



Chief Executive Officer's statement

2012 was a year characterised by efficient underlying operations, but also a year in which results were affected by low power prices and extraordinary write-downs and provisions. Throughout the year we continued our focus on our four core business areas of Production, Heat, Networks and Markets, and stepped up our improvement initiatives.

All the business areas are well positioned. Hafslund Nett is the largest grid operator in Norway, and is being run well both technically and financially. The Oslo and Akershus area is rapidly expanding with a commensurate rise in the number of network customers. Our hydro power plants are concentrated in lower Glomma, an area which offers even greater possibilities for expansion than the work we completed in Kykkelsrud in 2011. Hafslund owns and operates Norway's largest district heating network, where thanks to investments made over the last few years, the company is now closing in on its goal of phasing out the use of fossil fuels under normal conditions. The power sales business has around 900,000 customers, and the company has implemented an important upgrade of central customer management IT systems. We are working to make further improvements in our core areas.

The population in Hafslund's home area, the Oslo region, is enjoying rapid growth, with between eight and ten thousand new households being established each year. Oslo and Akershus are expected to be home to around two million people by 2050. Consequently, the need for extra energy capacity both inside and into the region is also growing. Hafslund is catering for this population growth by significantly modernising and reinforcing the power grid in Oslo by increasing the voltage level from 33 kV and 47 kV to 132 kV in transmissions between the city's network junctions, amongst other actions.

Demands for stable power supplies are growing, while tolerance for power outages is rapidly declining. Without electricity it not only goes dark and cold, it also means no Internet, no television and no electricity for mobile phone chargers and PCs, much to the distress of younger generations. Measured as frequency and duration of outages, Hafslund Nett is proud to have one of Norway's best quality of supply records.

AMS – advanced metering systems – is without doubt the predominant issue facing the energy sector today. Installation of smart meters is initiated by the authorities, and will be Hafslund Nett's largest individual project ever. We will have to visit all of our grid customers (today 562,500) to install new meters, and establish advanced IT and communication systems. AMS represents a major logistics project involving a number of technical and reputational challenges. The project will have to be delivered to a high quality and on time, and at a cost that is financially viable for both Hafslund and society.

The AMS project follows the establishment of a new customer and invoicing system, which has represented a significant undertaking for Hafslund over the last two years. The Group's core systems for invoicing and meter reading have been replaced, and the new system entered operation in October. Efficient system solutions are a must if we are to be able to serve customers effectively, and I have been delighted with the efforts of the many employees at Hafslund who have contributed to this wide-ranging project.

The district heating network and Hafslund's normal and peak load capacity makes it possible to utilize the energy from 410,000 tonnes of waste that the Waste-to-Energy Agency in Oslo processes each year. The district heating network also facilitates the utilization of other renewable energy sources. Hafslund has recently invested in a new 56 MW boiler at the Haraldrud plant, which is mainly fired by wood pellets, and a 100 MW bio-oil peak load boiler at the Rodeløkka plant. These investments are helping the company to achieve its target of phasing out fossil energy sources from district heating production.

The decision to close down BioWood Norway was difficult, but necessary, with the technological challenges associated with the plant proving much greater than anticipated. With the market also fundamentally changing, the company started to run at a loss, unfortunately leaving us with no other choice than to terminate the business.

With the Group now focusing on four core areas, the company is preparing to achieve growth in areas where the company is suitably positioned. Securing profitable growth will require us to utilize all our existing competitive advantages.

Growth within power sales will primarily be achieved organically. NorgesEnergi leads the way in the Norwegian consumer market. We will continue our focus in Sweden through our new company SverigesEnergi and through Göta Energi. SverigesEnergi utilises knowledge gained from NorgesEnergi and Göta Energi. Hafslund Strøm, whose main market is in Østlandet, is currently venturing into the Swedish major customer market in collaboration with Göta Energi.

We will also improve the efficiency and profitability of our new sales channels. The Group possesses benefits of scale which it can pass on to its customers. This on its own creates a platform for growth.

Despite tough market competition, we have ambitious aims for the power market. We believe that innovation and operational improvements are absolutely necessary in order to remain competitive and to be able to deliver customers' preferred products. We have both the people and the size to generate further growth. The company is ready to embrace both the challenges and the opportunities of the future.

The Networks business is regulated and income levels are established by the authorities. Value creation comes from efficient operations and grid development. There is significant growth potential in this area too. Initially, growth will be achieved organically. Population numbers in our network area are growing significantly, as are commercial activities. This means more customers and higher consumption. Network

purchases could also be an option, providing that there is a neighbouring grid to which we can physically connect the existing grid, and where the price naturally also has to be right.

Hafslund Varme is making good progress with a number of improvement activities, all of which are helping to position the company favourably for 2013. The main focus is on expanding the customer base where Hafslund is already present with its district heating network, and on further optimisation of operations.

Hafslund's hydroelectric power production mainly takes place in the three power plant areas of Kykkelsrud, Vamma and Sarpsborg. A number of the generators are now of an advanced age, which means that increased production can be achieved by replacing old generators with new ones. Vamma would appear to be the most promising location for a new generator. Hafslund is also looking at opportunities within other renewable energy sources, including wind power. We can do this thanks to our thorough knowledge of the power market, and because we are an important player in the market for el certificates and can offer efficient solutions for the operation of electrical installations.

In 2012 we continued to concentrate operations on the areas in which we enjoy competitive advantages. We shall improve the efficiency of and strive to achieve improvements in all parts of the business in the future. In this way we will equip Hafslund for profitable growth.

Key Figures

Key figures for the Hafslund Group

NOK million	2012	2011	2010	2009	2008	2007	2006
RESULT (excluding REC)							
Sales revenues	11 466	13 704	15 829	10 670	11 056	8 625	9 799
EBITDA	2 113	2 235	3 914	2 213	2 224	2 643	2 717
Operating profit/loss	854	1 433	2 644	1 331	1 374	1 751	2 048
Profit/loss before tax and business disposals	297	849	2 173	670	689	1 306	1 716
Profit/loss for the year	(52)	388	1 583	335	637	1 158	1 024
REC-effect on net profit for the year		(1 086)	(1 975)	(137)	(16 537)	12 198	10 626
Equity and cash flow							
Net cash generated from operations	236	3 510	565	1 879	1 085	140	1 467
Investments (not acquisitions)	1 088	1 215	1 533	1 663	1 757	3 166	1 176
Capital employed	21 665	20 919	27 028	25 870	27 067	40 669	28 849
Equity ratio (%)	31%	33%	35%	39%	41%	65%	53%
Net interest-bearing liabilities	10 648	9 321	13 067	11 601	11 442	10 102	9 379
NOK per share							
Result (excluding prior ownership of REC)	(0,27)	1,99	8,11	1,71	3,26	68,43	59,69
Dividend *	2,50	2,50	7,50	2,25	2,25	3,00	17,75
Cash flow from operations	1,21	18,00	2,89	9,62	5,56	0,72	7,52

* 2010 and 2006 include an additional extraordinary dividend of NOK 5.00 and NOK 15.00, respectively.

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Report from the Board of Directors

In 2012 Hafslund concentrated on further developing its position as a leading energy group, with a primary focus on the core areas of production, networks, heat and markets. The Group is generating organic growth within its core operations, but is also pursuing structural growth. While underlying operations in 2012 were sound, the year was strongly influenced by low power prices and extraordinary write-downs and provisions for some investments in the company's non-core areas.

Hafslund's strategy is to continue to further develop the four core areas of production, heat, networks and markets. Hafslund is well positioned in all its business areas, with a main geographic focus in and around Oslo. The company's power plants are concentrated in lower Glomma. Hafslund Nett is the largest and one of the most efficient grid operators in Norway. Hafslund owns and operates the country's largest district heating network. The Group's power sales business is the largest in Norway, and the Group aims to be a key player in the Nordic region.

Achieving profitable growth in the core areas necessitates a strong operational focus on continual improvement, efficient processes and cost control. Hafslund is continuing its improvement measures in order to be able to utilize the company's competitive advantages even more effectively.

The result for 2012 was strongly impacted by extraordinary write-downs and provisions due to challenging market conditions, and losses at BioWood Norway AS and the Bio-El Fredrikstad waste-to-energy plant, along with a provision for an ongoing tax dispute. In 2012 lower power prices particularly impacted the results from Production and Heat. The achieved power price of 22øre/kWh was 31 percent lower than in 2011, and 44 percent lower than in 2010. After a period in which nearly all produced power was sold in the spot market, Hafslund has altered its strategy to partial price-hedging of expected power production. This change has been made in order to be able to leverage market opportunities more efficiently and to secure earnings and cash flow, in particular in periods of low prices. Hafslund also wishes to reduce its results-related downside risk for Heat, and has decided to price-hedge

parts of its sales volume.

The loss after tax for 2012 was NOK 52 million and includes extraordinary write-downs and provisions totalling NOK 586 million. At the end of 2012 total assets amounted to NOK 24.8 billion, and the equity ratio was 31 percent. The Group has a robust financing structure with long-term committed drawdown facilities.

On 21 November the board of BioWood Norway AS decided to cease pellets production at Averøya. Overcapacity and low prices in the pellets market, together with technical challenges at the plant had contributed to the plant running at a loss. The board considered potential options, but could find no long-term basis for profitable operations. The business was closed at the turn of the month February/March.

On 21 March 2012 Finn Bjørn Ruyter took up his position as CEO of Hafslund, having previously served as Acting CEO since 6 January 2012. Ruyter joined Hafslund in 2010, as CFO. He has more than 20 years of experience from the Norwegian energy and power sector.

Finance

Result for the year

The Hafslund Group posted sales revenues of NOK 11.5 billion in 2012 (NOK 13.7 billion). The decrease in sales revenues should be viewed in the context of lower power prices. The operating profit for the year came in at NOK 854 million, which represents a year-on-year rise of NOK 511 million. The Group's underlying operational performance was sound. The operating profit includes a charge of NOK 560 million in extraordinary write-downs and provisions as a result of challenging market conditions and losses at BioWood Norway AS and the Bio-El Fredrikstad bioenergy plant. The achieved power price of 22 øre/kWh in 2012 was 10 øre/kWh lower than in 2011, and contributed to a reduced profit for the Production and Heat business areas. The improvement in the operating result compared with the previous year is also partly attributable to the fact that the result for 2011 included a write-down of the former shareholding in REC in the amount of NOK 1,090 million. The return on capital employed in the period was 4.1 percent (1.5 percent).

Financial expenses for the year amounted to NOK 557 million (NOK 584 million). This includes a charge of NOK 48 million (NOK 89 million) due to a rise in the market value of the loan portfolio, which is recognised at fair value as a result of lower interest rates. At 4.0 percent, at the end of 2012 the loan portfolio's coupon rate was down 0.5 percentage points on the previous year. The tax expense of NOK 349 million includes resource rent tax of NOK 111 million (NOK 200 million) relating to power production, and a provision of NOK 183 million in respect of an ongoing tax dispute. The consolidated net loss for the year of NOK 52 million equates to an earnings per share figure of NOK -0.27 (NOK -3.58).

