and deferred tax assets are offset as far as the Group has a legally enforceable right to set off assets and liabilities, and these are levied by the same tax authority. The same applies for deferred tax and deferred tax assets related to resource rent tax. Deferred tax positions related to ordinary income tax cannot be offset against tax positions related to resource rent tax.

Key estimates and assumptions

Management continuously assesses the validity of material assumptions made in the tax assessments where applicable tax laws are the object of interpretation. Provisions are recognised based on the Management's assessment of expected tax payments where this is deemed necessary.

Deferred tax assets arising from negative resource rent income from before 2007 is recognised in the balance sheet as a deferred tax asset for the portion that is expected to be deductible during a 10-year period. The timing for when negative resource rent income can be offset is estimated based on the expectation of normal production volumes and forward curves.

At the end of 2022, the Group has recognised all negative resource rent carried forward earned before 2007, compared to prior year where negative resource rent of NOK 81 million was not recognized in the balance sheet.



Note 6.1 Taxes

(cont.)

NOK million	2022	2021
TAX EXPENSE		
Income tax payable	4 200	1 869
Changes in deferred tax	-121	-71
Resource rent tax payable	7 996	2 902
Changes in deferred resource rent tax	1 416	628
Natural resource tax	209	216
Natural resource tax offset against income tax	-209	-216
Too little/much tax set aside in previous years	7	-41
High-price contribution	1 030	-
Other	7	4
Tax expense for the year	14 535	5 291

NOK million	2022	2021
DEFERRED TAX THROUGH OTHER COMPREHENSIVE INCOME		
Hedging reserve 22 % (22 %)	-484	-275
Hedging reserve 45 % (37 %)	-774	-195
Actuarial gains and losses 22 % (22 %)	-12	10
Actuarial gains and losses 45 % (37 %)	-47	16
Deferred tax through other comprehensive income	-1 317	-444
RECONCILIATION OF NOMINAL TAX RATE AGAINST EFFECTIVE TAX RATE		
Profit before tax	18 879	7 901
Profit/loss from equity-accounted investees	716	15
Profit before tax adjusted - basis for calculation of effective tax rate	18 163	7 886
22 % (22 %) of profit before tax adjusted	3 996	1 735
22 % (22 %) of permanent differences	71	53
22 % (22 %) of actuarial gains and losses	-11	10
Payable resource rent tax	7 996	2 902
Change in deferred tax negative resource rent tax carried forward 57.7 % (47.4 %)	69	212
Change in deferred resource rent tax 45 % (37 %)	282	344
Change in deferred resource rent tax related to change in tax rate	1 064	-
Too little/much tax set aside in previous years	7	-28
High-price contribution	1 030	-
Other	30	62
Tax expense for the year	14 535	5 291
Effective tax rate	80%	67%

Note 6.1 Taxes

(cont.)

NOK million	2022	2021
DEFERRED TAX		
General income tax		
Derivatives	-2 337	-584
Receivables	210	491
Power contracts	-1 633	-386
Property, plant and equipment	19 332	15 876
Provisions for liabilities	-2 112	-2 413
Pensions	106	159
Other	-22	-
Tax losses carried forward	-643	-454
Total per 31 December	12 901	12 689
Tax rate	22%	22%
Deferred tax liability/-asset	2 838	2 792
Natural resource rent tax carried forward	-	-
Net deferred tax liability/-asset	2 838	2 792
Of which deferred tax asset	-	-
Of which deferred tax liability per 31 December	2 838	2 792

NOK million	2022	2021
DEFERRED TAX		
Resource rent tax		
Property, plant and equipment	15 661	14 949
Pensions	145	168
Industrial contracts	-1 985	-377
Provisions for liabilities	-1 349	-1 309
Total per 31 December	12 472	13 431
Deferred resource rent related income	- 2 489	-2 734
Basis for deferred resource rent tax	9 982	10 697
Tax rate	57,7 %	47,4 %
Deferred resource rent tax	5 760	5 070
Resource rent tax carried forward, including interest	-360	-665
Unrecognised resource rent tax carried forward	-	81
Sum resource rent tax carried forward, expected utilization within 10 years	-360	-584
Deferred tax asset	-212	-277
Carrying amount of deferred tax liability/-asset		
Deferred tax asset	-212	-277
Deferred tax liability	8 598	7 862
Total per 31 December	8 386	7 585

Note 7.1 Remuneration to senior executives and Board members

Remuneration to senior executives and Board members of Hafslund in 2022

The overview below shows the remuneration of senior executives in the Hafslund Group for 2022 and 2021. Board remuneration and remuneration for work in the audit and compensation committee apply to Hafslund AS.

From date	Up to and including	Name	Position	Salaries, holiday pay and fees	Bonus ²	Benefits in kind	Pension costs	Borrowings 31.12.22
01.01.2022	31.12.2022	Finn Bjørn Ruyter	CEO	5 157 663	-	433 561	779 607	-
01.09.2022	31.12.2022	Berit Sande	CFO (Chief Financial Officer)	766 666	-	40 317	104 210	-
01.01.2022	31.12.2022	Martin S. Lundby	EVP Corporate Development and Growth	2 690 369	61 419	158 980	384 818	-
19.05.2022	31.12.2022	Knut Inderhaug	Managing Director Hafslund Oslo Celsio	1 501 859	-	55 776	101 162	148 749
01.01.2022	31.05.2022	Anders Østby	EVP Power Market	904 730	61 419	73 147	121 091	-
01.01.2022	31.12.2022	Toril Benum	EVP Projects	2 403 074	61 419	231 331	356 903	-
01.01.2022	31.12.2022	Kristin Lian	EVP Hydropower	2 814 050	7 910	306 592	454 562	-
01.06.2022	31.12.2022	Eirik Folkvord Tandberg	EVP Energy markets and public relations	1 246 023	-	90 244	201 536	-
01.10.2022	31.12.2022	Elise Horn	EVP Group development	437 500	-	2 322	53 112	-
01.01.2022	31.12.2022	Alexandra Bech Gjerv ¹	Chair	512 200	-	-	-	-
01.01.2022	31.12.2022	Bente Sollid Storehaug ¹	Board Member	263 900	-	-	-	-
01.01.2022	31.12.2022	Bjørn Erik Næss ¹	Board Member	291 650	-	-	-	-
01.01.2022	31.12.2022	Bård Vegar Solhjell ¹	Board Member	263 900	-	-	-	-
01.01.2022	31.12.2022	Mari Thjømøe ¹	Board Member	291 650	-	-	-	-
01.01.2022	31.12.2022	Håkon Rustad	Board Member (employee representative)	1 126 155	61 419	10 764	71 703	-
01.01.2022	31.12.2022	Vegar Kjos Andersen	Board Member (employee representative)	1 427 293	61 419	53 591	140 945	-
01.01.2022	31.12.2022	Ingvild Marie Rikoll Solberg	Board Member (employee representative)	1 065 649	61 419	13 725	53 949	-

¹ Includes remuneration for work in the Audit Committee and Compensation Committee.

² The CEO does not have an individual or a collective bonus. The collective bonus for Hafslund was terminated in 2022, but the accrued bonus for 2021 was paid out in April 2022. The Group management, excluding the CEO, also received a collective bonus paid out in April 2022. The Group management, excluding the CEO, and the rest of the Group received compensation as a result of termination of the collective bonus.

Note 7.1 Remuneration to senior executives and Board members

Remuneration to senior executives and Board members of Hafslund in 2021

From date	Up to and including	Name	Position	Salaries, holiday pay and fees	Bonus ⁴	Benefits in kind	Pension costs	Borrowings 31.12.21
01.01.2021	31.12.2021	Finn Bjørn Ruyter	CEO	4 933 072	-	367 122	728 552	-
01.01.2021	31.12.2021	Heidi Ulmo	CFO (Chief Financial Officer)	3 049 678	-	261 312	441 111	-
01.01.2021	31.12.2021	Martin S. Lundby ²	Deputy CEO and EVP Growth and Investments	2 348 302	-	158 676	310 006	-
01.01.2021	30.09.2021	Alf Inge Berget	EVP Power Generation	2 124 971	-	205 300	270 749	-
01.01.2021	30.11.2021	Stig Morten Løken	EVP Technical	1 832 886	-	134 954	242 124	-
01.01.2021	31.12.2021	Anders Østby	EVP Power market	2 117 972	-	170 346	272 385	-
01.01.2021	31.12.2021	Toril Benum ³	EVP Business Support	2 252 995	-	229 145	346 375	-
15.11.2021	31.12.2021	Kristin Lian	EVP Hydropower	379 924	-	25 147	54 342	-
14.09.2021	14.11.2021	Celine Setsaas	EVP Power Generation (acting)	445 165	-	12 906	28 328	-
01.01.2021	31.12.2021	Alexandra Bech Gjerv ¹	Chair	493 134	-	-	-	-
01.01.2021	31.12.2021	Bente Sollid Storehaug ¹	Board Member	252 267	-	-	-	-
01.01.2021	31.12.2021	Bjørn Erik Næss ¹	Board Member	284 615	-	-	-	-
01.01.2021	31.12.2021	Bård Vegar Solhjell ¹	Board Member	252 267	-	-	-	-
01.01.2021	31.12.2021	Mari Thjømøe ¹	Board Member	284 615	-	-	-	-
01.01.2021	31.12.2021	Arvid Amundsen	Board Member (employee representative)	894 069	12 600	46 725	82 142	-
01.01.2021	31.12.2021	Jan Petter Knudsen	Board Member (employee representative)	969 690	12 600	8 268	-	-
01.01.2021	31.12.2021	Gunnar Ola Braaten ¹	Board Member (employee representative)	1 396 004	12 600	11 549	97 433	-

¹ Includes remuneration for work in the Audit Committee.

