Hafslund

Annual report 2022

Financial statements and notes

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Financial Statements and notes Hafslund Group

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		**6 596**	**6 076**
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	1.5	-	-	-	-	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 Gjørv
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 1.1 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

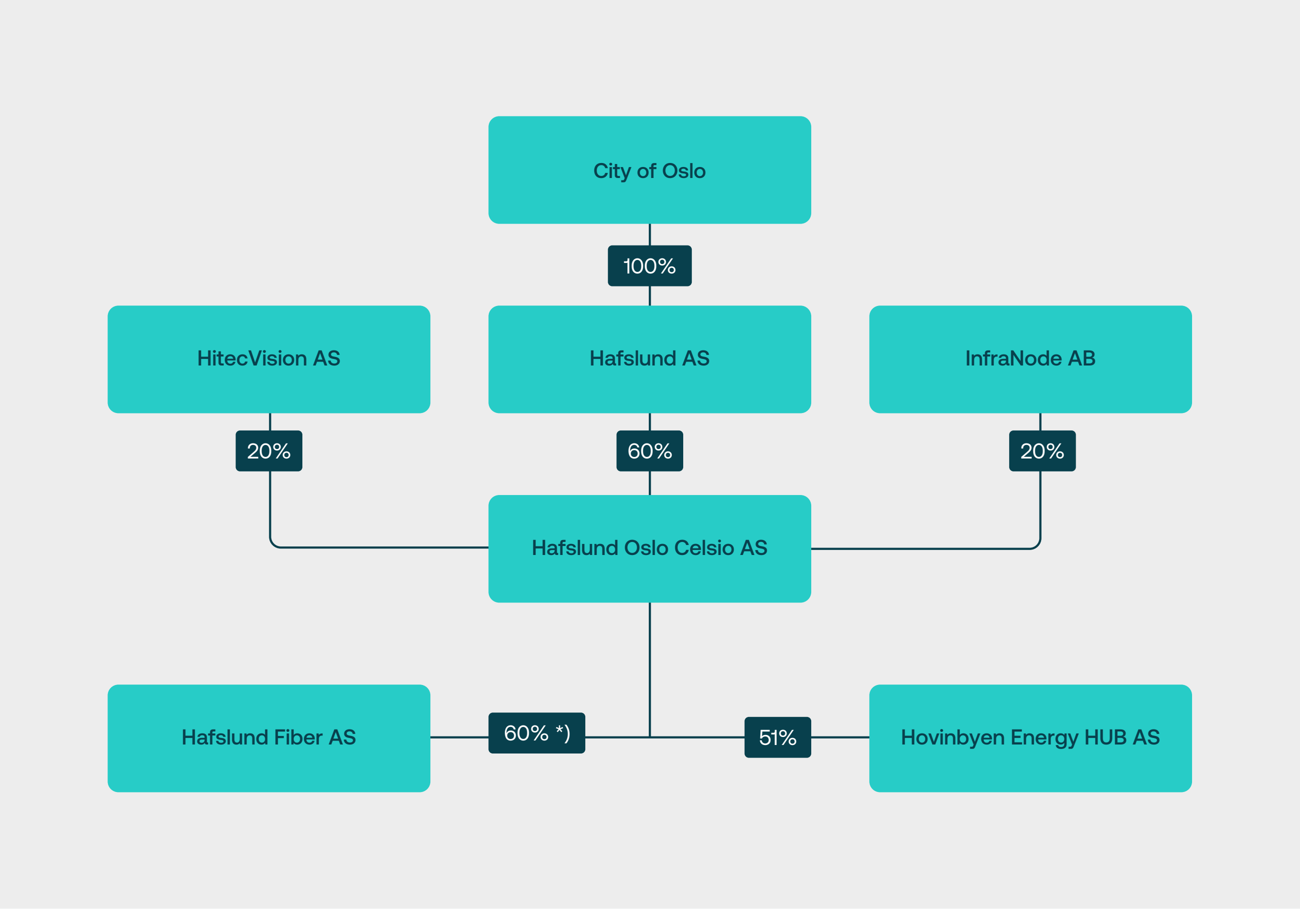
On 19 May 2022, a partnership consisting of Hafslund, HitecVision and Infranode carried out a transaction in which they together acquired 100 per cent of the shares in Hafslund Oslo Celsio AS (formerly Fortum Oslo Varme AS) with subsidiaries.