The board confirms that the company satisfies the conditions to continue as a going Group, and that the 2012 annual financial statements have been prepared on this basis.

Cash flow and capital

The Group's cash flow from operations before changes in working capital was NOK 1,184 million (NOK 1,254 million). Working capital was NOK 587 million at the end of 2012, an increase of NOK 835 million during the year. The increase in working capital is attributable to particularly low working capital at the end of 2011, as a result of low power prices and low power consumption due to the mild weather towards the end of 2011. This resulted in a net cash flow from operations of NOK 236 million in 2012.

The operating profit before depreciation and amortisation of NOK 2,113 million was NOK 929 million higher than the net cash flow from operations before changes in working capital. The difference is attributable to payment of interest and tax of NOK 839 million, and result effects of non-cash items in the amount of NOK 90 million relating to items including market value changes of shares and derivatives.

Total investments in operations and expansions in 2012 amounted to NOK 1,084 million (NOK 1,176 million), of which NOK 497 million related to networks and NOK 326 million to district heating. Future investments will primarily relate to ongoing reinvestments in the networks business, the gradual phasing-in of AMS and further development of the district heating business in Oslo.

In 2012 a dividend of NOK 2.50 (NOK 2.50) per share was paid, corresponding to NOK 487 million in total. The above resulted in a cash outflow of NOK 1,299 million for 2012, which in turn increased net interest-bearing liabilities to NOK 10.6 billion at the end of 2012.

The Group has a robust financing structure with long-term committed drawdown facilities. At the end of 2012 Hafslund had unused drawdown facilities of NOK 3.9 billion. None of Hafslund's loan agreements impose any covenants.

The business areas

Hafslund is a leading energy group and one of the few energy groups in the Nordic region to be publicly listed. The company has produced clean hydropower since 1898, and is now focusing on renewable energy production to meet tomorrow's energy requirements. Hafslund is Norway's largest power grid owner and largest power sales company and a major producer of renewable energy. The Group's core business comprises the business areas Production, Heat, Networks and Markets. Operations mainly take place in Norway and Sweden, and the Group is headquartered in Oslo.

Production

The Production business area comprises hydropower production, which has a normal annual production of 3,100 GWh, and a central power trading unit. Production is responsible for ensuring outstanding management of the plants in Glomma, and pursuing growth within renewable energy production. The business area posted sales revenues of NOK 755 million (NOK 1,024 million) and an operating profit of NOK 442 million in 2012 (NOK 724 million). At the reporting date the Production business area had capital employed of NOK 4.8 billion.

In 2012 the Production business posted sales revenues of NOK 722 million, which were down 28 percent on 2011. The lower sales are primarily attributable to a 31 percent drop in achieved power prices in 2012 against 2011, despite a positive contribution from higher production. The operating profit of NOK 435 million (NOK 743 million) reflects an achieved power price of 22 øre/kWh (32 øre/kWh) and a production volume of 3,273 GWh (3,135 GWh). Despite gradually rising levels of price-hedging, hydropower production's results will to a large extent be driven by day-to-day fluctuations in the price of electricity. At 3,273 GWh, power production for the year was around six percent higher than normal production.

The year was impacted by production downtime as a result of faults at two of the company's largest generators in the summer floods, involving a total water loss of just under 200 GWh. A final insurance settlement for the above is expected in 2013.

In the year under review Production established routines for rolling advance sales of expected power production. The total gain on hedging recognised in the income

statement amounted to NOK 37 million, and is reflected in a higher achieved power price compared with the (volume-weighted) spot price for the year. As of 31 December 2012 the hedged volume for the next six months equated to 39 percent of normal production.

The Group's central power trading unit is responsible for trading on the spot market and in el certificates, financial hedging and power trading. The power trading business posted an operating profit of NOK 7 million (loss of NOK 19 million) in the year under review.

Heat

The Heat business area is responsible for district heating activities in Oslo and Akershus, and the production of heat and steam to industry in Østfold. Sales revenues for the district heating business totalled NOK 1,107 million (NOK 1,120 million). An operating profit before depreciation and amortisation of NOK 312 million represents an increase of 20 percent against 2011. The operating loss came in at NOK 83 million (profit of NOK 102 million). The operating loss reflects a contribution per volume sold of 28 øre/kWh, an increase of 1 øre/kWh against 2011. A higher percentage of renewable energy sources and cheaper peak loads are pushing up the contribution margins despite lower power prices compared with 2011. The total energy supply of 1,994 GWh represents an increase of 166 GWh against the previous year. The total contribution margin amounted to NOK 597 million (NOK 522 million). The operating loss also reflects an extraordinary write-down relating to the waste-to-energy plant Bio-El Fredrikstad in the amount of NOK 240 million. The plant's profitability has been strongly impacted by waste prices, which represent the facility's revenues. Waste prices fell further in 2012 with few signs of an imminent recovery. The decrease in waste prices is attributable to overcapacity caused by significant new capacity in both Norway and Sweden. The Heat business area had capital employed of NOK 5.6 billion at the end of 2012.

In 2012 the share of electricity and renewable energy sources used in district heating rose to 93 percent, a rise of 9 percentage points against 2011. The increase is attributable to a higher percentage of waste used as the base load delivered by the City of Oslo's Waste-to-Energy Agency (EGE) at Klemetsrud. The percentage of renewable heat will increase further with the commissioning of the new pellets boiler at Haraldrud heating plant, and a new peak load centre at Rodeløkka. Both plants are due to enter ordinary operations in the first quarter of 2013.

In 2012 investments in Heat totalled NOK 326 million, compared with NOK 463 million in 2011. The investments primarily relate to increased renewable production capacity for the district heating business in Oslo, and organic growth in customer connections. The waste-to-energy plants at Borregaard industrial area in Sarpsborg and Bio-El Fredrikstad were in operation throughout the year. Both plants' performance was affected by a challenging waste market.

Overall operations in 2012 were sound, with the exception of two incidents. On 28 November there was a leak in the district heating pipe in Ljabruveien at Bjørndalen due to rust. Around 1,000 district heating customers were affected. The repair work was completed on Friday morning of 30 November, and supply of district heating to the area was resumed shortly afterwards.

On Wednesday 19 December there was a leak when refilling heating oil at Hafslund's heating plant inside the hospital grounds at Ullevål. Around 19 m³ of heating oil leaked out from the plant and into the public sewage system, some of which reached Akerselva.

Hafslund regards both incidents as extremely serious, and implementation of

measures to prevent similar incidents in the future have been accorded high priority.

Networks

The Networks business unit comprises the companies Hafslund Nett AS and Hafslund Driftssentral AS. Hafslund Nett is Norway's largest grid company. In the year under review operating revenues for the Networks business totalled NOK 3,992 million (NOK 4,202 million). The operating profit before depreciation and amortisation amounted to NOK 1,019 million (NOK 983 million), an increase of 4 per cent from 2011. This reflects a regulated contribution of NOK 1,926 million (NOK 1,916 million) and an income surplus of NOK 268 million (NOK 212 million). At the end of 2012 Networks had capital employed of NOK 9.2 billion.

The business area has improved its operating performance and experienced fewer grid outages in recent years. The company is one of the grid companies in Norway with the lowest percentage grid losses and fewest outages. This trend continued in 2012. On average Hafslund's customers were without power for 0.75 hours during 2012, compared with 1.9 hours in the previous year. 2011 featured lengthy outages for the average customer due to the storm "Dagmar", which hit the company's operating area around Christmas 2011. The figure for 2012 was on a par with in 2010. Networks will continue to work systematically to ensure its power transmission grids offer a stable, robust and safe service, with a high security of supply throughout its area of coverage.

In recent years investments in the regional distribution grid, in particular in Oslo's central areas, have been prioritised. In the period 2013–2015 planned investments in the Group's distribution and regional grid, excluding AMS, are expected to be on a par with ongoing depreciation. Future investment levels will be impacted by further strengthening of the grid, introduction of AMS, and significant population growth in the Hafslund Nett's licence area. Investments and maintenance are included in the annual revenue ceiling which the Norwegian Water Resources and Energy Directorate sets for the business. Hafslund Nett is amongst the companies in Norway with the lowest grid rental charges. At the end of 2012 the company had a total of 562,500 grid customers (552,000).

NVE has adopted a new model for establishing the NVE interest-rate with effect from 2013. This will result in a higher NVE interest-rate than in the past. It is estimated that the NVE interest-rate will rise by around 3.0 percentage points in 2013 compared with 2012. This is an important change in order to secure the networks sector access to the capital required to implement the necessary reinvestments and future investments in AMS. A one percent increase in the NVE interest-rate will result in an around NOK 60 million rise in Hafslund Nett's revenue ceiling. However, a high income surplus as a result of a high transmission volume in the fourth quarter of 2012 will reduce the bottom-line impact of the rise the NVE rate in 2013. At the end of 2012 Networks had a cumulative income surplus of NOK 425 million (NOK 155 million). Based on planned transmission tariffs and maintenance, the operating result is expected to rise by around 15 percent in 2013 against the previous year.

Hafslund Nett is going to install AMS-meters (advanced metering services) with all network customers. Regulation 301 on Metering, Settlement and Invoicing stipulates that all electricity customers in Norway shall have AMS in place by 1 January 2017. In its letter of 18 February 2013, the Norwegian Ministry of Petroleum and Energy (OED) communicated that the Settlement Regulation would be changed in such a way that the rollout of AMS would be delayed two years until 1 January 2019. With AMS all households will have "smart meters" installed, which record power consumption on an hourly basis and automatically send data on consumption to the grid company. This will result in more rapid retrieval of meter values and improved information for the customer.

Markets

The Markets business area comprises the business units Power Sales, Invoicing Services and the Customer Service Centre. Markets is active in Norway, Sweden, Finland and Spain, and aims to consolidate its position as the largest and most efficient power sales operator in Norway. In the longer term the aim is also to achieve a leading position in the Nordic market. Total sales for the year amounted to NOK 5.5 billion, down 1.7 billion against 2011. The decrease in sales is primarily attributable to lower wholesale prices for power purchased on Nord Pool in 2012 compared with 2011. The number of power customers rose by more than 26,000, while the delivered volume was up 0.9 TWh. A total of 16.4 TWh of electricity was sold to customers in 2012, compared to 15.5 TWh in 2011.

Markets posted an operating profit of NOK 364 million in 2012 (NOK 277 million). The increase against 2011 is primarily attributable to a rise in value of power derivatives of NOK 44 million (decrease of NOK 85 million), which are recognised in the income statement at fair value on an ongoing basis. A major portion of the gain relates to the reversal of provisions for hedging and end-user contracts for the period December 2011 to March 2012, which were recognised in the income statement in 2011. There is an inconsistency in the way changes in value of power and end user contracts are officially recognised. In accordance with IFRSs losses on hedging contracts shall always be recognised in the income statement, while the corresponding end user contracts may not be recognised in income. This asymmetry can have a major impact in periods when wholesale prices fluctuate significantly. Markets had capital employed of NOK 1.8 billion at the end of 2012.