² From 01.01-15.09.2021: EVP Corporate Development and Growth

³ From 01.01-15.09.2021: EVP New Energy

⁴ Applies to bonus from collective bonus scheme paid in 2021. Change in reporting practices from 2021. Previously the earned bonus has been reported. The individual bonus schemes for the senior executives have been discontinued in 2021.

Note 7.1 Remuneration to senior executives and Board members

(cont.)

Senior executives in 2022:

Name	Position	Comment
Finn Bjørn Ruyter	CEO	
Berit Sande	CFO	From 1 September 2022
Martin S. Lundby	EVP Corporate Development and Growth	
Knut Inderhaug	Managing Director Hafslund Oslo Celsio	From 19 May 2022
Eirik Folkvord Tandberg	EVP Energy markets and public relations	From 1 June 2022
Toril Benum	EVP Business Support and Organisational Development	
Kristin Lian	EVP Hydropower	
Elise Horn	EVP Group development	From 1 October 2022

The Board's Compensation Committee

The Board of Hafslund AS has a dedicated Compensation Committee. The Compensation Committee advises the Board on all matters pertaining to the company's remuneration paid to the CEO. The Committee keeps up to date on and proposes guidelines for determination of remuneration paid to senior executives in the business. In addition, the Committee functions as the advisory body for the CEO regarding compensation schemes that essentially cover all employees, including Hafslund's pension plan.

Declaration on the determination of salaries and other remuneration

Remuneration paid to senior executives at Hafslund complies with guidelines and the declaration on determination of salaries and other remuneration paid to senior executives. The Board issues a declaration on the determination of salaries and other remuneration paid to the CEO and Group management. This is included below.

Guidelines for remuneration paid to senior and other executives in the Hafslund Group

The guidelines shall form the basis for determining remuneration to the CEO and the Group management in the Hafslund Group. The guidelines must be consistent with the City of Oslo's guidelines for compensation schemes for senior executives in limited companies that are majority owned by the City of Oslo.

The Board of Directors

The Board adopts the CEO's terms and conditions of employment and oversees the general terms and conditions of other senior Group executives. These terms are evaluated and adopted by the Board each year. If the CEO wishes to offer members of Group management or other senior executives' remuneration not covered by these guidelines, this must be presented to the Board for approval. In such cases, the Board must justify and minute why the guidelines have been deviated from in each case. The Board also determines the terms for the company's incentive scheme for managers and key individuals based on a recommendation from administration and the Compensation Committee.

Note 7.1 Remuneration to senior executives and Board members

(cont.)

Terms and conditions, CEO

Remuneration paid to the CEO must be competitive in relation to responsibilities and the industry in general and reflect the employee's experience and level of expertise. The remuneration in 2022 comprised a fixed salary and a pension plan in accordance with the Group's prevailing schemes for Group management, in addition to an operating subsidy for the use of a car. The CEO receives benefits in kind on a par with other senior Group executives. The retirement age is 70, and the CEO is a member of the Group's mandatory occupational pension plan (OTP) which provides 6 per cent of salary between 1 and 7.1 times the National Insurance Scheme's basic amount (G) and 18 per cent of salary between 7.1 and 12 G.

Pension compensation providing a gross additional income of 16 per cent will be paid for basic salary over 12 G on the condition that the CEO is a member of the defined contribution scheme. The CEO has the right to terminate his employment with an early retirement plan (AFP), in accordance with the prevailing regulations at any point in time. The CEO has a disability pension plan providing compensation of 66 per cent of salary over 12 G and is also covered by a collective accident insurance plan.

The CEO has a six-month notice period. On leaving the company, he is entitled, on certain conditions, to continue receiving salary payments for 12 months (after the end of the notice period).

Severance pay is reduced by any salary received from a new employer during the severance pay period. In such cases, severance payments are reduced by 66 per cent of the lower of the monthly severance pay and the new salary.

Terms and conditions, other Group management

Remuneration for other Group management in 2022 comprised a fixed salary, an operating subsidy for the use of a car and pension under the Group's prevailing schemes for Group management. Group management receives benefits in kind on a par with other senior Group executives. Group management covered by the defined contribution plan receive pension compensation providing a gross additional income of 16 per cent for salary over 12 G. The plan is similar to the plan for other employees in the Group with salaries over 12 G and a defined contribution plan. Group management receives a disability pension providing compensation of 66 per cent of salary between 12 G and 30 G.

Group management has a six-month notice period. On leaving the company, Group management is entitled, on certain conditions, to continue receiving salary payments for up to 12 months (after the end of the notice period). Severance pay is reduced by any salary received from a new employer during the severance pay period. In such cases, severance payments are reduced by 66 per cent of the lower of the monthly severance pay and the new salary.

Fixed salary

Group management's fixed salary is based on the duties performed and level of responsibility, as well as the employee's expertise and length of service in the position. Salaries should be competitive in relation to responsibilities and industry levels.

Note 7.1 Remuneration to senior executives and Board members

(cont.)

Annual bonus

The CEO does not have an individual or collective bonus. Hafslund discontinued all individual bonus schemes for managers, and nearly all individual bonus schemes for employees in 2021.

The collective bonus for Hafslund was terminated in March 2022, but the accrued bonus for 2021 was paid out in April 2022. The Group management, excluding the CEO, also received a collective bonus which was paid out in April 2022. The Group management and the rest of the employees received compensation as a result of termination of the collective bonus, with the same amount for all employees at 2/3 of the maximum bonus payment.

Hafslund Oslo Celsio did still have bonus schemes, also for managers, in 2022 which were established under the ownership of Fortum. It has been decided that bonus schemes in Hafslund Oslo Celsio will be discontinued as of 2023.

Pensions

Senior and other executives should have a pension plan in accordance with the prevailing pension plan for the Group. Group employees who are members of the mandatory occupational pension are covered by an additional pension plan for salaries over 12 G. Pension compensation providing a gross additional income of 16 per cent will be paid for salary over 12 G. The retirement age for managers is 70. Managers are entitled to take early retirement in accordance with the prevailing AFP-agreement

at any one time. Group management has a disability pension providing compensation of 66 per cent of salary between 12 G and 30 G.

Period of notice and severance pay

Senior and other executives have a notice period of six months. In specific cases and depending on the position, salary payments may continue for 6 to 12 months beyond the ordinary notice period. Severance pay is not included in the basis for calculation of holiday pay or pension benefits. If the employee should begin a new job while receiving such pay, severance payments will be reduced by 66 per cent of the lower of the monthly severance payments and the new monthly salary. If a manager takes up a new position before the end of the notice period, the reduction mechanism applies to the entire severance pay period. In accordance with section 15 of the Norwegian Working Environment Act, severance pay entitles the employer to terminate the employment relationship at any time without further justification on full payment of severance pay.

Car allowance

An operating subsidy for the use of a car can be awarded.

Benefits in kind

Benefits in kind mainly relate to expenses for broadband (home office), mobile phones and newspapers.

Holidays

Senior executives are entitled to holidays in line with the provisions of the Norwegian Annual Holidays Act and the Group's prevailing internal guidelines. Holiday pay is calculated based on basic salary. Additional benefits are not included in the calculation basis.

Note 7.2 Pensions

Hafslund is obligated to have pension schemes for its employees according to the Occupational Pensions Act. The Group's pension schemes, which include both defined benefit and defined contribution plans, satisfy the requirements of the law. As of 31 December 2022, 681 employees were covered by the Group's pension schemes, including 108 in public defined benefit plans, 16 in private defined benefit plans and 557 employees in defined contribution plans. The defined benefit plans entitle employees to defined future benefits. These are essentially depending on the number of years of service and the salary level at retirement age. The pension schemes are organised in Hafslund Pension fund and insurance companies. In addition, some pensions are provided directly from the companies.

NOK million	2022	2021
CARRYING AMOUNT PENSION LIABILITIES		
Present value of accrued pension liabilities for funded defined benefit plans	2 051	1 831
Fair value of pension assets	-2 188	-2 025
Actual net pension liabilities for funded defined benefit plans	-137	-194
Present value of pension liabilities for unfunded plans	32	35
Net pension liabilities recognised (incl. Employer's National Insurance contributions) at 31 December	-106	-159
Carrying amount net pension liabilities	-78	-99
Carrying amount net pension assets	184	258

NOK million	2022	2021
CHANGES IN DEFINED PENSION LIABILITIES DURING THE YEAR		
Pension liabilities at 1 January	1 866	1 747
Employer's National Insurance contribution	2	1
Present value of accrued pension entitlements for the year	17	10
Interest cost	31	26
Changes in estimates	-45	167
Pension liabilities on settlements and acquisitions	305	-
Benefits paid	-94	-85
Pension liabilities at 31 December	2 083	1 866

NOK million	2022	2021
CHANGE IN FAIR VALUE OF PENSION ASSETS DURING THE YEAR		
Fair value of pension assets at 1 January	2 025	1 832
Interest income	33	27
Changes in estimates	-93	211
Total contributions	84	36
Pension assets on settlements and acquisitions	231	-
Total payments from fund	-91	-82
Fair value of pension assets at 31 December	2 188	2 025

Note 7.2 Pensions

(cont.)

The following financial assumptions have been applied:	2022	2021
Discount rate	2,90%	1,50%
Yield	2,90%	1,50%
Annual salary increase	3,75%	2,50%
Adjustment of National Insurance Scheme's basic amount (G)	3,50%	2,25%
Adjustment of current pensions, public plan	2,75%	1,50%

Applied assumptions follow recommendations provided by the Norwegian Accounting Standards Board as of 30 September 2022. The discount rate is updated with the OMF interest rate (covered bonds) as of 30 November 2022.

Demographic assumptions used in the calculations are based on the IR73 disability rate converted to intensity method and K2013BE mortality table.