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 liabilitles

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 2022	Hydropower 2021	District heating and cooling[1] 2022	District heating and cooling[1] 2021	Growth and investments 2022	Growth and investments 2021	Other 2022	Other 2021	Group 2022	Group 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 2022	Hydropower 2021	District heating and cooling 2022	District heating and cooling 2021	Growth and investments 2022	Growth and investments 2021	Other 2022	Other 2021	Group 2022	Group 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 2022	Hydropower 2021	District heating and cooling 2022	District heating and cooling 2021	Growth and investments 2022	Growth and investments 2021	Other 2022	Other 2021	Group 2022	Group 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 2022	Hydropower 2021	District heating and cooling[1] 2022	District heating and cooling[1] 2021	Growth and investments 2022	Growth and investments 2021	Other 2022	Other 2021	Group 2022	Group 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

Pension costs are discussed in more detail in note 7.2 Pensions.

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 owership 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 acutal 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 measued 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	Nominal amounts
NOK million	2022	2021
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.

Principial 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 out-flows 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 to 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:

NOK million	Level 1	Level 2	Level 3	2022 Fair value	2022 Booked value
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
Shares	95	-	93	188	188
Other long-term recieveables	-	-	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 contracs	-	-	2 030	2 030	2 030
Compensation to landowners and free power	-	-	588	588	588
Total financial liabilites 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 recieveables	-	-	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 contracs	-	-	425	425	425
Compensation to landowners and free power	-	-	602	602	602
Total financial liabilites 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 liabilites 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 liabilites 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
31 December 2022	**Assets**	**Liabilities**	
Financial hedging	-	-1 434	-653
Total	**-**	**-1 434**	**-653**
31 December 2021	**Assets**	**Liabilities**	
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:

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	-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
31 December 2022	**Assets**	**Liabilities**	
Industrial contracts	-	-2 030	-1 653
Currency futures	7	-	24
Total	**7**	**-2 030**	**-1 628**
31 December 2021	**Assets**	**Liabilities**	
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*
31 December 2022	Assets	Liabilities	
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:

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	-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

[1]*The 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
31 December 2022	**Assets**	**Liabilities**	
Combined interest rate and currency swaps	697	-	-155
Interest rate swaps	-	13	-22
Total	**697**	**13**	**-178**
31 December 2021	**Assets**	**Liabilities**	
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**

Please see note 2.2 for further discussion of revenues.

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 foward, 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 Gjørv[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 Gjørv[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:

	Impact on gross pension liabilities		
Financial assumptions	**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	
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.

	2022				
NOK million	Hafslund Eco Vannkraft	Hafslund Produksjon Holding	Hafslund Oslo Celsio	Other	Group
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	Hafslund Eco Vannkraft (2021)	Hafslund Produksjon Holding (2021)	Other (2021)	Group (2021)
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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Financial statements and notes Hafslund AS

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	Note	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		**6 312**	**5 646**
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 Gjørv
Board Chair