The authorities are aiming to establish a joint Nordic end-user market for electricity by the end of 2016. Against this background, in 2010 Hafslund bought a stake in the Swedish power sales companies Göta Energi AB (100 percent) and Energibolaget i Sverige Holding AB (49 percent). In 2012 Hafslund consolidated its presence in the Swedish market through organic growth and the establishment of the company SverigesEnergi AB. SverigesEnergi shall be a clear low-price provider. Hafslund wishes to build on the experiences of NorgesEnergi and try on a low price concept in the Swedish market. Together with the company's strong position in the Norwegian power market, the above means Hafslund is well positioned to participate in a joint Nordic end-user market for electricity. At the end of 2012 Hafslund had a total of 905,000 electricity customers in wholly owned companies and a number of customers in part-owned companies. These include the customer portfolios belonging to Hafslund Strøm, NorgesEnergi, Fredrikstad EnergiSalg, Hallingkraft and Røyken Kraft in Norway, and the portfolios of the Swedish companies Göta Energi, SverigesEnergi and Energibolaget Sverige.

The market situation, which was characterised by relatively low power prices and moderate media focus on power prices in 2012, resulted in a 20 percent fall in enquiries to Hafslund's customer service centres in 2012 against the previous year. The company continually works to improve the customers' possibilities of self-service, programmes to reduce the number of incoming requests, and more efficient work-processes. More long-term plans to reduce incoming enquiries and improve internal processes have also been implemented. Ongoing surveys of a selection of customers contacting Hafslund's customer service centres reveal that customers generally have a positive impression of dealing with the customer service centres.

Hafslund Fakturaservice supplies metering, invoicing and collection services to the Group's companies. This includes ongoing invoicing of more than one million end customers. A major system and organisation development programme project designed to change the company's core systems for invoicing and metering was initiated in 2010. The new system was commissioned on 15 October 2012. Following the initial operating period all operating functions were found to be working normally,

the system was functioning well and all activities had been implemented in accordance with plan. The rollout of the system will continue on its way to completion in 2013, when the last of the Group companies will be migrated to the new solution.

Government relations and framework conditions

Hafslund's grid business is regulated by the authorities as a natural monopoly. Revenue ceilings for district heating are established by statute. Revenues for both power production and district heating are directly linked to prices on the power market, a market that to a large extent is impacted by political decisions.

It is vital that Hafslund is able to give the authorities useful input on the effect of framework conditions on its businesses and development opportunities. At the same time Hafslund must contribute to effective political and regulatory decisions by highlighting how decisions affect the important functions the company delivers to modern society. The change in the establishment of the NVE interest-rate is one example of how Hafslund, together with the rest of the power industry and the authorities, has helped to bring about positive change, in this case by helping to raise the NVE interest-rate from a dangerously low level to one that provides a better basis for profitable development of the future electricity grid.

Corporate Social Responsibility

Hafslund is responsible for the social consequences caused by the Group's operations with regard to impact on the external environment, human rights, working conditions and other social issues. This responsibility permeates Hafslund's entire value chain and business, and also covers Hafslund's procurements and investments. Hafslund adopts the Norwegian government's definition of corporate social responsibility as stated in Report to the Storting no. 10 (2008-2009): "Corporate Social Responsibility in a Global Economy".

During 2012 the Group continued to focus on reinforcing corporate social responsibility across the Group's companies, primarily targeting the external environment and ethical trading. A policy for the external environment and corporate social responsibility, and dedicated procedures for environmental management and ethical trading, are guiding for the Group's work. Hafslund has drawn up ethical guidelines that apply to all the company's suppliers, and whose contents comprise part of relevant contracts.

In recent years Hafslund has been involved in several important sponsorship schemes. As a natural consequence of the change in business in recent years, and a heightened cost focus across the entire Group, the sponsorship portfolio will be significantly scaled back from 2013. Future sponsorships will have to contribute to value creation within the Group and be of benefit to society at large.

External environment

Environmental management

Effective environmental management is a natural part of Hafslund's corporate social responsibility, and an important means for securing efficient resource utilisation and operations. The Group has established requirements for all units to adopt a systematic approach to environmental management. The company that is responsible for the majority of energy consumption and emissions in the Group, Hafslund Varme, is certified to the international environmental standard ISO 14001. In addition, the head office at Drammensveien 144 and the conference centre at Hafslund Manor are both certified to the Environmental Beacon standard.

Hafslund Produksjon

The run-of-river hydroelectric plants produce environmentally friendly power. It is in everyone's interests that the water resources of the Glomma river system be exploited in the most efficient way possible. In 2012 production uptime at Hafslund's electricity generating facilities stood at 93.14 percent, compared with 99.6 percent the previous year. The decrease is attributable to major faults at Kykkelsrud and Vamma.

Hafslund Varme

The bulk of Hafslund's energy consumption and emissions are associated with the production of heat. A higher percentage of waste and other renewable energy in the input factors means that emissions of greenhouse gases are low in relation to the amount of energy generated. In addition, district heating is increasingly replacing older oil boilers. Emissions of greenhouse gases in 2012 amounted to 73 grams per kWh delivered per customer in Oslo. This represents a significant decrease compared with 2011, when the corresponding figure was 111 grams.

Incineration plants also produce emissions of a more local and regional nature, such as particle emissions, NOx and SOx, while some dioxins and heavy metals are emitted from the waste-to-energy plants. In 2012 these emission levels were generally much lower than the maximum limits set by the authorities, and any emissions exceeding maximum limits were quickly dealt with and reported to the authorities.

Hafslund Varme has specific plans to further increase the proportion of renewable energy used as input factors in the production of heat, including through the use of pellets. The first trials of the new pellets boiler were implemented in December 2012. Hafslund has set itself a long-term target of phasing out all fossil energy sources used in district heating production. Specific situations and lengthy periods of cold weather can result in some use of fossil energy sources to maintain security of supply.

In December 2012 there was a major oil discharge of around 19 m3 from Ullevål heating plant to the public sewage system, some of which reached Akerselva. Notification and contingency services functioned well, and remedial measures were implemented across the Christmas period. The discharge was treated as a non-compliance, and measures to prevent similar incidents have been accorded high priority.

Hafslund Nett

Ensuring that energy produced actually arrives at its business and private customers' locations without significant interruptions or energy losses, and at the lowest possible cost to society, is also part of Hafslund Nett's corporate social responsibility remit. The ongoing conversion of the main distribution grid in Oslo to 132 kV will thus reduce grid losses relative to the current level.

The establishment of a requirement for an environmental, transport and utilities plan (ETU plan) for all major grid constructions, which are also subject to a subsequent public review, represented a major new development in 2012. This will result in an increased focus on decisions and processes.

Other operations

The impact on the external environment of Hafslund's other operations largely derives from pellets production at Averøya, BioWood Norway, which was closed at the end of February 2013, and the company's buildings, transport and externally sourced services (transport and construction). The Group collaborates with Norsk Gjennvinning AS in connection with waste collection and return schemes. Hafslund is also a member of Renas, the collection and treatment scheme for industrial electrical waste.

Ethics and anti-corruption initiatives

Hafslund is committed to maintaining high ethical standards in all its commercial operations. The Group has been a member of the Initiative for Ethical Trading (IEH) since 2008. Hafslund leverages its membership to continue to place clear ethical demands on its suppliers in order to ensure that these exercise their business operations in line with Norwegian and internationally recognised principles and guidelines on human and employee rights, the environment and corruption. These requirements are incorporated into all contracts entered into by Hafslund.

To prevent the possibility of corruption, bribery or conflicts of interest, Hafslund has also drawn up a code of conduct for its employees, which has been approved by Hafslund ASA's Board of Directors.

Corporate social responsibility

Employees

At the end of 2012 Hafslund employed 1,216 staff (1,174 full-time equivalents). 35.8 percent of the Group's staff are women, while 64.2 percent are men. Hafslund strives to achieve a more equal distribution of women and men within all business areas, and focuses on this in the Group's management development programs. 58 percent of participants in the Growth development program which was implemented in 2012 were women. Hafslund's remuneration policy is based on the individual establishment of salaries, and the Group takes steps to ensure that any salary differentials are not based on discriminatory grounds. Remuneration paid to senior executives is discussed in Note 23 to the consolidated financial statements.

Until 1 March 2013 Group management comprised two women and five men. After this date it comprised three women and four men. 25 percent of the management teams at Group companies are women and 75 percent are men. The board of Hafslund ASA comprises eight representatives, three of whom are women and five of whom are men. The company thus complies with statutory requirements regarding board composition.

Health, safety and the environment

Hafslund shall ensure high standards with regard to health, safety and the environment (HSE), and HSE shall be integrated into all the company's processes and activities. The Group endeavours to be an attractive employer with a progressive and inclusive working environment, and to prevent employees from being injured at work or developing work-related illnesses.

The Group ensures that Group companies adopt a systematic approach to health, safety and the environment, including by carrying out internal audits and inspection rounds. In 2012 HSE audits were carried out at six companies, along with 17 inspection rounds at various plants and projects. The Group also monitors any non-compliances recorded during audits to ensure that these are remedied within a reasonable time.

The Group emphasises the importance of collaboration across all companies, and has established various forums intended to help raise skills levels and ensure exchange of experiences and development of best practice in HSE.

Personal injuries

Six personal injuries were recorded involving employees in the Norwegian business during the year. None of the injuries resulted in absence from work. The injuries occurred at BioWood Norway AS and Hafslund Varme AS. A further seven personal lost-time injuries and five non-lost-time injuries were recorded among Group suppliers

whilst working at Hafslund's facilities. The injuries occurred on assignment for Hafslund Nett AS and Hafslund Varne AS.

No new cases of work-related illnesses were registered in 2012.

Reported undesired incidents (RUIs)

Reporting of undesired incidents is a particularly effective tool in helping the company to achieve its vision of zero injuries at work. During the year the company adopted a particular focus on reporting and offering training on such incidents at the companies Hafslund Varne AS, Hafslund Nett AS and Hafslund Produksjon AS. The aim is to make all employees aware of the importance of reporting undesired incidents, and in this way help to prevent injuries and to improve operations. A total of 1,355 RUIs were recorded in the Group in 2012.

Sickness absence

In 2012 the sickness absence rate in the Group was 4.7 percent. This was slightly up on the previous year's figure of 4.35 percent. The short-term sickness absence rate (up to 16 days) was 2.3 percent, while the long-term absence rate was 2.4 percent. The sickness absence rate varies considerably between Group companies, ranging between one and eight percent.

Hafslund's target is for a sickness absence rate of no more than four percent. In accordance with the Inclusive Workplace (IA) agreement, all the Group's companies closely monitor employees during sickness absence and implement preventative measures. This involves close collaboration with the company's occupational health service Stamina Helse og Trening, and the Norwegian Labour and Welfare Organisation (NAV).

Risk

In addition to operational risks, Hafslund's business operations are exposed to regulatory, legal, financial, reputational, political and market risks. Risk assessment is an integral part of all the Group's business activities, and the Group's overall risk is assessed by the board itself. Hafslund has established guidelines and frameworks for active risk management in a number of areas. The Group has long-term committed drawdown facilities in order to secure availability of liquidity, even in periods when it may be difficult to obtain financing in the capital markets.