NOK million	2022	2021
Accrued pension liabilities for the year	17	10
Net interest cost	-2	-1
Employer's National Insurance contribution	2	1
Pension costs	17	10
Pension costs defined contribution plans	44	34
Total pension costs	61	44

Sensitivities of pension liabilities to changes in the weighted financial assumptions are:

Financial assumptions	Impact on gross pension liabilities		
	Change	Increase in assumption	Decrease in assumption
Discount rate	0,5 %	-6,8 %	7,7 %
Salary increase	0,5 %	0,5 %	-0,5 %
Adjustment of National Insurance Scheme's basic amount (G)	0,5 %	6,6 %	-6,0 %
Life expectancy	1 year	5,0 %	-4,4 %

Note 7.2 Pensions

(cont.)

Pension funds are invested in bonds, money market placements, shares and real estate. The bonds and money market instruments are issued by Norwegian and foreign states, municipalities, finance institutions and enterprises. Bonds in foreign currency are currency hedged to NOK. Equity investments include both Norwegian and foreign shares.

The real estate investments are in Norwegian commercial property. Any estimate deviation is distributed proportionally between the individual asset classes.

Pension assets comprise:

NOK million	2022		2021	
	Value	Percentage	Value	Percentage
Equity instruments	885	40%	845	42%
Interest-bearing instruments	1 113	51%	1 007	50%
Property	190	9%	174	9%
Fair value of pension assets at 31 December	2 188	100%	2 025	100%

In 2022, plan contributions were invested as follows:

NOK million	Level 1 Listed prices	Level 2 Observable prices	Level 3 Non-observable prices	Total
Equity instruments	-	885	-	885
Interest-bearing instruments	-	1 113	-	1 113
Property	-	-	190	190
Total at 31 December	-	1 198	190	2 188

In 2021, plan contributions were invested as follows:

NOK million	Level 1 Listed prices	Level 2 Observable prices	Level 3 Non-observable prices	Total
Equity instruments	-	845	-	845
Interest-bearing instruments	-	1 007	-	1 007
Property	-	-	174	174
Total at 31 December	-	1 851	174	2 025

Note 8.1 Consolidated companies

Key accounting policies

The consolidated financial statements include Hafslund AS and its subsidiaries. Subsidiaries are all companies over which the group exercises control.

Hafslund normally deems that it has control when the Group holds at least 50 per cent of the voting rights in a company.

On 19 May 2022, Hafslund AS took over 60 per cent of the shares in Hafslund Oslo Celsio AS (formerly Fortum Oslo Varme AS) with the subsidiaries Hafslund Fiber AS and Hovinbyen Energy Hub AS. See [note 1.5 Transactions and events 2022](#) for more information about the transaction.

Subsidiaries directly owned by Hafslund AS	Registered office	Ownership interest	Voting rights
Hafslund Vekst AS	Oslo	100,0 %	100,0 %
Hafslund Eco Vannkraft AS	Oslo	56,5 %	56,5 %
Hafslund Produksjon Holding AS	Oslo	90,0 %	90,0 %
Oslo Lysverker AS	Oslo	100,0 %	100,0 %
Hafslund Ny Energi AS	Oslo	65,0 %	65,0 %
Hafslund Oslo Celsio AS	Oslo	60,0 %	60,0 %

Companies controlled by subsidiaries	Registered office	Ownership interest	Voting rights
Hafslund Handel AS	Oslo	100,0 %	100,0 %
Hafslund Eco Vannkraft Innlandet AS	Lillehammer	100,0 %	100,0 %
Hafslund Produksjon AS	Askim	100,0 %	100,0 %
Sarp Kraftstasjon AS	Askim	100,0 %	100,0 %
Mork Kraftverk AS	Oslo	67,0 %	67,0 %
Hallingfisk AS	Hol	68,5 %	68,5 %
Direct Energy AS	Oslo	100,0 %	100,0 %
Hafslund Fiber AS	Oslo	100,0 %	100,0 %
Hovinbyen Energy Hub AS	Oslo	51,0 %	51,0 %
Hafslund Vekst AB	Stockholm	100,0 %	100,0 %

Hafslund AS owns 56.5 per cent of the shares in Hafslund Eco Vannkraft AS. Eidsiva Energi AS owns the remaining 43.5 per cent. Through its 50 per cent ownership in Eidsiva Energi AS, the effective ownership share is 78.2 per cent. See also [Note 3.5 Equity-accounted investees](#) for how ownership is reflected in the consolidated financial statements.

Note 8.2 Non-controlling interests

Key accounting policies

IFRS does not regulate how to treat instances where a parent company owns a subsidiary where a share of the subsidiary is owned through a company that is recognised using the equity method.

The Group applies the “look-through approach” – meaning that the share that is owned indirectly is included in the share of the parent company when calculating the non-controlling interests.

There is a non-controlling interest in Hafslund Eco Vannkraft AS amounting to 21.8 per cent (21.4 per cent) as of 31 December 2022, which is calculated as follows using the “look-through approach”:

Non-controlling interests (NCI) using the "look-through approach"	Shareholding
The Group's direct shareholding	56,5 %
The Group's shareholding through 50 % shareholding in Eidsiva Energi	21,8 %
The Group's shareholding, "look-through approach"	78,2 %
Total shareholdings	100,0 %
Non-controlling interests, "look-through approach"	21,8 %

The table below presents an overview of information related to the Group's subsidiaries where there are substantial non-controlling interests, before Group eliminations. Hafslund Eco Vannkraft, Hafslund Produksjon and Hafslund Oslo Celsio are subgroups of Hafslund Group and the disclosed amounts are for each subgroup.

NOK million	2022			Other	Group
	Hafslund Eco Vannkraft	Hafslund Produksjon Holding	Hafslund Oslo Celsio		
NCI percentage	21,8 %	10,0 %	40,0 %		
Non-current assets	35 278	10 833	21 677		
Current assets	16 058	5 083	1 280		
Non-current liabilities	-28 273	-3 251	-5 575		
Current liabilities	-14 458	-3 562	-1 203		
Net assets at 31 December	8 605	9 103	16 179		
Net assets attributable to NCI	1 882	965	6 603	-136	9 314
Revenue	18 439	5 011	1 707		
Profit	2 442	1 108	13		
OCI	-528	-	-		
Total comprehensive income	1 915	1 108	13		
Profit allocated to NCI	561	155	5	-14	708
OCI allocated to NCI	-115	-	-	-	-115

Note 8.2 Non-controlling interests

(cont.)

NOK million	2021			
	Hafslund Eco Vannkraft	Hafslund Produksjon Holding	Other	Group
NCI percentage	21,4 %	10,0 %		
Non-current assets	34 045	10 952		
Current assets	8 023	2 200		
Non-current liabilities	-26 423	-2 872		
Current liabilities	-6 794	-1 398		
Net assets at 31 December	8 852	8 882		
Net assets attributable to NCI	1 807	899	45	2 751
Revenue	10 207	2 326		
Profit	1 527	887		
OCI	-195	-		
Total comprehensive income	1 332	887		
Profit allocated to NCI	328	89	-6	411
OCI allocated to NCI	-42	-	-	-42



Note 9.1 Related party transactions

All subsidiaries, associates and joint arrangements as specified in the [notes 8.1 Consolidated companies](#), [3.5 Equity-accounted investees](#) and [3.6 Joint operations](#) are deemed to be related parties of the Group. The Group's management and Board are also defined as related parties, as specified in [note 7.1 Remuneration to senior executives and Board members](#). Transactions with subsidiaries are eliminated in the consolidated financial statements and are not disclosed in this note.

The City of Oslo owns 100 per cent of Hafslund AS.

Subordinated loan from CCS Finansiering AS

Hafslund AS has three subordinated loans from CCS Finansiering AS, a company 100 per cent owned by the City of Oslo. The loans were transferred from the City of Oslo to CCS Finansiering AS on 15 December 2022. All the loans have no installments and have a clause stating that if the annual result for the group shows a deficit after charged interest, the interest must be reduced by either the deficit or to zero. The reduction is final and the interest amount shall not be paid at a later date.

The first loan had an outstanding balance as of 31 December 2022 of NOK 2,347 million (NOK 2,347 million). Accrued interest on the loan was NOK 135 million (NOK 112 million) as of 31 December 2022. The loan had an interest rate of 5.7 per cent and matures on 31 December 2037.

The second loan had an outstanding balance as of 31 December 2022 of NOK 1,000 million (NOK 1,000 million). Accrued interest on the loan was NOK 45 million (NOK 6 million) as of 31 December 2022. The loan had an interest rate of 4.5 per cent and matures on 31 December 2041.

The third loan had an outstanding balance as of 31 December 2022 of NOK 2,075 million and was established in 2022 in connection with the Hafslund Oslo Celsio transaction. Accrued interest on the loan was NOK 64 million as of 31 December 2022. The loan had an interest rate of 5 per cent and matures on 19 May 2042. In this loan, the debtor can make a claim for the payment of an extraordinary installment that corresponds to any payment obligation the City of Oslo or CCS Finansiering AS receives in connection with the external financing of the CCS project.

CCS Finansiering AS' preferred shares

As of 31 December 2022, CCS Finansiering AS has invested NOK 189,7 million as preference capital in Hafslund Oslo Celsio AS. The preference shares are entitled to a share of any excess return in the CCS project until 2051, but do not confer voting rights, the right to ordinary dividends or other financial benefits. CCS Finansiering AS will inject preference capital in line with the capital requirement in the CCS project, up to a maximum of NOK 2.1 billion.

The Group has classified the preference shares as debt for accounting purposes and will classify future deposits of preference capital accordingly (see further discussion in [Note 4.1 Other obligations](#)).