Bente Sollid Storehaug

Bjørn Erik Næss

Bård Vegar Solhjell

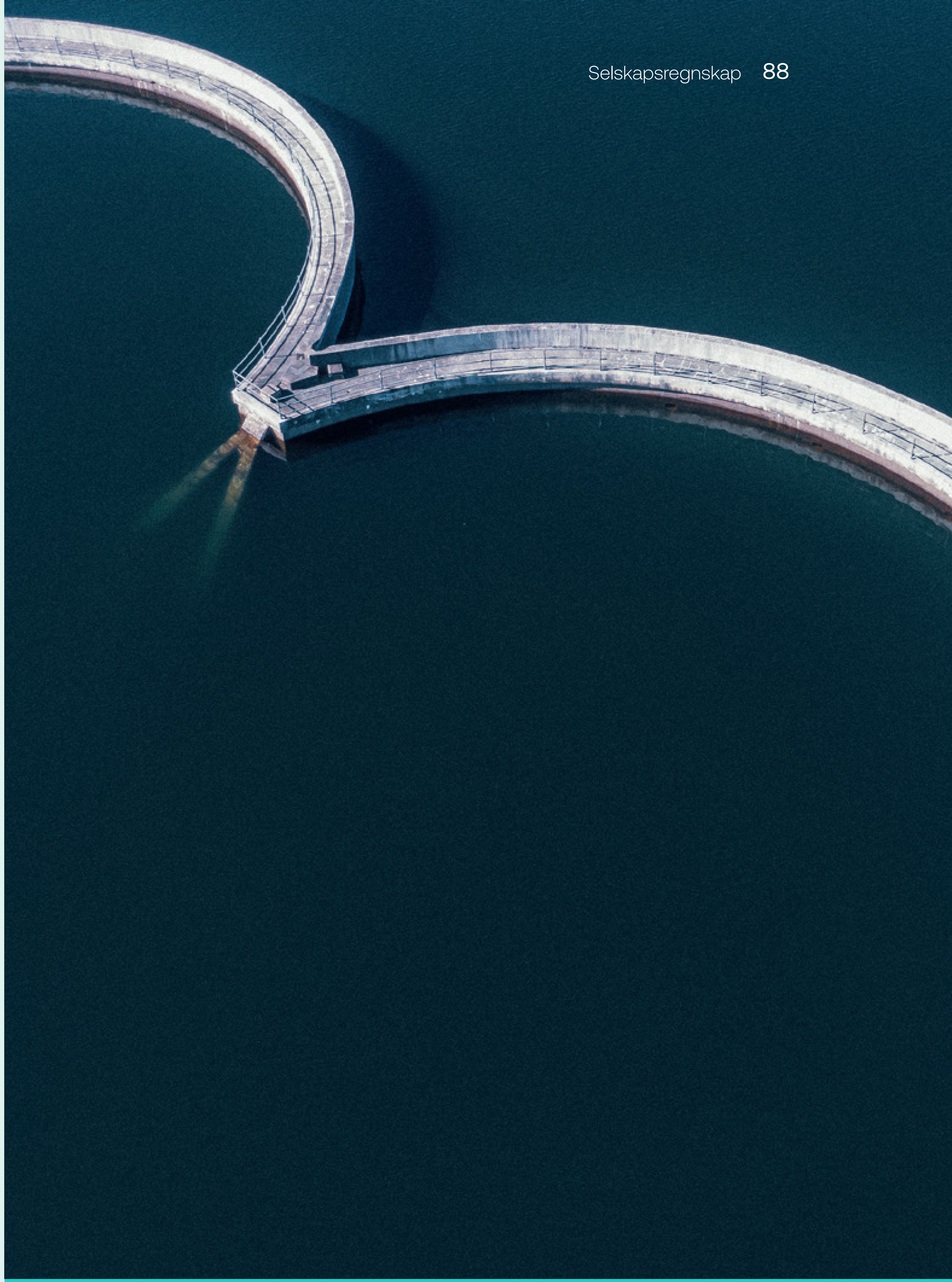
Mari Thjømøe

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	**9 171**	**18 200**
Merger with Hafslund Hovedgård	-	-155
Transfer of liabilites 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 Isurance 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 Gjørv
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.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

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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
Accounting of financial instruments used to hedge power revenues 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. 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. 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.	Accounting of financial instruments used to hedge power revenues 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. 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. 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. We have also assessed the adequacy of the related disclosures in the financial statements.

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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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Read the full annual report:
aarsrapport.hafslund.no/2022