The market price of electricity is one of several important value drivers affecting the Group's financial performance. This is in particular true for the Production and Heat businesses. During the year Hafslund changed from a strategy of selling produced power in the spot market to partial price-hedging of sales of expected production of power in order to reduce power price risk. Hafslund manages market risk by trading in financial instruments. Authorities and frameworks for the hedging strategy have been established, and these are reported to the board and management on an ongoing basis. The Group can hedge the power volume for up to the next 36 months in the forward market at any one time, where the proportion of hedging is expected to be higher in the first six months than in the remainder of the period. The power sales business seeks to reduce the uncertainty associated with electricity price fluctuations through hedging. Counterparty risk in the power market is minimised through the use of standardised contracts which are cleared and settled via Nasdaq OMX Commodities. Hafslund is also exposed to raw materials used in district heating production and waste incineration. Group management evaluates and adopts strategies with which to manage this kind of risk within the risk profile determined by the board.

The Group's finance department actively manages and hedges foreign currency exposure in order to reduce foreign exchange risk in relation to power trading,

purchase of goods and services and foreign currency borrowing. Hafslund is exposed to interest rate risk in the guise of changes in interest rates on its interest-bearing liabilities, and due to the inclusion of five-year government bonds in the income framework established for the distribution grid business for 2012. The Group seeks to reduce its interest rate risk through balanced management of fixed and variable interest rates on its interest rate portfolio. The board has approved the guidelines and frameworks which govern the management of financial risk.

Several of the Group's energy supply businesses are subject to public licences and a large degree of public regulation. This applies in particular to the Production, Heat and Networks businesses. The Networks business is a natural monopoly with publicly-regulated earnings. The grid regulation scheme in force throughout 2012 resulted in some unforeseen negative fluctuations in the revenue ceiling and returns. NVE has made changes to the regulation model from 2013. These are expected to result in more stability, improved returns and increased investment insensitivity, along with improved incentives for mergers and acquisitions. The introduction of advanced metering systems (AMS) in Norway is one of the greatest challenges ever embraced by the energy industry. Hafslund Nett has embarked on work to ensure that the grid company's 562,500 customers receive AMS on time.

The key risk element for the power sales business relates to its customer base. At any given time the business has a substantial volume of accounts receivable due from customers. However, the bulk of these are relatively small receivables from private customers invoiced on a monthly basis, and losses have traditionally been marginal.

Ownership structure and shareholders

Hafslund ASA has two classes of shares, with A shares granting voting rights at general meetings of the Group's shareholders. The reason for this is historical and deviates from the Norwegian Code of Practice for Corporate Governance. At the end of 2012 the Group's share capital totalled NOK 195,186,264, divided between 115,427,759 A shares and 79,758,505 B shares. As of 28 December 2012 the price of A shares was NOK 45.60 and B shares NOK 45.30. At the end of the year Hafslund's market capitalisation totalled NOK 8.9 billion. The return (change in value + dividend) in 2012 totalled -16.3 percent. By comparison, the Oslo Stock Exchange's main index OSEBX (OSEBX is adjusted for dividends) fell by 14.0 percent.

At the reporting date the City of Oslo was Hafslund ASA's largest shareholder, with 53.7 percent of share capital, comprising 58.5 percent of A shares and 46.8 percent of B shares. Fortum Forvaltning AS was the second-largest shareholder with 34.1 percent of the share capital, comprising 32.8 percent of A shares and 36.0 percent of B shares. At the close of the year Hafslund held 397,361 treasury B shares.

The work of the Board of Directors

Hafslund's Board of Directors has complied with the previously adopted board mandate and guidelines for the board's activities. Updated principles for corporate governance were adopted on 5 December 2012, and are amended on an ongoing basis in line with the Norwegian Code of Practice for Corporate Governance. A description of principles for corporate governance, and non-compliances with the above Code can be viewed at hafslund.no The board's work is based on good corporate governance.

Hafslund meets the statutory requirements relating to gender balance on boards of ASA companies. The board carries out an annual appraisal of its working practices, competence and working relationship with Group management. The board's Compensation Committee advises the board on a number of matters including the

remuneration paid by the company to its President and CEO. In 2010 the board established an Audit Committee. The Audit Committee's remit is to assist the board in performing its duties regarding preparation of the financial statements and evaluation of the company's internal controls.

At the Annual General Meeting held on 24 April 2012 Board Chairman Birger Magnus and board members Maria Moræus Hanssen and Ellen Christine Christiansen were elected with a term of office until the 2014 Annual General Meeting.

There is agreement within Hafslund not to establish a Corporate Assembly. Consequently the board reports directly to the general meeting and the shareholders. Disclosures that Hafslund is obliged to make in accordance with § 3-3b of the Norwegian Accounting Act regarding reporting on business management contained in the 2012 annual report are incorporated in the section on Corporate Governance at hafslund.no.

On 26 October 2012 employee representatives were elected to the board of Hafslund ASA. Per Orfjell and Per Luneborg were re-elected for a further two years, while Jane Koppang was elected as a new employee representative.

Dividend and appropriation of profit

At the Annual General Meeting to be held on 7 May 2013 the board will propose that a dividend of NOK 2.50 per share, a total of NOK 487 million, be paid for the 2012 financial year. The board proposes the following appropriation of Hafslund ASA's net profit for the year of NOK 42 million:

Transferred from other equity:	NOK -445 million
Proposed dividend:	NOK 487 million
Total appropriated:	NOK 42 million

Less these appropriations the company's distributable reserves stood at NOK 2,709 million as of 31 December 2012.

Outlook

Hafslund's overarching objective is to consolidate its position as a leading integrated energy company in Norway based on profitable growth. This will be achieved based on the four business areas of Production, Heat, Networks and Markets, primarily through organic, but also through structural growth, as well as through efficient operations and by leveraging synergies.

The Group has a strong market position in all its business areas, and is also well established in areas with expanding populations and thus growing energy needs. By 2030 the population of Oslo is expected to be nearly 800,000, compared with the current figure of 600,000. Consequently, the need for new energy supply capacity both within and into the region is growing. Hafslund is catering for this population growth by modernising and reinforcing Oslo's energy infrastructure.

Hafslund's financial performance is directly affected by fluctuations in the price of electricity. This applies to power generation and district heating, while revenues from the network operations are largely affected by changes in the regulatory framework. The power sales business is subject to extreme competition, where profitability is contingent on Hafslund's ability to maintain customer loyalty and efficiency.

At any one time power prices are impacted by the hydrological situation and financial conditions in the Nordic region and the rest of Europe, along with any regulatory and political initiatives. On 31 December 2012 the listed price for future supply of power

for 2013 and 2014 on Nasdaq OMX was NOK/MWh 280. Significant uncertainty attaches to future power price changes. In order to be able to exploit market opportunities and to secure earnings and cash flows, Hafslund has gradually changed from a spot policy for selling produced power to one of partial price-hedging.

In addition to ongoing operational investments in existing business, the Group's future investment needs are being shaped by statutory investments in AMS. In its letter of 18 February 2013, the Norwegian Ministry of Petroleum and Energy (OED) communicated that the Settlement Regulation would be changed in such a way that the rollout of AMS would be delayed two years, until 1 January 2019.

The strategic focus on core business will strengthen Hafslund's role as a leading energy company, and underpin the Group's focus on renewable energy, infrastructure for energy and the power market. The board believes that Hafslund has established a sound commercial and financial platform for satisfactory future development, and to meet the various challenges the Group will face in the future.

The Board of Directors of Hafslund ASA
Oslo, 19 March 2013

Birger Magnus
Chairman of the Board

Maria Moræus Hanssen
Deputy Chairman

Ellen Christine Christiansen

Odd Håkon Hoelsæter

Hans Kristian Rød

Per Orfjell

Per Luneborg

Jane Koppang

Finn Bjørn Ruyter
President and CEO

Consolidated balance sheet

31 December

NOK million	Notes	2012	2011
Assets			
Property, plant and equipment	6	18 365	18 632
Intangible assets	7	2 432	2 379
Investments in associates	9	560	426
Long-term receivables	12 , 19	712	462
Non-current assets		22 069	21 899
Inventories		82	61
Trade and other receivables	10 , 13	2 333	1 708
Derivatives	3 , 10	87	26
Financial assets	10 , 11	1	102
Cash and cash equivalents	10 , 14	223	870
Current assets		2 725	2 767
Total assets		24 794	24 666
Equity and liabilities			
Paid-in equity	15	4 275	4 275
Retained earnings		3 280	3 833
Non-controlling interests		20	23
Equity		7 575	8 131
Borrowings	10 , 17	8 422	9 047
Deferred income tax liability	18	3 104	3 186
Pensions and similar obligations	19	169	
Long-term liabilities		11 695	12 233
Trade and other current payables	10 , 16	1 993	2 133
Derivatives	3 , 10	74	86
Income tax payable	25	338	280
Borrowings	10 , 17	3 119	1 802
Current liabilities		5 524	4 302

Total liabilities	17 219	16 535
Total liabilities and equity	24 794	24 666

The Board of Directors of Hafslund ASA

Oslo, 19 March 2013

Birger Magnus
Board Chairman

Maria Moræus Hanssen
Deputy Chairman

Ellen Christine Christiansen

Hans Kristian Rød

Odd Håkon Hoelsæter

Jane Koppang

Per Orfjell

Per Luneborg

Finn Bjørn Ruyter
President and CEO"

Notes 1 to 29 are an integrated part of the consolidated financial statements.

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Consolidated income statement

1 January - 31 December

NOK million	Notes	2012	2011
Sales revenues	5	11 466	13 704
Purchases of goods and energy		(6 830)	(9 015)
Employee benefit expenses	19 , 22 , 23	(908)	(864)
Result of investment in Renewable Energy Corporation ASA (REC)	11		(1 090)
Other (losses)/gains - net	20	117	17
Other operating expenses	21	(1 752)	(1 630)
Share of profit/(loss) from associates	9	20	23
Operating profit before depreciation, amortisation and impairments		2 113	1 145
Amortisation	6 , 7 , 8	(777)	(803)
Impairment losses	6 , 7 , 8	(482)	
Operating profit/loss		854	343
Finance cost	24	(557)	(584)
Profit/(loss) before tax		297	(241)
Income tax expense	25	(349)	(456)
Profit/loss for the year		(52)	(698)
Attributable to:			
Owners of the parent		(50)	(695)
Non-controlling interests		(2)	(2)
Earnings per share for share of annual result attributable to the company's shareholders (NOK per share)			
Earnings per share (= diluted earnings per share)	15	(0,3)	(3,6)

Notes 1 to 29 are an integrated part of the consolidated financial statements.

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Consolidated statement of cash flows

1 January - 31 December

NOK million	Notes	2012	2011
Cash flow from operations	26	1 076	4 540
Interest paid		(480)	(540)
Income tax paid		(359)	(490)
Net cash generated from operations		236	3 510
Investments in operations and expansion	6 , 7	(1 084)	(1 176)
Sales of property, plant and equipment		8	329
Purchase of shares			(28)
Capital released on sale of shares, etc.		28	2 349
Cash flow from investing activities		(1 048)	1 473
New long-term borrowings		3 545	4 832
Repayments of borrowings		(2 904)	(7 731)
Dividends and other equity transactions		(484)	(1 445)
Cash flow from financing activities		156	(4 344)
Change in cash and cash equivalents		(656)	639
Cash and cash equivalents as of 1 January		870	211
Currency gains/(losses) cash and cash equivalents		9	19
Cash and cash equivalents as of 31 December	10 , 14	223	870

Notes 1 to 29 are an integrated part of the consolidated financial statements.