Subordinated loan from Eidsiva Energi AS

Hafslund Eco Vannkraft Innlandet AS has a subordinated loan from the 50 per cent owned joint venture Eidsiva Energi AS, with an outstanding amount as of 31 December 2022 of NOK 1,917 million (NOK 1,917 million). As of 31 December 2022, accrued interest on the loan amounted to NOK 110 million (NOK 92 million). The loan had an interest rate of 5.7 per cent, no instalments and matures on 31 December 2039.

Note 9.1 Related party transactions

(cont.)

Receivable on Fredrikstad Energi AS

The Group has a long-term receivable from the associate Fredrikstad Energi AS, with a principal amount of NOK 49 million, in the form of a bond listed on the Nordic ABM. The loan matures on 19 December 2114. Fredrikstad Energi AS can redeem the loan the first time on 29 December 2025 (call date) and then every 5 years until maturity.

The interest rate is 7 per cent until the call date in 2025 and thereafter 1-year NOK swap rate plus a margin of 3.5 per cent. As of 10 years after the call date in 2025, the margin is increased to 4.5 per cent. The loan has a condition of so-called bypassed coupon payment if the interest coverage ratio falls below 2.5 per cent. For 2022 no interest was paid.

Note 9.2 Contingencies

Hafslund Energy Trading

Hafslund Energy Trading LLC (“HET”), which is owned by Hafslund Produksjon Holding, performed power trading activities in California (USA) between 1999 and 2001. During this period, there was a power crisis and since 2001 HET and public authorities in California (“California Parties”) have been in dispute, with the latter claiming that HET must repay the capital. The Group believes that the probability of the Norwegian parent company being held liable is low and has consequently not recognised a provision in the financial statements.

Note 9.3 Events after the reporting period

The financial statements are considered authorised for issue once they have been approved by the Board of Directors. After this point, the General Meeting and regulatory authorities may refuse to approve the financial statements but may not change them. Events that take place before the financial statements are authorised for issue and related to matters that were known at the end of the reporting period, will be included in the information basis for determining accounting estimates and therefore be fully reflected in the financial statements. Events relating to matters that were not known at the end of the reporting period are disclosed if they are material.

On 16 March 2023, it was agreed between Hafslund Eco Vannkraft Innlandet AS and Eidsiva Energi AS that the subordinated loan of NOK 1,917 million will be paid back to Eidsiva Energi AS in full on 14 April 2023 in an extraordinary installment.

At the time of the authorisation of the financial statements, there were no further known material events after the reporting period that were expected to have an impact on the Group’s income statement for 2022 or its statement of financial position as of 31 December 2022.

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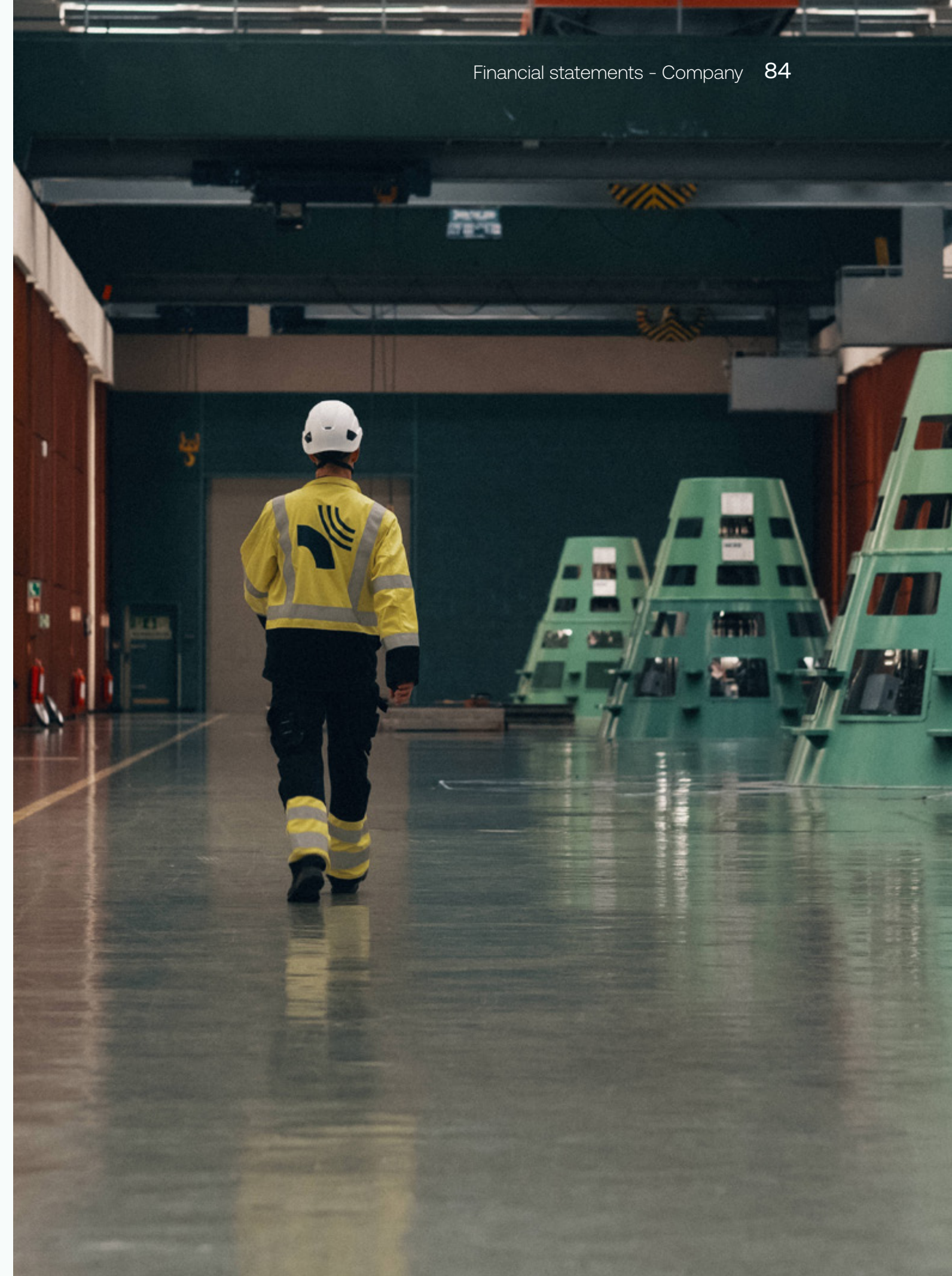
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Income statement 1 January - 31 December

NOK million	Note	2022	2021
Other operating revenue		34	25
Revenue		34	25
Salary and other personnel expenses	3	52	31
Other operating expenses	4	83	72
Profit/loss from equity-accounted investees	5	-16	2
Depreciation		4	4
Operating profit		-89	-85
Interest income	6	1 072	652
Interest expenses	6	-872	-473
Dividend from subsidiaries	6	2 320	1 888
Other financial income	6	120	81
Other financial costs	6	-551	-457
Net financial items	6	2 089	1 690
Profit before tax		1 999	1 605
Income tax expenses	7	-73	-64
Profit for the year		2 072	1 668



Balance sheet 31 December

NOK million	Note	2022	2021
ASSETS			
Deferred tax assets	7	123	51
Intangible assets and goodwill		22	23
Property, plant and equipment		167	169
Investments in equity- accounted investees	5	47	30
Other non-current assets	8	25 801	22 902
Shares in subsidiaries	9	30 121	20 037
Non-current assets		56 280	43 213
Trade receivables		2	1
Other non-interest-bearing current receivables	10	1	7
Current receivables from group companies	11	2 487	1 794
Cash and cash equivalents	12	12 912	6 635
Current assets		15 402	8 437
Assets		71 682	51 650

NOK million	Note	2022	2021
EQUITY AND LIABILITIES			
Paid in capital	13	23 594	15 515
Other equity	13	11 034	10 459
Equity	13	34 628	25 974
Non-current interest-bearing debt	14	16 312	14 961
Pension liabilities	15	15	13
Non-current liabilities		16 327	14 974
Current interest-bearing debt	14	2 509	950
Trade payables		8	2
Other current non-interest-bearing debt	16	1 905	2 005
Current liabilities to group companies	11	16 273	7 741
Current financial derivatives	19	33	3
Current liabilities		20 727	10 701
Equity and liabilities		71 682	51 650

Consolidated statement of cash flows 1 January - 31 December

NOK million	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1 999	1 605
Adjustments from:			
Depreciations, amortisations and impairments		4	4
Profit/loss from equity-accounted investees	5	-16	2
Change in long-term receivables	8	-	-45
Changes in trade receivables and other non-interest-bearing receivables	10, 11	1	-452
Changes in trade payables and other non-interest-bearing liabilities	11, 16	-127	100
Net financial items	6	-2 089	-1 690
Other non-cash income and expenses		1	-1
Cash flows from operating activities		-226	-477
Taxes paid	7	-	-2
Net cash flows from operating activities		-226	-480

NOK million		2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment		-1	-1
Cash paid for new shares in subsidiaries	9	-1 643	-
Other investments		-401	-
Payment of loan to subsidiaries	8	-900	-
Dividend received from subsidiaries		2 370	1 025
Interest income from subsidiaries		862	801
Investments in subsidiaries		-	-62
Received interest		93	-
Settlement power/currency hedging from subsidiaries		-853	-386
Cash flows from investing activities		-473	1 378
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan proceeds	14	3 380	500
Loan repayments	14	-2 550	-1 755
Changes in cash pool arrangement	11	8 659	7 399
Dividends paid and other equity transactions	16, 18	-1 750	-850
Interest paid		-714	-537
Other financing activities		-14	-8
Cash flows from financing activities		7 011	4 749
Changes in cash and cash equivalents			
Cash and cash equivalents at 1 January	12	6 635	926
Effects on cash and cash equivalents at 1 January related to mergers		-	57
Foreign currency gains/losses from cash and cash equivalents		-35	5
Cash and cash equivalents at end of period	12	12 912	6 635