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Consolidated statement of changes in equity

NOK million	Notes	Share capital	Share premium account	Other paid-in equity	Fund	Translation differences	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total earnings
Equity as of 1 January 2011		195	4 080	76	192	15	5 900	10 458	5	10 464
Result for the year							(698)	(698)	(2)	(700)
Other comprehensive income					(192)			(192)		(192)
Total comprehensive income for the year					(192)		(698)	(890)	(2)	(892)
Transactions with owners:										
Change in non-controlling interests									20	20
Change in treasury shares							3	3		3
Dividend for 2010							(1 461)	(1 461)		(1 461)
Other equity effects							(3)	(3)		(3)
Equity as of 31 December 2011		195	4 080	76		15	3 741	8 107	23	8 131
Result for the year							(50)	(50)	(2)	(52)
Other comprehensive income						(13)	(1)	(14)		(14)
Total comprehensive income for the year						(13)	(51)	(64)	(2)	(66)
Transactions with owners:										
Change in non-controlling interests									(1)	(1)
Dividend for 2011							(487)	(487)		(487)
Other equity effects							(2)	(2)		(2)
Equity as of 31 December 2012		195	4 080	76		2	3 203	7 554	20	7 575

The Board has proposed a dividend of NOK 2.50 per share for the 2012 financial year. The corresponding figure for 2011 was NOK 2.50 per share.

Notes 1 to 29 are an integrated part of the consolidated financial statements.

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Consolidated statement of comprehensive income

1 January - 31 December

NOK million	Notes	2012	2011
Loss for the year		(52)	(698)
Other comprehensive income			
Reclassification of prior upregulation of REC to profit from the sale	11		(194)
Tax on value adjustments on investment in REC			2
Value adjustments on hedging contracts		(1)	
Currency translation differences		(13)	
Other comprehensive income for the year		(14)	(192)
Total comprehensive income for the year		(66)	(890)
Attributable to:			
Owners of the parent		(64)	(888)
Non-controlling interests		(2)	(2)
Total comprehensive income for the year		(66)	(890)

Notes 1 to 29 are an integrated part of the consolidated financial statements.

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Notes Group

Notes Group

Note 1 General information

Hafslund ASA (“the company”) and its subsidiaries (together “Hafslund” or the “Group”) are one of the largest listed energy groups in the Nordic region. Hafslund is Norway’s largest grid, power sales and district heating company, and a medium-sized Norwegian power producer.

The Hafslund Group operates its business through subsidiaries and associates and is primarily active within the Norwegian and Swedish market. The company is headquartered in Oslo and is listed on the Oslo Stock Exchange. The consolidated financial statements were adopted by the company’s board on 19 March 2013.

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Note 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Group’s consolidated financial statements are described below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretation Committee IFRIC, as established by the EU. These financial statements contain no differences between IFRS as established by the EU and the IASB.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the valuation of available-for-sale financial assets, and financial assets and liabilities (including derivatives) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. Areas which make extensive use of discretionary assessments or involve a high degree of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are described in Note 4.

The consolidated financial statements have been prepared in accordance with the going concern principle.

a) New and amended standards adopted by the Group

There are no new or amended IFRS standards or IFRIC interpretations that have entered into force with effect for the 2012 financial statements that are deemed to have a material impact on the consolidated financial statements.

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early-adopted by the Group

The Group has not early-adopted any new or amended IFRS standards or IFRIC interpretations.

- IAS 1 Presentation of Financial Statements has been amended and entails that items in other comprehensive income shall be divided into two groups, those which will later be reclassified through profit and those which will not. This change does not affect which records are included in other comprehensive income.
- IAS 19 Employee Benefits was amended in June 2011. Following the amendment, all estimate deviations are recognised

in other comprehensive income as they arise, all costs relating to previous periods' pension entitlements are recognised in income and interest expenses and the expected return on pension assets have been replaced by the net interest amount calculated using the discount rate on the net pension liability (asset). See Note 2.18 for more information about the consequences of the amendments to IAS 19.

- IFRS 9 Financial Instruments regulates the classification, measurement and accounting of financial assets and liabilities. IFRS 9 was published in November 2009 and October 2010, and replaces those sections of IAS 39 dealing with accounting, classification and measurement of financial instruments. Under IFRS 9, financial assets should be divided into two categories: those measured at fair value and those measured at amortised cost. On first-time recognition assets are classified in line with the Group's business model for managing its financial instruments and the nature of the contractually agreed cash flows from the instrument. Requirements for financial liabilities are mainly similar to IAS 39. The main change for financial liabilities valued at fair value is that that part of the change in fair value attributable to the company's inherent credit risk is recognised in other comprehensive income instead of in the income statement provided this does not result in matching errors in results measurement. Hafslund has not yet considered the full scope of the impact of the standard on its financial statements, but expects to apply IFRS 9 when the standard enters into force and has been approved by the EU. The standard enters into force for accounting periods beginning on or after 1 January 2015. The Group will also examine the consequences of the remaining portions of IFRS 9 once they have been finalised by the IASB.
- IFRS 10 Consolidated Financial Statements is based on current policies regarding the concept of control as the determining factor for whether a company should be included in the consolidated financial statements of the parent company. The standard is not expected to impact the consolidated financial statements. The standard enters into force for accounting periods beginning on or after 1 January 2014.
- IFRS 12 Disclosures of Interest in Other Entities contains information requirements for economic interests in subsidiaries, joint ventures, associates, special purpose entities (SPE) and other off-balance sheet companies. Hafslund has not reviewed the full impact of IFRS 12. The Group is planning to apply the standard to accounting periods beginning 1 January 2014.
- IFRS 13 Fair Value Measurement defines what is meant by the term "fair value" in IFRS, provides a uniform definition of how fair value should be determined in IFRS and defines additional information should be provided when fair value is used. The standard only provides guidance on the application method where the use is already required or permitted in other IFRS standards. Hafslund uses fair value as a measurement criterion for certain assets and liabilities. Hafslund has not reviewed the full impact of IFRS 13, but it is not expected to have a material effect on the financial statements. The Group plans to apply the standard for the financial year 2013.
- IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. Hafslund has not reviewed the full impact of IFRS 11, but is not expected to have a material effect on the financial statements. See Note 9 for more information on proportionate consolidation. The standard enters into force for accounting periods beginning on or after 1 January 2014. IAS 1 Presentation of Financial Statements has been amended and entails that items in other comprehensive income shall be divided into two groups, those which will later be reclassified through profit and those which will not. This change does not affect which records are included in other comprehensive income.

There are no other adopted IFRS standards or IFRIC interpretations that have not yet entered into force that are expected to have a material impact on the financial statements.

2.2 Consolidation principles

a) Subsidiaries

Subsidiaries are all entities whose financial and operating policies can be determined by the Group. This is generally the case when the Group has a shareholding that confers more than half of the total voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group also evaluates whether control exists with less than 50% of voting rights, when, in practice, the Group is able to exercise control over financial and operating policies (so-called de facto control). De facto control can arise in situations where other voting rights are distributed among a large number of owners who are not realistically in a position to organise their voting. In the assessment of de facto control, the determining factor is whether the Group can select the board members it wants.

The purchase method is applied for business acquisitions. The consideration is measured at the fair value of any transferred assets, liabilities or issued equity instruments. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair value at the acquisition date. Non-controlling interests in the acquired company are measured on an acquisition-by-acquisition basis, either at fair value, or at their proportionate share of the company's net assets. Acquisition-related costs are expensed as incurred.

When a business is acquired in stages the shareholding from previous purchases is revalued at fair value at the time control is established with changes in value being recognised in profit or loss. Contingent consideration is measured at fair value at the time of acquisition. In accordance with IAS 39 subsequent changes in the fair value of contingent consideration are recognised in income or as a change in other comprehensive income depending on whether the contingent consideration is classified as an asset or liability. Contingent consideration classified as equity is not revalued, and subsequent settlement is recognised in equity.

If the amount of the consideration, the fair value of non-controlling interests and potentially the fair value on the date of acquisition of previous non-controlling ownership interests exceeds the fair value of the identifiable net assets of the acquired company, the difference is recorded as goodwill, cf. Note 2.6. If the sum is less than the company's net assets, the difference is recognised.

The consolidated financial statements have been prepared applying uniform policies, where the subsidiaries' accounting policies coincide with the Group's elected policies. Intragroup transactions and intercompany balances, revenue and costs are eliminated. Gains and losses in assets recognised in the balance sheet arising as a result of an intragroup transaction are also eliminated.

Transactions with non-controlling owners of subsidiaries that do not involve loss of control are treated as equity transactions. When shares are purchased from non-controlling shareholders, the difference between the remuneration and the share's proportionate carrying amount of the subsidiary's net assets is recorded in equity for the parent company's shareholders. Gains or losses on disposals to non-controlling shareholders are also recorded in equity.

When the Group no longer has control, any remaining shareholdings are recognised at fair value, with changes in carrying amount recognised in profit or loss. Thereafter the fair value is deemed to equate to cost, and the interest is valued either as an investment in associates or joint ventures or as a financial asset. Amounts previously recognised in other comprehensive income relating to this company are treated as if the Group had disposed of the underlying assets and liabilities. This could mean that amounts that were previously recognised in other comprehensive income are reclassified through profit or loss.

b) Associates

Associates are all entities over which Hafslund ASA has significant influence but not control. This will generally be the case when the Group has a shareholding of between 20 and 50 per cent of the voting rights. Investments in associates are recognised in accordance with the equity method. Investments in associates are recognised at cost at the time of acquisition, and the Group's share of the results in subsequent periods is recognised in income or expensed and the value of the investment in the balance sheet is adjusted accordingly. Amounts recognised in the balance sheet also include any implicit goodwill identified at the time of acquisition, less any subsequent impairments. The Group's share of comprehensive income of the associate is recognised in consolidated comprehensive income and the value of the investment recognised in the balance sheet is adjusted accordingly. The Group does not recognise any share of an associate's losses in its income statement if this results in the book value of the investment falling below zero (including unsecured receivables from the entity), unless the Group has assumed liabilities or made payments on behalf of the associate.

At the end of each accounting period the Group determines whether there is any need to recognise an impairment of the investment in the associate. In such cases the impairment amount is measured as the difference between the recoverable amount of the investment and its book value, and the difference is recognised in income on a separate line together with the item "Share of profit/(loss) from associates".

In the event of any gains or losses on transactions between the Group and its associates, only the proportionate share relating to external shareholders is recognised. Unrealised losses are eliminated unless there is a need to recognise an impairment for the asset that was the subject of the transaction. The financial statements of associates have been restated where necessary to ensure consistency with the policies adopted by the Group.