Oslo, 30 March 2023

The Board of Directors of Hafslund AS

Alexandra Bech Gjerv
Board Chair

Bente Sollid Storehaug

Bjørn Erik Næss

Bård Vegar Solhjell

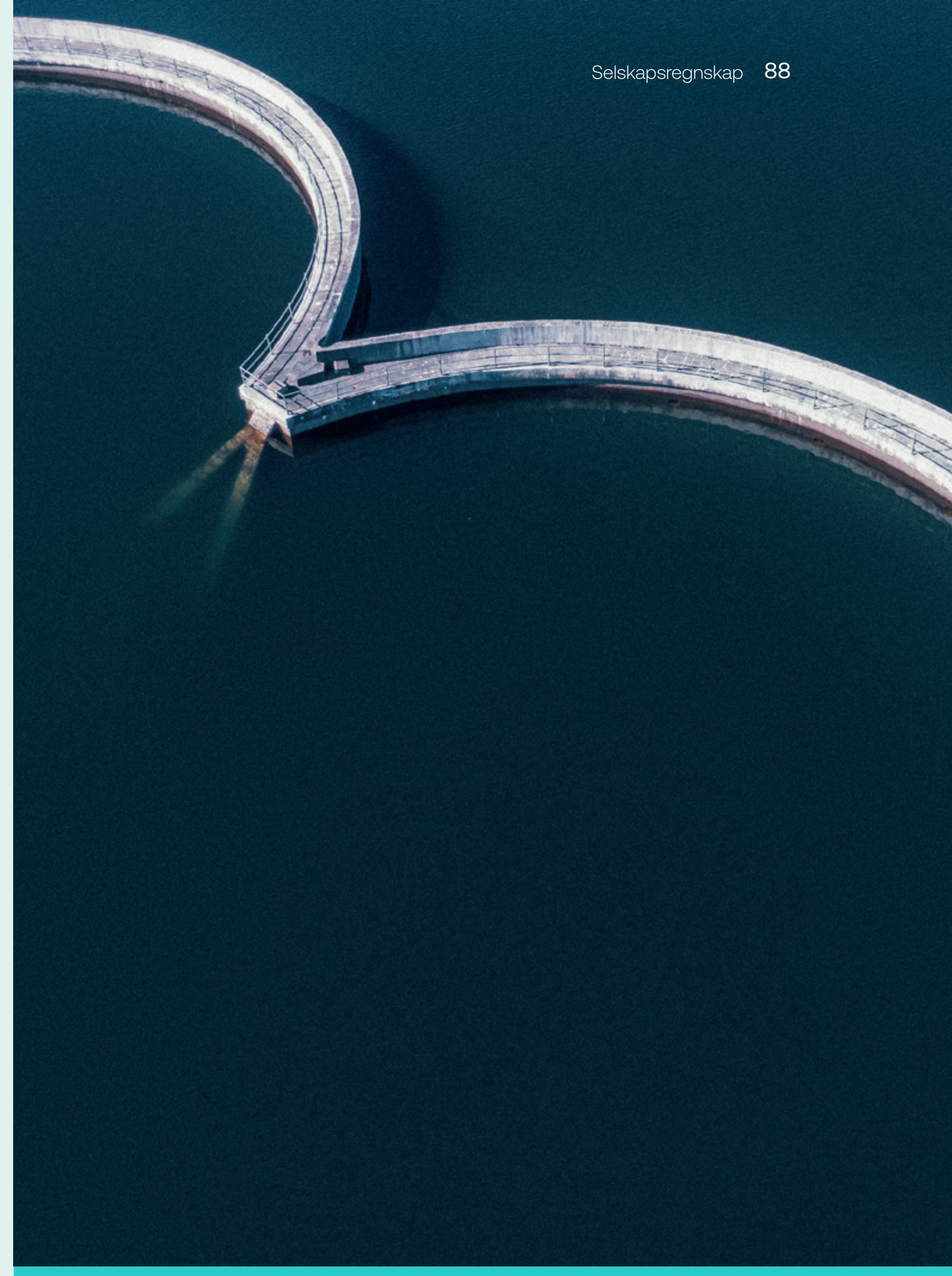
Mari Thjømøe

Håkon Rustad

Vegar Kjos Andersen

Ingvild Marie Rikoll Solberg

Finn Bjørn Ruyter
CEO



Note 1 Accounting policies

The financial statements of Hafslund AS have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway (NGAAP). The company's head office is in Oslo.

Revenue recognition

Hafslund's operating revenues consist mainly of services provided to Group companies and are recognised as revenue when the service is delivered. Interest income consists of interest revenues from group companies and interest from cash on bank accounts and is recognised as income when it is earned. Dividends that are declared in the subsidiaries are recognised as revenue in the same year as the dividend is declared given that it is earned in the ownership period.

Classification

Assets intended for permanent ownership or use are classified as non-current assets. Receivables that are repaid within one year, as well as assets that are not intended for permanent ownership or use for the business, are classified as current assets. Debt maturing later than one year after the end of the financial year is classified as long-term debt. Other debt is classified as current liabilities.

Measurement principles

Trade and other receivables

Trade and other receivables are measured at nominal value less provisions for expected losses. Provisions for losses are made based on an individual assessment of the individual receivables. The majority of the company's trade receivable are receivables from companies in the same group.

Investments in subsidiaries

Investments in subsidiaries are measured in accordance with the cost method. Investments in subsidiaries are written down to fair value when impairment is due to reasons that cannot be assumed to be temporary, and it must be considered necessary in accordance with generally accepted accounting practice. Impairment losses are reversed when the basis for impairment is no longer present. Dividends received and other profit distributions from subsidiaries are recognised as financial income.

Investments in equity-accounted investees

Investments in equity-accounted investees are measured in accordance with the equity method. Dividends received are recognised in the balance sheet against the equity-accounted investees' balance.

Pensions

See consolidated financial statements [note 7.2 Pensions](#). Hafslund AS has applied NRS 6A, which refers to IAS 19, regarding the accounting treatment of pension costs.

Income taxes

The tax expense is based on the profit or loss before tax. The tax expense comprises taxes payable and changes in deferred tax liabilities/deferred tax assets. Taxes payable is calculated based on the taxable profit for the year. Deferred tax recognised in the balance sheet is calculated in accordance with the offset method, with full provision for net tax-increasing temporary differences based on tax rates and nominal amounts at the balance sheet date. Deferred tax assets relating to net tax-reducing temporary differences and tax losses carried forward are recognised based on an assessment of the probability of there being sufficient future earnings or ability to utilise tax positions that can be offset through Group contributions.

Note 1 Accounting policies

(cont.)

Interest-bearing liabilities

Interest-bearing liabilities are measured at amortised cost using the effective interest method.

For all loans denominated in foreign currency, the principal payments and fixed interest in foreign currency have been swapped in a 1:1 ratio into principal payments in Norwegian kroner (NOK) and floating interest payments in Norwegian kroner by entering into combined interest rate and currency swap agreements. The hedging instruments have the same duration and maturity as the loans and there is an economic relationship between the hedging instruments and the hedged items. The hedges are accounted for as fair value hedges under NRS 18.20 (alternative 2B), and the book value of loans in the balance sheet show the principal in Norwegian kroner. Similarly, both interest costs and accrued interest reflect the floating interest rate the company pays in Norwegian kroner.

Furthermore, terms on bond loans in Norwegian kroner have been swapped from fixed to floating interest rates using interest rate swaps. These hedges are also treated as fair value hedges in accordance with NRS 18.20 (alternative 2B). The hedging instruments have the same duration and maturity as the loans and there is an economic relationship between the hedged items and the hedging instruments. Both interest costs and accrued interest reflect the floating interest rate the company pays in Norwegian kroner.

The derivatives are not recognised in the balance sheet. Unrealised loss/gain on the derivatives offset the gain/loss from the hedged risk.

The consideration of hedge accounting could potentially be affected by the uncertainty of a possible change from NIBOR to a reformed NOWA rate. The company has for the time being continued hedge accounting despite this uncertainty, cf. the statement from the Norwegian Accounting Foundation of 31 January 2020 “Accounting effect of the IBOR reform”.

Impairment testing

Property, plant and equipment, equity-accounted investees and investments in subsidiaries are monitored on an ongoing basis for indications of impairment. Reference is made to [note 3.3](#) Impairment testing in the consolidated financial statements.

Basis of preparation of statement of cash flows

The cash flow statement has been prepared in accordance with the indirect method. This means that the starting point of the statement is the Company’s profit before tax in order to be able to present cash flows from ordinary operating activities, investing activities and financing activities, respectively.

Adjustment of comparative figures

Some of the comparative figures in the financial statement have been adjusted. This applies for example to the cash pooling system, bank deposits, and statement of cashflow.

Note 2 Transactions and events in 2022

Reference is made to [note 1.5](#) Transactions and events in 2022 in the consolidated financial statements.

Note 3 Salaries and other personnel costs

1 January - 31 December

NOK million	2022	2021
SALARIES AND OTHER PERSONNEL COSTS		
Wages and salaries	39	25
Employers' national insurance contributions	6	4
Pension costs	3	2
Other personnel costs	4	-
Salaries and other personnel costs	52	31
Average number of FTEs (Full-time equivalents)	29	11

For remuneration to senior executives, please see [note 7.1](#) in Hafslund's consolidated financial statements for 2022.

The increase in average number of full time equivalents is related to reorganization of support functions in the group, where employees was transferred to Hafslund AS.

Note 4 Other operating costs

1 January - 31 December

NOK million	Note	2022	2021
OTHER OPERATING COSTS			
Maintenance		13	3
Purchase of external services		21	15
Office expenses		4	2
Sales and marketing expenses		2	1
Insurance		2	2
Other items		4	2
Other items - Group Companies	11	38	47
Other operating costs		83	72

NOK thousand	2022	2021
AUDITOR'S FEES SPECIFICATION		
Mandatory audit	990	758
Other assurance services	123	-
Tax consultancy services	84	-
Other non-audit fees	-	67
Total auditor's fees	1 197	825

Value-added tax is not included in the specified audit fee.