On the reduction of assets in an associate where the Group maintains significant influence, only a proportionate share of amounts previously recognised in other comprehensive income is reclassified through profit or loss. Dilution gains and losses arising on investments in associates are recognised in the income statement.

c) Joint ventures

Hafslund owns a 49 per cent stake in Energibolaget i Sverige Holding AB, and together with other shareholders has a controlling interest in the company. The Group's share in the company is consolidated on a line-by-line basis in the consolidated financial statements in accordance with the gross method from the time control is transferred to the Group. See also Note 9.

2.3 Segment information

The operating segments are reported using the same structure used in the Group's internal reporting to the company's chief operating decision-maker. The company's chief operating decision-maker, which is responsible for allocation of resources to and assessment of earnings generated by the operating segments, is defined as Group management.

2.4 Translation of foreign currencies

a) Functional currency and presentation currency

The Group's single entity financial statements are recorded in the currency that is used in the area where the entity primarily operates (functional currency). The consolidated financial statements are presented in Norwegian kroner (NOK), which is both the parent company's functional currency and the Group's presentation currency.

b) Transactions and balance sheet items

Transactions denoted in foreign currency are translated to the functional currency at the transaction rate. All monetary items denoted in foreign currency are translated at the rate in force at the balance sheet date. Realised currency gains or losses on the settlement and translation of monetary items denoted in foreign currency to the rate in force at the balance sheet date are recognised in the income statement.

Currency gains and losses connected to borrowings and cash and cash equivalents are presented (net) as financial income or financial expenses. Other currency gains and losses are presented under the item other (losses)/gains – net.

The currency effect of non-monetary items (both assets and liabilities) is included as part of fair value recognition. Currency differences on non-monetary items, such as shares valued at fair value through profit or loss, are recognised in the income statement as part of total gains and losses. Currency differences on shares classified as available for sale are included in changes in value that are recognised in the comprehensive income statement.

c) Group companies

The income statement and balance sheet for Group companies whose functional currency differs from the presentation currency are translated in the following manner:

- a) The balance sheet, including goodwill and excess values on acquisitions, is translated at the rate in force at the balance sheet date.
- b) Revenue and expenses are translated to NOK using the average exchange rate.
- c) Translation differences are recognised in other comprehensive income and specified separately in equity.

2.5 Property, plant and equipment

Property, plant and equipment is recognised in the balance sheet at cost less cumulative depreciation and impairments. Cost includes costs directly connected to the acquisition of the operating asset, including directly attributable borrowing costs. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it

is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of replaced parts is recognised. Other repair and maintenance expenses are recognised in profit and loss in the period in which the expenses are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method so as to allocate their cost to their residual values over their estimated useful lives, as follows:

Power facilities	20 – 50 years
Other renewable energy facilities	10 – 50 years
Grid facilities	14 – 50 years
Fibre optic networks, technical equipment and chattels	3 – 30 years
Other property	20 – 50 years

The useful life and residual value of operating assets are assessed on every balance sheet date and amended as necessary. If an asset's carrying amount is greater than its estimated recoverable amount, it is written down to the recoverable amount (Note 2.7).

Gains and losses on disposals are recognised in the income statement under "Other (losses)/gains – net", as the difference between the sales price and the carrying amount.

2.6 Intangible assets

a) Waterfalls

Waterfall rights are recognised in the balance sheet at historical cost. Waterfall rights are deemed to constitute a perpetual asset where no right to reversion to state ownership exists, and are not amortised.

b) Goodwill

Goodwill is the difference between the initial carrying amount of an acquisition and the fair value of the Group's share of the entity's net identifiable assets at the time of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. In subsequent evaluation of the need to recognise an impairment, goodwill is allocated to those cash-generating units that are expected to benefit from the acquisition. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

c) Customer portfolios

Customer portfolios are recognised at fair value in the balance sheet at the time of acquisition. The customer portfolios have a limited useful economic life and are recognised at cost less deductions for cumulative amortisation. Amortisation is calculated on a straight-line basis over the expected average agreement period.

d) Acquisition costs (Customer purchase order)

Acquisition costs for access to new customers through defined sales channels are carried at cost less deductions for cumulative amortisation. Customer purchase orders have a limited useful economic life and are recognised based on the estimated lifetime of the customer relationship. Hafslund has chosen to write off such acquisition costs using the straight-line method over five years, based on accumulated experience. Acquisition costs include direct costs to sell only, and each customer portfolio is considered on an individual basis.

2.7 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's value in use and fair value less costs to sell. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.9 Financial assets

The Group classifies its financial assets in the following categories: a) at fair value through profit or loss, b) loans and receivables and c) available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets on initial recognition.

a) Financial assets at fair value through profit or loss

This category has two sub-categories: i) financial assets held for trading purposes, and ii) financial assets that management has initially elected to classify at fair value through profit or loss. Derivatives are classified as held for trading purposes, unless these are part of an accounting hedging relationship. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the income statement under “other (losses)/gains – net” in the period in which they arise. Assets in this category are classified as current assets if they are held for trading purposes, or if they are expected to be realised within 12 months of the balance sheet date.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measured at fair value plus directly attributable transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest method and are included in current assets, unless they mature more than 12 months after the end of the balance sheet date. Loans and receivables are classified as trade and other receivables in the balance sheet, and cash and cash equivalents (see Note 2.12 and 2.13).

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are initially recognised in the balance sheet at fair value plus transaction costs. In subsequent periods the assets are measured at fair value. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

d) Impairment of financial assets

The Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired at the end of each reporting period. Any significant or long-term fall in fair value below the cost of shares classified as available for sale will be deemed to indicate of an impairment in the value of the shares in question. Where such objective indicators exist, and impairments have previously been recognised in comprehensive income, the cumulative loss that has been included in other comprehensive income is reclassified in the consolidated income statement. The amount is measured as the difference between cost and the current fair value, less deductions for any impairment losses previously recognised in income. Impairment losses on equity instruments recognised in the separate consolidated income statement are not reversed through the separate consolidated income statement. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified in the income statement.

2.10 Derivatives and hedging

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value on an ongoing basis. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges in the following hedge types:

- Hedges with variable cash flows with a particular risk associated with a recognised asset, liability or a highly probable forecast transaction (cash flow hedge).

At the inception of the hedge relationship, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in

fair values or cash flows of the hedged item. Such assessments are documented both at hedge inception and on an ongoing basis during the hedge period.

The fair values of derivatives used for hedging purposes are presented in Note 10. Changes in equity as a result of hedging activities, and which are recognised in other comprehensive income are listed in other comprehensive income for the Group. The fair value of a hedging derivative is classified as a fixed asset or long-term liability if the remaining term of the hedging item is more than 12 months and as a current asset or current liability if the remaining term of the hedging item is less than 12 months. Trading derivatives are classified as current assets or current liabilities.

a) Cash flow hedging

The effective portion of changes in the fair value of derivatives that are designated and qualify as hedging instruments in cash flow hedges is recognised directly in other comprehensive income. The gain or loss relating to the ineffective portion is recognised as “Other (losses)/gains – net”.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss (for example, upon the planned sale of a hedged item). Gains or losses on the ineffective portion are recognised in the income statement as “Other (losses)/gains – net”.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in other comprehensive income and accumulated in equity are transferred from equity to profit or loss and recognised when the hedge transaction is recognised in the income statement. When a hedged transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the “Other (losses)/gains – net” line item.

Licensed power

Hafslund has agreements to deliver licensed power to local authorities at prices established by the authorities. The purpose of licensed power is essentially to secure the provision of electrical power to local authorities at a reasonable price. Agreements on financial settlement have been entered into for some licensed power agreements and are expensed on an ongoing basis. Delivery of licensed power is deemed to be a statutory obligation, and is recognised in income on an ongoing basis in accordance with the established licensed price.

El-certificate

Hafslund purchases el-certificates both spot and through forward contracts. At the end of 2012, Hafslund's holding of el-certificates lies with the power trading division. Physical contracts are valued at net realisable value and forward contracts at fair value, see Note 3 and 10.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

2.12 Trade receivables

Trade receivables are initially recognised at fair value. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term, highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities on the balance sheet.

2.14 Share capital and share premium account

Ordinary shares are classified as equity. Expenses directly connected to the issue of new shares or options net of tax are recognised as a reduction in consideration received in equity. Where any Group company purchases the company's equity share capital (attributable to parent company equity holders), the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the company's equity holders until the shares

are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to parent company equity holders.

2.15 Trade payables

Trade payables are recognised initially at fair value in the balance sheet. Trade payables are subsequently carried at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are measured, managed and followed up based on their fair value in accordance with internal risk management procedures, and changes in fair value are communicated in internal management reporting. Until 31 December 2009 these loans were recognised at fair value through profit or loss in accordance with the Fair Value Option (FVO), and will continue to be recognised in the same way until they are redeemed. These loans were recognised at fair value at the time of issue, and the transactions costs were expensed immediately. In the case of loans taken out after 1 January 2010, Hafslund has opted not to apply FVO and recognises these loans at amortised cost. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Income tax

The income tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In such cases the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of tax rates, legislation and rules enacted at the balance sheet date. Management evaluates the tax positions on an ongoing basis, taking into account situations where the applicable tax legislation is subject to interpretation. Provisions are recognised for expected tax payments based on management assessments where such is deemed necessary. Deferred tax is calculated on all temporary differences between the tax-written-down and consolidated financial values of assets and liabilities. Deferred income tax is not recognised if it arises from a transaction for the purchase of an asset or liability that is not part of a business combination and at the time of the transaction affects neither the accounting nor taxable profit or loss. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax payable.

Taxation of power production business

Power production business is subject to special rules governing taxation of power companies. In addition to general income tax and property tax, power production business is subject to natural resource tax and resource rent tax.

Natural resource tax is a profit-dependent tax that is calculated on the basis of individual power plants' average power production over the last seven years. The tax rate is established as NOK 1.3 per kWh. Natural resource tax can be offset against general income tax, and natural resource tax not offset can be carried forward including interest.

Resource rent tax comprises 30 per cent of the power stations' normalised result in excess of the tax-free allowance. Negative resource rent income can be carried forward against subsequent positive resource rent income including interest. Negative resource rent income is included in the basis used to calculate deferred income tax liabilities and assets connected to resource rent taxation together with deferred income tax assets/liabilities relating to temporary differences connected to operating assets used in power production.

Power production business is also subject to property tax and comprises up to 0.7 per cent of the official property valuation. General income tax and resource rent tax are recognised as ordinary taxes. Property tax is recognised as an operating expense in the income statement.

2.18 Pension liabilities, bonus schemes and other employee remuneration schemes

a) Pension liabilities

The Group's companies operate various pension schemes. Hafslund has both defined benefit and defined contribution schemes.