Note 5 Equity-accounted investees

Company name	Acquisition date	Registered office	Share-holding	Voting rights
NGK Utbygging	2014	Oslo	25,00 %	25,00 %
NorthConnect AS	2010	Kristiansand	22,25 %	22,25 %
NorthConnect KS	2011	Kristiansand	20,00 %	20,00 %
NorthConnect Ltd	2019	Edinburgh	22,25 %	22,25 %

NOK million	NGK Utbygging AS	Total
2022		
BALANCE AT 1 JANUARY	30	30
Share of profit after tax	17	17
Adjusted previous year's profit/loss	-1	-1
Balance at 31 December	47	47

NOK million	NGK Utbygging AS	Total
2021		
BALANCE AT 1 JANUARY	32	32
Share of profit after tax	-2	-2
Balance at 31 December	30	30



Note 6 Financial items

1 January - 31 December

NOK million	2022	2021
INTEREST INCOME		
Interest income	93	11
Interest income from Group companies	978	641
Interest income	1 072	652
INTEREST EXPENSE		
Interest expense	-664	-450
Interest expense to Group Companies	-208	-23
Interest expense	-872	-473
OTHER FINANCIAL INCOME/EXPENSES		
Dividends from subsidiaries	2 320	1 888
Other financial income	10	10
Other financial cost	-513	-457
Currency gains/losses	-37	5
Gain on sale of shares	110	-
Reversal of impairment Hafslund Eco Pension Fund	-	66
Other financial income/expenses	1 889	1 511
Net financial items	2 089	1 690

Of the company's interest expenses, NOK 109 million (NOK 141 million) represents interests on subordinated loans from the City of Oslo and CCS Finansiering. Reference is also made to [Note 14](#) Interest-bearing debt.

Dividend recognized as income from subsidiaries in 2022 consists of a dividend of NOK 930 million from Hafslund Eco Vannkraft AS and NOK 1,391 million from Hafslund Produksjon Holding AS.

In 2022, the company recognised a gain of NOK 110 million from the sale of shares in Hafslund Eco Vannkraft AS in connection with the Stange transaction. Reference is made to [Note 1.5](#) in the consolidated financial statements for further information relating to the transaction.

Other financial income/expenses are mainly unrealized changes in value and realized losses from a power and currency hedging agreement entered by the company with subsidiary Hafslund Eco Vannkraft AS. See also [Note 19](#) Derivatives for more information. During 2021 the company reversed an impairment on Hafslund Pensjonskasse of NOK 66 million as the basis for impairment is no longer present.

Note 7 Income taxes

NOK million

Tax expense	2022	2021
Deferred tax on actuarial gain/loss against equity	-1	-
Change in deferred tax liability/(asset)	-72	-64
Tax expense	-73	-64

NOK million

Reconciliation of tax rate	2022	2021
Profit before tax	1 999	1 605
22 % (22 %) of profit before tax	440	353
22 % (22 %) of permanent differences	-514	-424
22 % (22 %) actuarial gains and losses	-1	-
Effect of recognised dividend accrued	2	7
Total tax expense	-73	-64

NOK million

Deferred tax	2022	2021
GENERAL INCOME TAX		
Financial Instruments	-305	-226
Property, plant and equipment	103	126
Other	42	16
Receivables	-90	-
Pensions	-5	-9
Tax loss carrying forward	-303	-139
Total	-560	-232
Tax rate	22%	22%
Deferred tax liability (asset) as per 31 December	-123	-51

Note 8 Other non-current receivables

NOK million	2022	2021
OTHER NON-CURRENT RECEIVABLES		
Non-current interest bearing loans to Group Companies	25 683	22 783
Other non-current non-interest-bearing receivables	116	116
Pension assets	3	4
Other non-current receivables at 31 December	25 801	22 902

At the end of 2022, long-term loans to group companies consist of loans to Hafslund Vekst AS, Hafslund Eco Vannkraft AS, and Hafslund Oslo Celsio AS.

The loans to Hafslund Vekst AS are a total of NOK 6,006 million, of which NOK 3,135 million constitutes a subordinated loan. The loans to Hafslund Vekst mature in 2041.

The loans to Hafslund Eco Vannkraft AS are a total of NOK 16,777 million, of which NOK 2,562 million represents subordinated loans maturing in 2039. The other loans to Hafslund Eco Vannkraft will mature in 2029.

The loans to Hafslund Oslo Celsio AS are a total of NOK 2,900 million, of which NOK 400 is acquired from Fortum and NOK 500 million represents the drawdown of a new loan facility. In connection with the Hafslund Oslo Celsio transaction in May 2022, a loan facility up to NOK 10,000 million was established between Hafslund AS and Hafslund Oslo Celsio AS. The loan facility will be used to partially finance designated investments in Hafslund Oslo Celsio AS, and has a term to maturity until 2052 with the possibility of extension. Interest on the loan facility can, under certain conditions, be added to the principal instead of being paid in cash. The remaining loan to Hafslund Celsio AS matures in 2047.

Note 9 Shares in subsidiaries

NOK million	Registered office	Shareholding/ voting rights	Carrying amount
SHARES IN SUBSIDIARIES			
Shares in Hafslund Vekst AS	Oslo	100%	7 265
Shares in Hafslund Eco Vannkraft AS	Oslo	56%	5 784
Shares in Hafslund Produksjon Holding AS	Oslo	90%	7 148
Shares in Oslo Lysverker AS	Oslo	100%	245
Shares in Hafslund Ny Energi AS	Oslo	65%	107
Shares in Hafslund Oslo Celsio AS	Oslo	60%	9 572
Shares in subsidiaries at 31 December 2022			30 121

Note 9 Shares in subsidiaries

(cont.)

NOK million	Registered office	Shareholding/ voting rights	Carrying amount
SHARES IN SUBSIDIARIES			
Shares in Hafslund Vekst AS	Oslo	100%	6 719
Shares in Hafslund Eco Vannkraft AS	Oslo	57%	5 818
Shares in Hafslund Produksjon Holding AS	Oslo	90%	7 148
Shares in Oslo Lysverker AS	Oslo	100%	245
Shares in Hafslund Ny Energi AS	Oslo	65%	107
Shares in subsidiaries at 31 December 2021			20 037

Hafslund AS became the majority owner with 60 per cent of the shares in Hafslund Oslo Celsio AS (formerly Fortum Oslo Varme AS) from 19 May 2022. The Stange transaction affected the investments in Hafslund Vekst AS and Hafslund Eco Vannkraft AS in 2022.

For further information related to the transactions, please refer to [Note 1.5 Transactions and events in 2022](#) in the consolidated financial statements.

In 2022 dividend of NOK 150 million has been allocated from the subsidiary Hafslund Oslo Celsio, which has been recorded directly against the cost price of the investment.

Note 10 Other non-interest-bearing current receivables

NOK million	2022	2021
OTHER NON-INTEREST-BEARING CURRENT RECEIVABLES		
Value added tax	1	7
Other non-interest-bearing current receivables at 31. December	1	7

Note 11 Intercompany

NOK million	2022	2021
SHORT-TERM RECEIVABLES FROM GROUP COMPANIES		
Receivables from group companies	10	25
Other current receivables from group companies	492	-
Dividend from group companies	1 638	1 538
Accrued interest	346	230
Total current receivables from group companies as per 31 December	2 487	1 794

NOK million	2022	2021
LONG-TERM RECEIVABLES TO GROUP COMPANIES		
Loan to group companies	25 683	22 783
Total long-term receivables to group companies as per 31 December	25 683	22 783

NOK million	2022	2021
SHORT-TERM DEBT WITH GROUP COMPANIES		
Trade payables to group companies	1	50
Other liabilities to group companies	-	78
Debt in cashpool-agreement	16 272	7 612
Total current liabilities to group companies as per 31 December	16 273	7 741

Other short-term non-interest-bearing receivables consist mainly of dividends from subsidiaries. In 2022 Hafslund AS has receivables related to dividends of NOK 97 million from Hafslund Eco Vannkraft AS, NOK 1,391 million from Hafslund Produksjon Holding AS and NOK 150 million from Hafslund Oslo Celsio AS.

1 January - 31 December

NOK million	2022	2021
INTERCOMPANY-TRANSACTIONS		
Operating income from group companies	24	19
Operating costs to group companies	-38	-47
Total operating income from group companies	-13	-28
Interest income from group companies	978	641
Interest costs to group companies	-208	-23
Net financial income from group companies	770	618

In 2022 Hafslund invoiced NOK 24 million to its subsidiaries (NOK 19 million). The subsidiaries have also invoiced Hafslund AS, where the largest amount relates to Hafslund Eco Vannkraft AS, which has invoiced an amount of NOK 35 million to the parent company in 2022 (NOK 46 million).

Note 12 Cash and cash equivalents

The Company is part of a corporate cash pooling system with Nordea, DNB and SEB, respectively. A corporate cash pooling system entails joint and several liability among the participating companies. Hafslund AS is the only direct balance with the bank, while the respective subsidiaries' accounts are classified as intercompany balances with Hafslund AS. Deposits in the cash pooling system that Hafslund AS has directly to the bank are presented in the line Bank deposits in the balance sheet. Deposits into and withdrawals from the respective subsidiaries' accounts are treated as intercompany balances with Hafslund AS. Please refer to Note 11 for more information on balances related to the cash pool arrangement.

Reference is also made to [note 5.11 Cash and cash equivalents](#) in the consolidated financial statements.

Note 13 Equity

NOK million	Share Capital	Share premium	Other equity	Total equity
Equity at 31 December 2020	100	15 295	10 556	25 951
Change in equity, merger of Hafslund Hovedgård AS and Oslo Energi Holding AS	-	150	35	185
Profit for the year	-	-	1 668	1 668
Capital decrease Oslo Energi Holding	-	-30	-	-30
Additional dividend	-	-	-50	-50
Dividend 2021	-	-	-1 750	-1 750
Equity at 31 December 2021	100	15 415	10 459	25 974
Actuarial gains and losses	-	-	3	3
Profit for the year	-	-	2 072	2 072
Capital increase	10	8 069	-	8 079
Dividend 2022	-	-	-1 500	-1 500
Equity at 31 December 2022	110	23 484	11 034	34 628

The total number of shares is 100,000 and the nominal value of the shares is NOK 1,100. City of Oslo owns all the shares.

Note 14 Interest bearing debt

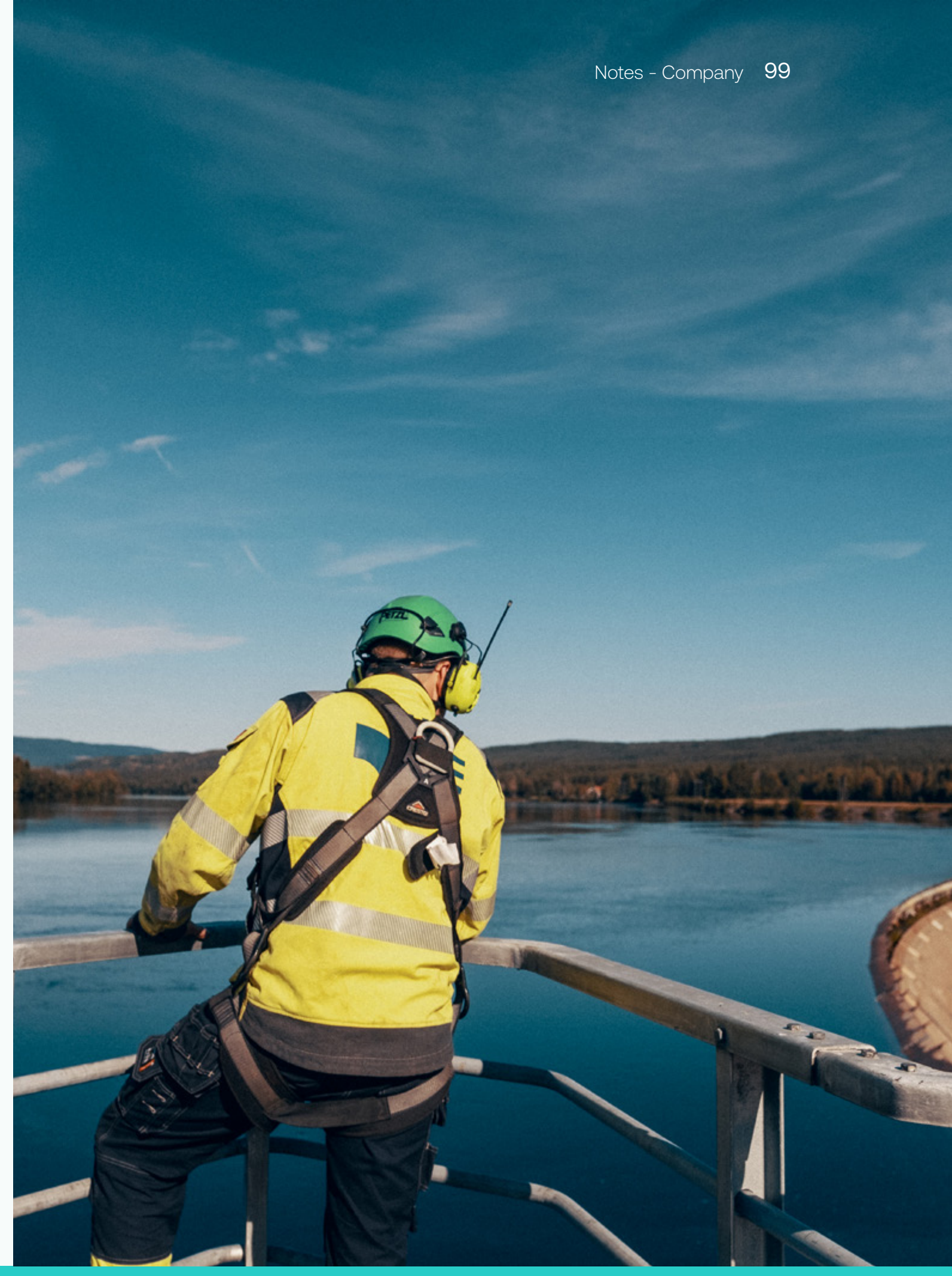
As shown in the table Hafslund AS has three subordinated loans from CCS Finansiering AS, a company 100 per cent owned by the City of Oslo. The City of Oslo was previously the debtor for these loans, which were transferred to CCS Finansiering AS on 15 December 2022. The subordinated loan of NOK 2,075 million was established in connection with the Hafslund Oslo Celsio transaction. The loan withdrawal did not have a cash effect. The loan has an interest rate of 5.0 per cent, an interest-only loan with maturity date on 19 May 2042. In this loan, the debtor may make a claim for payment of extraordinary instalments corresponding to any payment obligation the City of Oslo or CCS Finansiering AS receives in connection with the external financing of the CCS project.

The other two subordinated loans of NOK 2,347 million (NOK 2,347 million) and NOK 1,000 million (NOK 1,000 million) has an interest rate of 5.7 and 4.5 per cent respectively.

If the Group's profit for the year shows deficit after charged interest on these subordinated loans, the interest rate shall be reduced by either the deficit or to NOK 0. The reduction is final and the interest amount shall not be paid at a later date.

Hafslund AS has an overdraft facility of NOK 1,000 million, which was unused as of 31 December 2022.

Hafslund AS has a syndicated credit facility of NOK 2,500 million maturing in November 2027 with an option for a one plus one-year extension of the maturity. Hafslund AS also has an overdraft facility of EUR 50 million to cover daily market settlement for futures contracts on Nasdaq Clearing AB. Both were unused as of 31 December 2022.



Note 14 Interest bearing debt (cont.)

NOK million	Loan amount in currency	Currency	Due date	2022	2021
Bond issue in the Norwegian market	400	NOK	2022	-	400
Bond issue in the Norwegian market	500	NOK	2022	-	500
Commercial paper issue in the Norwegian market	900	NOK	2023	900	-
Commercial paper issue in the Norwegian market	880	NOK	2023	880	-
Private placement in the American market	75	USD	2023	429	429
Bond issue in the Norwegian market	300	NOK	2023	300	300
The Nordic Investment Bank	2 615	NOK	2024-2030	2 615	2 665
Bond issue in the Norwegian market	450	NOK	2024	450	450
Bond issue in the Norwegian market	293	NOK	2024	293	293
Private placement in the American market	290	NOK	2024	290	290
Bond issue in the Norwegian market	1 000	NOK	2025	1 000	1 000
Bond issue in the Norwegian market	500	NOK	2026	500	500
Private placement in the American market	25	USD	2026	143	143
Private placement in the American market	910	NOK	2027	910	910
Private placement in the Japanese market	5 000	JPY	2028	301	301
Bond issue in the Norwegian market	250	NOK	2029	250	250
Private placement in the Japanese market	5 000	JPY	2029	296	296
Private placement in the American market	723	NOK	2029	723	723
Bond issue in the Norwegian market	200	NOK	2030	200	200
Bond issue in the Norwegian market	200	NOK	2031	200	200
Private placement in the American market	125	USD	2031	1 036	1 036
Private placement in the German market	30	EUR	2031	237	237
Private placement in the American market	848	NOK	2032	848	848
Private placement in the American market	600	NOK	2033	600	600
Subordinated loan from CCS Finansiering AS	2 347	NOK	2037	2 347	2 347
Subordinated loan from CCS Finansiering AS	1 000	NOK	2041	1 000	1 000
Subordinated loan from CCS Finansiering AS	2 075	NOK	2042	2 075	-
Interest bearing debt converted to NOK				18 823	15 918
Amortisation of fees				-2	-7
Book value interest-bearing debt at 31 December				18 821	15 911
Hereof book value current interest-bearing debt				2 509	950
Hereof book value non-current interest-bearing debt				16 312	14 961

Note 15 Pensions

Hafslund AS is obligated to have pension schemes for its employees according to the Occupational Pensions Act. The Company's pension schemes, which include both defined benefit and defined contribution plans, satisfy the requirements of the law.

A total of 11 employees and 8 retirees are per 31 December 2022 covered by the defined benefit pension scheme. The defined benefit plan entitles employees to defined future benefits. These are essentially depending on the number of years of service and the salary level at retirement age.

For employees employed after 1 January 2009 a defined contribution plan has been established. The arrangement gives similar rights as the defined benefit plan regarding disablement- and survivor pension. The contribution rates are 6 per cent for salaries up to 7.1 G and 18 per cent for salaries between 7.1 G and 12 G. An additional contribution is given for salaries above 12 G.

In connection with the transfer of employees from Hafslund AS to Hafslund Eco Vannkraft AS, a pension obligation of NOK 8.1 million was transferred to Hafslund Eco Vannkraft AS as of 1 January 2021 in return for a cash consideration. With effect from 1 October 2022, a business transfer was carried out from Hafslund Eco Vannkraft AS to Hafslund AS. In connection with this, a pension obligation of NOK 8.5 million was transferred to Hafslund AS in return for cash consideration.

The Company's net pension liabilities as of 31 December 2022 were NOK 12 million (NOK 9 million).

The Company's pension cost in 2022 was NOK 3 million (NOK 2 million).