Defined benefit scheme

A defined benefit scheme is a pension scheme that defines the pension benefit that an employee will receive on retirement, and which is financed through payments to insurance companies or pension funds. The pension benefit is usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension schemes is the present value of the defined benefit obligation at the end of the reporting period less the fair value of pension assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefits is determined by discounting estimated future payments at the interest rate on a bond issued by a company with a high credit rating (the Norwegian Covered Bonds market interest rate) in the same currency in which the benefits will be paid, and with a term that is approximately the same as the term of the related pension liability. Hafslund has chosen to apply the Norwegian Covered Bonds market interest rate based on systematic tests conducted by the company's actuary, Gabler Wassum AS, as to whether there is a deep and liquid market for corporate bonds with high credit ratings. The results of this review suggest that there is a significant market for corporate bonds with high credit ratings and this is concentrated in the Norwegian Covered Bonds market. Moreover, the Norwegian market has become better developed after the financial crisis and has a high credit rating, which also indicates that the bonds have a high credit worthiness. The average remaining vesting period of the beneficiaries of defined benefit schemes is calculated at around 13 years.

Estimate deviations attributable to new information or changes in actuarial assumptions in excess of the higher of ten per cent of the value of pension assets or ten per cent of the value of pension liabilities are recognised in the income statement over a period corresponding to the employees' expected remaining employment period. Past-service costs are recognised immediately in income, unless the changes to the pension scheme are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

From 1 January 2013, the Group will change the accounting policy for pensions. Following the amendment all estimate deviations are recognised in other comprehensive income as they arise, all costs relating to previous periods' pension entitlements are recognised in income and interest expenses and the expected return on pension assets have been replaced by the net interest amount calculated using the discount rate on the net pension liability (asset).

According to actuarial calculations as of 31 December 2012, the non-recognised estimate deviation (the corridor) amounted to NOK 397 million, which will entail an equity charge of NOK 286 million upon implementation of the amended standard as of 1 January 2013. See also Note 19. In addition, the amount previously included as a pension cost under "Amortisation of estimated losses/(profits)" is transferred to other comprehensive income, for 2012 this amount is NOK 83 million. Furthermore, the calculated net interest cost is based on the discount rate, which will result in an increased pension cost of NOK 26 million. The net effect on pension cost resulting from the amended pension standard is estimated at NOK 57 million in reduced costs for 2012 revised.

Defined contribution schemes

A defined contribution scheme is a pension scheme where the Group pays a fixed contribution to a separate legal entity. The Group has no legal and constructive obligations to pay further contributions if the entity does not have sufficient assets to pay all employees the benefits in line with their entitlements for the current and for previous periods. The contributions are recognised as an employee benefit expense when they are due.

b) Bonus schemes

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration both the profit attributable to the parent company's shareholders and certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

The Group recognises a liability and an expense on allocation of treasury shares to employees. Expenses are recognised on a straight-line basis over the vesting period and presented as employee benefit expenses. The value is measured as the shares' market value at the time of allocation. When the expenses are recognised, a corresponding increase is recognised in other paid-in equity.

c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal scheme without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to the present value.

2.19 Provisions

The Group recognises provisions for any present legal or constructive obligation as a result of past events, where it is probable that an outflow of resources will be required to settle the obligation and the amount of the liability can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the net present value of expected payments to satisfy the liability. A pre-tax discount rate that reflects the current market situation and risk specific to the obligation is applied. The increase in the provision due to passage of time is recognised as a financial expense.

2.20 Revenue recognition**a) Revenue recognition – general**

Revenues from the sale of goods and services are recognised as they accrue. Revenues from the sale of goods primarily accrue once risk and control relating pertaining to the goods have been transferred to the purchaser. Revenues comprise the fair value of the consideration received or receivable for the sale of goods and services less any deductions for Value Added Tax or discounts. Intragroup sales are eliminated.

b) Sales of power

Sales of power are recognised in the income statement at the time of delivery to the customer. Realised revenues from physical and financial trading in power contracts are recognised as sales revenues.

c) Grid rental

The Networks business is subject to a revenue ceiling established by the Norwegian Water Resources and Energy Directorate (NVE). Permitted income comprises the revenue ceiling established by the regulator (NVE) plus transmission costs, Enova mark-ups and property tax less interruption costs. Income surpluses/shortfalls, which represent the difference between recognised grid rental and permitted income defined as regulatory liabilities/assets that do not qualify for recognition in the balance sheet. The amount recognised in income in individual years corresponds to the volume delivered in the period, settled at the established tariff in force at any one time. The result for 2012 was impacted by surplus income of NOK 268 million, in 2011, the surplus income was NOK 212 million. Cumulative surplus income of NOK 425 million at the end of 2012 does not satisfy the definition of a liability under the conceptual framework and has therefore not been recognised in the balance sheet.

d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group bears substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance costs in order to achieve a constant periodic

interest rate on the outstanding balance. The corresponding lease liability (less financing costs) is included in other long-term liabilities. The interest element in the financing cost is expensed over the lease term so as to achieve a constant periodic interest rate on the outstanding balance each period. Property, plant and equipment recognised as finance leases is amortised over the shorter of the asset's useful life and the lease term.

2.22 Dividends

Dividend distribution to the parent company's shareholders is recognised as a liability from the time the dividends are approved by the company's shareholders.

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Note 3 Financial risk management

The aim of Hafslund's risk management is to identify risks and opportunities facing the Group, and manage in the best possible way within the Group's risk appetite with the aim of achieving its subsidiaries and the Group's objectives. This is best achieved through a proactive approach to risk and a comprehensive risk management model. Risk management should be an integral part of all major decision-making processes in the Group.

Risk management frameworks and instructions comply with the Board-approved policies and related risk mandates. Risk management is generally a key responsibility of each subsidiary's operational management. The Group's activities expose it to a variety of risks. Hafslund is exposed to inherent financial risk associated with the power market as well as to foreign exchange risk, interest rate risk, liquidity risk, and credit risk. The Group uses financial derivatives to hedge certain financial risk exposures. Financial risks that share common features across business areas are largely centralised for optimal management of risk.

a) Power price and volume risk

Several of the Group's result units are exposed to risk associated with the power market. The inherent exposure to the market primarily derives from the Group's ownership of power generation facilities, heat production, distribution grid activities and power sales to customers. For the Business area Heat, there is also an element of risk in that prices are based on customers' alternative (electrical) heating costs. The same applies to the waste-to-energy plants in Sarpsborg and Fredrikstad, where price mechanisms contained in sales contracts mean that revenues are to a lesser or greater extent dependent on the power price. Hafslund also actively takes up contract positions in the power market through the activities of the Group's power trading activities. The Group's power trading unit conducts all trading in the market. In the case of power sales activities, risk management is directed at minimising margin fluctuations.

Power price fluctuations, together with factors (primarily weather conditions) that affect production volumes, are thus of significant importance for the profitability of Hafslund's power generation activities. In 2012, Hafslund gradually changed from mainly spot pricing for the sale of power generated to partial hedging. This change came as a result of a desire to better exploit market outlook and to secure earnings and cash flow, especially in low-price periods. Hafslund hedges some of its hydropower production volume, as well as enters into hedging contracts in the business area Heat, for the next 36 months on an ongoing basis to reduce price risk. In line with the Group's hedging policy, the extent of hedging is expected to be significantly higher in the upcoming six months than in the ensuing period. The extent of hedging may vary significantly, based on an overall assessment of market prices and outlook; the purpose is achieving satisfactory prices and reducing fluctuations in Hafslund's earnings. The extent of hedging is regulated by a risk mandate adopted by the Board of Hafslund ASA. Exposure should be kept within the limits set by the Board and monitored by the Group's risk management function and through reporting to management and the Board of Hafslund ASA.

Hafslund uses Value at Risk as an operational risk management target for power price risk. Daily Value at Risk (DVaR) reports are distributed to Group management each day and a summary of the reports is included in the Group's monthly management reporting. As of 31 December 2012 the DVaR for Hafslund's aggregate power portfolio amounted to NOK 35 million (2011: NOK 49 million). Most of the risk is attributable to the open exposure in the business areas, Production and Heat. Standardised power market derivative products, such as futures, forwards, CFDs and options, are used to achieve the desired risk-reducing effect in respect of power portfolios. Hedging instruments are mainly traded at or cleared with the Nordic Power Exchange, Nasdaq OMX Commodities.

b) Currency risk

The Group has liabilities denominated in foreign currency. In addition, Group businesses conduct transactions that are exposed to currency fluctuations. Currently this applies in particular to EUR- and SEK-denominated trades in power and power derivatives. The Group's finance department is responsible for managing the Group's overall foreign exchange exposure on behalf of the individual operating units, and performs all transactions with the market. Offsetting positions are to some extent netted off internally between Group companies. Primarily forward exchange contracts, and in some cases foreign exchange options, are used to reduce foreign currency risk. In the case of foreign currency borrowings, principal amounts and basis interest rates are hedged using basis swaps when borrowings are taken out. Foreign exchange derivatives are recognised at fair value.

All other factors remaining constant, a 7.5 per cent change in the EUR/NOK and SEK/NOK rates would have an effect on post-tax profits of +/- NOK 15 million as a result of changes in the value of Hafslund's portfolio of currency derivatives as of 31 December 2012 (2011: +/- NOK 4 million). Based on historical data and the assumption of normal distribution, the probability of an adverse exchange rate fluctuation having an impact of more than 7.5 per cent during any single year is less than 10 per cent. EUR- and SEK-denominated derivative contracts are entered into to secure future currency positions associated with power derivatives which the power sales business holds for hedging purposes, as well as to reduce the foreign exchange risk associated with future EUR cash flows from sales of power production.

c) Interest rate exposure

Hafslund's operating revenues and cash flow from operations are largely independent of interest rate fluctuations. The Group's network activities are an exception, since there is a significant interest-related component to determination of the revenue ceiling. Under the grid regulatory regime for 2012, the requisite return on employed grid capital is linked to the average annual interest rate on five-year Norwegian government bonds. Regulation of the revenue ceiling for network activities will be changing slightly as of 2013. The inclusion of government bond interest lapses and earnings from the network activities will increasingly vary with actual borrowing costs and inflation. The Group is also exposed to interest rate risk in relation to interest-bearing liabilities. The company's cash flow will be affected by interest rate fluctuations on variable-interest loans. The fair value of all the company's borrowings taken out before 31 December 2009 will be affected by changes in interest rates, including changes in credit spreads. In the course of 2012, the change in credit spreads, viewed in isolation, resulted in a NOK 5 million reduction in the fair value of the loan portfolio (2011: NOK 20 million). Credit spreads are affected by terms, liquidity and risk. The major banks publish estimates for Hafslund's credit spreads with differing terms based on observable prices on the bond market. In calculating changes in the fair value of the loan portfolio due to changes in Hafslund's credit spreads, an interpolated average change in credit spreads is applied for a duration corresponding to the duration of Hafslund's borrowings and interest rate derivatives.