The assumptions follow recommendations provided by Norwegian Accounting Standards Board per 30 September 2022. The discount rate is updated with the OMF interest rate (cover bonds) as of 30 November 2022. Reference is made to [note 7.2 Pensions](#) in the consolidated financial statements.

1 January - 31 December

NOK thousand	2022	2021
DEFINED BENEFIT PLANS:		
Present value of accrued pension entitlements for the year	362	277
Interest cost	902	856
Return on pension assets	-775	-717
Employer's National Insurance contribution	51	39
Pension costs	541	456
DEFINED CONTRIBUTION PLANS:		
Employer's contribution	2 511	1 514
Pension costs defined contribution plans	3 052	1 970

Note 15 Pensions (cont.)

NOK thousand	2022	2021
PENSION ASSETS AND LIABILITIES		
Present value of accrued pension liabilities for funded defined benefit plans	90 153	61 258
Fair value of pension assets	-78 084	-52 088
Net pension liabilities for funded defined benefit plans	12 069	9 171
Carrying amount net pension assets 31 December	2 516	3 612
Carrying amount net pension liabilities 31 December	14 584	12 783

NOK thousand	2022	2021
PENSION LIABILITIES AT 1 JANUARY		
Merger with Hafslund Hovedgård	-	-155
Transfer of liabilities to Hafslund Eco Vannkraft AS	-	-8 131
Transfer of assets from Hafslund Eco Vannkraft AS	8 487	-
Pension cost	541	456
Benefits paid	-2 177	-1 381
Actuarial loss (gain) adjusted through equity	-3 953	182
Net pension liabilities/assets 31 December	12 069	9 171

	2022	2021
ASSUMPTIONS		
Discount rate	2,90%	1,50%
Expected yield	2,90%	1,50%
Salary increase	3,75%	2,50%
Adjustment of National Insurance Scheme's basic amount (G)	3,50%	2,25%
Expected annual adjustment of pensions paid	2,75%	1,50%

Note 16 Other current non-interest-bearing liabilities

31 December

NOK million	Note	2022	2021
OTHER CURRENT NON-INTEREST-BEARING LIABILITIES			
Accrued interest		393	240
Accrued dividend	13,18	1 500	1 750
Other tax liabilities		6	4
Other current liabilities		5	11
Other current non-interest-bearing liabilities at 31 December		1 905	2 005

Note 17 Guarantees

As security for certain obligations, the Company purchases bank guarantees. As of 31 December 2022, these guarantees amounted to NOK 6 million in guarantees for employee withholding tax (NOK 5 million).

Note 18 Related party transactions

Charging of subsidiaries

Please refer to [Note 11](#) for an overview of intercompany balances between Hafslund AS and other companies in the Group.

Subordinated loan from CCS Finansiering AS, a company owned 100 per cent by the City of Oslo

Hafslund AS has three subordinated loans from CCS Finansiering AS, which is a 100 per cent owned company by the City of Oslo. The loans were transported from the City of Oslo to CCS Finansiering AS on 15 December 2022. The total outstanding loan amount as of 31 December 2022 is NOK 5,422 million.

For more information regarding the loans and terms, please refer to [Note 5.2 Interest-bearing debt](#) and [Note 9.1 Transactions with related parties](#) in the consolidated financial statement.

Dividend to the City of Oslo

A dividend of NOK 1,500 million has been allocated to the City of Oslo at the end of 2022. At the end of 2021, a corresponding dividend of NOK 1,750 million was allocated to the City of Oslo.

Business transfer of employees from Hafslund AS to Hafslund Eco Vannkraft AS

In connection with the reorganization and optimization of the organizational structure, there has been a transfer of employees between Hafslund AS and Hafslund Eco Vannkraft AS in 2022. On 1

October 2022, 24 employees from Hafslund Eco Vannkraft AS were transferred to Hafslund AS through a business transfer. Pension funds of NOK 8 million were therefore transferred to Hafslund AS. Employees have previously been moved from Hafslund AS to Hafslund Eco Vannkraft AS. Pension obligations of NOK 8 million were therefore transferred from Hafslund AS to Hafslund Eco Vannkraft AS in 2021.

Note 19 Derivatives

Hafslund AS has, through its subsidiary Hafslund Eco Vannkraft AS, entered into financial derivatives contracts consisting of hedging the power price in euros against the Nordic system price and area price derivatives (EPADs). Additionally, forward exchange contracts have been sold to exchange settlements from hedging in euros to Norwegian kroner. The derivatives are recognized at fair value in the balance sheet, and effects in the income statement are presented as Other financial income/expenses.

Note 20 Events after the reporting period

Repayment of subordinated loans to Hafslund Eco Vannkraft AS

As of 31 December 2022 Hafslund AS has a subordinated loan of NOK 2,562 million to subsidiary Hafslund Eco Vannkraft AS. The loan is discussed in more detail in [Note 8](#) Other long-term receivables.

On 16 March, 2023, the parties agreed to make an extraordinary repayment of the subordinated loan in full on 14 April, 2023. Accrued interest for 2022, NOK 147 million, and interest for the period 1 January to 14 April 2023 will be paid together with principal. Interest for 2023 will be calculated based on daily quotes for a 10-year swap + 340 basis points for the period 9 April 2021 to 11 April 2023. Interest for 2022 is recognized in the income statement in 2022, and interest for 2023 will be recognized in the income statement in 2023. After repayment of the subordinated loan, the remaining loan to Hafslund Eco Vannkraft AS will total NOK 14,215 million across three tranches. See also Note 8 for more information about Hafslund AS' long-term interest-bearing receivables.

Reference is also made to [Note 9.3](#) Events after the date of the balance sheet in the consolidated financial statement.



Statement pursuant to Norwegian Securities Trading Act Section 5-5



We declare to the best of our knowledge that:

- The consolidated financial statements for 2022 have been prepared in accordance with IFRSs as adopted by the EU, including additional disclosures pursuant to the Norwegian Accounting Act.
- The parent Company's 2022 annual financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway.
- The accounting information provides a true and fair view of the company's and the Group's assets, liabilities and financial position and performance as a whole.
- The Report from the Board of Directors provides a true and fair picture of the development, performance and position of the company and the Group, as well as a description of the most important risk factors and uncertainties facing the business.

Oslo, 30 March 2023

The Board of Directors of Hafslund AS

Alexandra Bech Gjerv
CEO

Bente Sollid Storehaug

Bjørn Erik Næss

Bård Vegar Solhjell

Mari Thjømøe

Håkon Rustad

Vegar Kjos Andersen

Ingvild Marie Rikoll Solberg

Finn Bjørn Ruyter
CEO

Auditor's report



To the General Meeting of Hafslund AS

Independent Auditor's Report

Opinion

We have audited the financial statements of Hafslund AS, which comprise:

- the financial statements of the parent company Hafslund AS (the Company), which comprise the balance sheet as at 31 December 2022, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- the consolidated financial statements of Hafslund AS and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards 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 and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 5 years from the election by the general meeting of the shareholders on 24 July 2018 for the accounting year 2018.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting of financial instruments used to hedge power revenues has the same characteristics and risks this year as last year and has consequently been an important focus area in our audit also in 2022.

Key Audit Matters	How our audit addressed the Key Audit Matter
<p>Accounting of financial instruments used to hedge power revenues</p> <p>As a power producer, the group is exposed to volatility in market prices and uncertainty related to future sales and production volume. These factors have a significant impact on the group's results. Hafslund AS hedged parts of their future hydropower production within agreed limits and the group's finance strategy to manage the risk. Instruments that can be used to hedge prices of future power production include bilateral price hedging agreements, futures, forward contracts and EPADs (Electricity Price Area Differentials). Currency futures changing EUR to NOK are used to manage the currency risk of power trading and hedging.</p> <p>Accounting of financial instruments used to hedge power revenues is a key audit matter in our audit due to the number of transactions, the variation in instruments used, the potentially significant effect on consolidated statements in case of changes in fair value, and the inherent risk of error due to the complexity of the accounting rules.</p> <p>Management explains the accounting of hedge accounting in note 5.1 Financial instruments, note 5.5 Fair value and Note 5.6 Derivatives and hedging.</p>	<p>Accounting of financial instruments used to hedge power revenues</p> <p>Through our audit, we have mapped and assessed the design of the group's controls related to trading, follow-up, and accounting of power hedging. We have also assessed the group's accounting principles for financial instruments and hedge accounting against the accounting rules in IFRS and the group's strategy for risk management. Our work has, among other things, included interviews with management and other relevant functions in the company, obtaining and assessing documents related to the use of IT systems, risk management policy and authorizations. We have familiarized ourselves with and understood follow-up routines related to authorization frameworks, transactions, and margin requirements.</p> <p>We have tested the completeness, existence and valuation of closed and open positions related to financial instruments by obtaining documentation from external counterparties, mainly Nasdaq, and tested these against a sample of recognized transactions and open positions recognized in the balance sheet.</p> <p>For positions that are hedged, we have assessed the hedging documentation against the requirements in IFRS 9 and we have tested a sample of hedging relationships where we recalculate the group's calculation of hedging efficiency which is recognized in other comprehensive income. We have also tested that the inefficient part of the hedging, together with positions that are not hedged, are recognised through profit or loss.</p> <p>We have also assessed the adequacy of the related disclosures in the financial statements.</p>



Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

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 Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We 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 and the Group'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 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 and the Group'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 conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Oslo, 30 March 2023
PricewaterhouseCoopers AS

Thomas Fraurud
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

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Contact details

Information is displayed on Hafslund's website:

www.hafslund.no

Group CFO, Berit Sande

Berit.Sande@hafslund.no

Telefon: +47 911 69 057

Head of Treasury, Andreas Wik

Andreas.Wik@hafslund.no

Telefon: +47 924 97 255

Read the full annual report:

aarsrapport.hafslund.no/2022