Hafslund's loan portfolio comprises a mixture of fixed-interest and variable-interest loans. Interest rate derivatives are used to reduce fluctuations in cash flow associated with finance costs. By applying frameworks adopted to manage interest rate risk, the board has determined that the proportion of fixed-interest rate loans in the loan portfolio should lie between 30 and 60 per cent. As of 31 December 2012 approximately 52 per cent of the Group's borrowings were subject to variable interest rates (2011: 53 per cent). In a simulation test of sensitivity to major interest rate fluctuations, the portfolio of loans and interest rate derivatives as of 31 December 2012 was tested against a change of +/- 1.5 per cent across the total yield curve. Based on historical data, there is approximately 90 per cent certainty that interest rate fluctuations will not exceed this spread during any one year. However, such a change in interest rates would increase/decrease the Group's annual finance cost (adjusted for tax effect) by NOK 120 million (2011: +/- NOK 170 million). This takes into account changes in interest expenses as a result of fluctuations in the coupon rate, changes in the fair value of fixed-rate loans and changes in the fair value of interest rate derivatives. Because the regulated revenue ceiling for network activities also varies with interest rate fluctuations, the overall effect of interest rate fluctuations on pre-tax profits would in fact be less marked.

d) Liquidity risk

Liquidity risk arises to the extent that cash flows from the business do not correspond with financial obligations. The cash flow from power trading activities will vary according to a number of factors including spot-market price levels. Accordingly 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. Unused drawdown facilities as of 31 December 2012 totalled NOK 3.9 billion (2011: NOK 4.4 billion). See also note 17.

Maturity profile for borrowings:

NOK million

2012	0–6 months	6–12 months	1–3 years	3–5 years	>5 years	Total
Borrowings	(1 846)	(1 447)	(4 239)	(2 255)	(3 008)	(12 795)

2011	0–6 months	6–12 months	1–3 years	3–5 years	>5 years	Total
Borrowings	(1 006)	(796)	(3 115)	(2 836)	(3 096)	(10 849)

e) Credit risk

Most of the Group's debtors are private individuals who purchase electricity and/or district heating. A vendor loan note with a par value corresponding to NOK 310 million over 7 years was issued on 21 December 2010, in connection with the sale of Hafslund Fibernett to the PE fund EQT. This apart, Hafslund has no significant concentration of credit risk. Follow-up and invoicing of trade receivables are centralised in a separate unit, Hafslund Fakturaservice (billing). Counterparty risk relating to power trading activities is minimised through extensive use of standardised contracts that are settled via Nasdaq OMX Commodities, as well as entering into bilateral agreements with municipal or state-owned companies.

Interest and foreign currency risk mandates, which are determined by the board, contain guidelines as to the creditworthiness of institutional counterparties.

The majority of overdue trade receivables as of 31 December 2012 relate to the Markets business unit, and primarily to trade receivables with private electricity customers. A provision of NOK 28 million has been recognised to cover potential bad debts on these receivables (2011: NOK 49 million). The decrease is due to the realisation of previous special provisions totalling NOK 18 million. Trade receivables that were unpaid from 30 days past due, amounted to NOK 103 million (2011: NOK 118 million). Those that were unpaid from 0 to 30 days past due, amounted to NOK 171 million (2011: NOK 169 million).

The ageing profile of trade receivables as of 31 December was as follows:

NOK million

2012	Not yet due	30–60 days	60–90 days	90–120 days	>120 days	Total
Trade receivables	657	95	25	20	79	876

2011	Not yet due	30–60 days	60–90 days	90–120 days	>120 days	Total
Trade receivables	525	137	35	27	87	811

Maturity profile for financial items:

NOK million

2012	0–6 months	6–12 months	1–3 years	3–5 years	>5 years	Total
Interest rate derivatives		(7)	(17)	(48)	44	(28)
Currency derivatives	(1)	9	(1)	(1)		6
Power derivatives	7	3	15			25
El-certificate	10		1			11
Trade payables	(454)					(454)
Total	(438)	5	(2)	(49)	44	(440)

2011	0–6 months	6–12 months	1–3 years	3–5 years	>5 years	Total
Interest rate derivatives	(1)	(1)	(26)	(19)	12	(34)

Currency derivatives	(5)	2	4		1
Power derivatives	(44)	(2)	11	8	(27)
Trade payables	(481)				(481)
Total	(531)	(1)	(11)	(11)	12
					(541)

Capital risk management

The Group monitors capital risk management based on the development of the equity ratio, net interest-bearing liabilities and the cash generated from operations. At the end of 2012 the equity ratio was 31 per cent. Hafslund has long-term financing that ensures financial room to manoeuvre even when it is difficult to gain financing in the markets. At the end of 2012 the Group had unused drawdown facilities deemed sufficient to cover the Group's refinancing requirements over the next 12 months.

NOK million	2012	2011
Total borrowings	11 541	10 849
Cash and cash equivalents and interest-bearing receivables	(893)	(1 528)
Net interest-bearing liabilities	10 648	9 321
Operating profit/loss before depreciation, amortisation and impairments	2 113	1 145
Equity	7 575	8 131
Equity ratio %	31 %	33 %
Total assets	24 794	24 666

Fair value estimates

Financial instruments

The table below shows financial instruments at fair value based on valuation method. The different levels are defined as follows:

1. Listed price in an active market for an identical asset or liability (level 1).
2. Valuation based on observable factors other than listed prices (level 1) either directly (prices) or indirectly (derived from prices) for the asset or liability (level 2).
3. In cases where it is not appropriate to employ the quoted share price or the transaction value, shares are valued on the basis of discounted future cash flows and/or a multiple-based evaluation involving comparison with other similar companies (level 3).

The following table shows the Group's assets and liabilities measured at fair value:

NOK million				
2012	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Shares and shareholdings		1		1
Derivatives			86	86
Total assets		1	86	87

Financial liabilities at fair value through profit or loss:

Borrowings	6 774		6 774
Derivatives		72	72
Total liabilities	6 774	72	6 846

2011	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Shares and shareholdings		102		102
Derivatives			26	26
Total assets		102	26	128

Financial liabilities at fair value through profit or loss:

Borrowings	7 843		7 843
Derivatives		86	86
Total liabilities	7 843	86	7 929

Trade and other receivables

The nominal value of trade and other receivables is adjusted for provisions to provide a reasonable approximation of fair value.

Interest rate, foreign exchange and power derivatives

The fair value of interest rate swap agreements is calculated as the present value of estimated, future cash flows, based on effective swap rates at the balance sheet date. The fair value of foreign currency contracts is calculated by using effective rates in the forward market at the balance sheet date. The fair value of foreign exchange options is calculated by applying option pricing models based on the effective rates in the forward market at the balance sheet date. The fair value of power derivatives traded on the Nordic power exchange Nasdaq OMX Commodities (formerly Nord Pool) is established by reference to the applicable prices on the latter exchange at the balance sheet date. The value of power derivatives traded elsewhere is estimated as the present value of future cash flows, based on forward prices on Nasdaq OMX Commodities at the balance sheet date. In the case of material long-term contracts, a discounting factor is applied to cash flows.

Borrowings

Borrowings that are valued at fair value are measured by discounting the borrowings' cash flows. The discount rate applied is the yield curve for the Norwegian swap interest rate, adjusted upwards for Hafslund's credit spreads.

Trade and other payables

The values recognised in the balance sheet in respect of trade and other payables are deemed to constitute reasonable approximations of fair value.

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Note 4 Accounting estimates and judgements

Hafslund prepares estimates and makes assumptions/presumptions with regard to the future. By definition, the accounting estimates that are made as a result of the above processes will rarely fully correspond with the final outcome. Estimates and assumptions are reviewed on an ongoing basis and are based on past experience and other factors, including expectations of future events that are regarded as likely under current circumstances. Any deviations between estimates and fair values are recognised in the period in which these become known where such deviations relate to this period. If the deviations relate to both the current and future periods, the deviation is recognised over the various periods affected.

Estimates and assumptions that may have a material effect on the balance sheet value of assets or liabilities in the coming accounting year are discussed below:

Power sales and network activities

Final settlement of power consumption for the year for a large proportion of the Group's electricity and network customers is made after the Group has finalised its annual financial statements. The above revenues are estimated based on the power volumes that have been physically delivered during the period. The physically delivered volume is apportioned in accordance with consumption forecasts for each customer group and price plan. Some uncertainty attaches to the volume apportioned to the various price segments. Accrued revenues recognised in the balance sheet at the end of 2012 amounted to NOK 1,068 million. Total revenues from the sale and distribution of electricity for the 2012 came in at NOK 10,429 million.

Estimated impairments of goodwill and property, plant and equipment

The value of assets recognised in the balance sheet will to a large extent be based on judgments and estimates, in particular in the case of assets which are essentially not depreciated or amortised. In the Hafslund Group, such assets will primarily be goodwill and waterfall rights with indefinite useful lives. The Group performs annual tests to assess impairment of goodwill and property, plant and equipment, cf. Note 2.7. The recoverable amount from cash-generating units is established based on calculations of value in use, with the exception of BioWood Norway, which will be liquidated. These calculations require the use of estimates. See Note 8 for a description of impairment tests.

Fair value borrowings

Borrowings that are valued at fair value are measured by discounting the borrowings' cash flows. The discount rate applied is the Norwegian swap interest rate, adjusted upwards for Hafslund's credit spreads. Seen in isolation, the change in credit spreads during 2012 results in a reduction in the loan portfolio's fair value of NOK 5 million.

Pensions

The present value of pension liabilities depends on several different factors that are determined by a number of actuarial assumptions. The assumptions employed for the calculation of the net pension cost (income) include a discount rate. Changes in these assumptions will affect the balance sheet value of pension liabilities. The Group determines the applicable discount rate at the start of each financial year. This is the rate that must be used to calculate the present value of future estimated out-going cash flows that will be required to settle pension liabilities. When setting this discount rate, the Group takes into account interest rates on high quality corporate bonds that will mature at approximately the same time as the relevant pension liability, see also Note 2.18. A number of other pension-related assumptions are partly based on market conditions. Were the discount rate applied to differ by 0.5 per cent points, the carrying amount of pension obligations would change by an estimated 13 – 17 per cent. Additional information is supplied in Note 19.

Contingencies

When evaluating contingencies, management must exercise its judgement in order to determine the extent to which, on the balance of probabilities, an event would be likely to impose a financial liability on the Group. Management must also use its best estimates to assess the likely amount of future payments. See Note 27 for a more detailed description of contingencies.

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Note 5 Segment information

Group management is the Groups chief operating decision-maker. Hafslund reports business areas as operating segments. In recent years the company has adopted a sharper focus on renewable energy from hydro-power and heating, together with further development of infrastructure for energy and Nordic growth within power sales. Hafslund's business is organised in the business areas Production, Heat, Networks and Markets.

Group management evaluates the performance and profitability of the operating segments based on operating results and return on capital employed. The operating result in the segment information is the same as that presented in the consolidated income statement. Interest income and interest expenses are not allocated to segments since this type of activity is managed by a central finance department that manages the Groups liquidity situation. Intersegment sales are made in accordance with the arms length principle.

NOK million	Production		Heat		Networks		Markets	
	2012	2011	2012	2011	2012	2011	2012	2011
Gross segment sales	755	1 024	1 107	1 120	3 992	4 202	5 537	7 275
Intersegmental sales	(102)	15	3	5	3	34	267	241
Sales revenues	857	1 009	1 104	1 115	3 989	4 167	5 270	7 034
Operating profit/loss	442	724	(83)	102	515	469	364	277
Finance cost	(62)	(34)	(58)	(95)	(101)	(84)	34	3
Income tax expense	(221)	(399)	36	(2)	(298)	(114)	(112)	(95)
Profit/loss for the year	159	289	(105)	9	116	275	286	220

Depreciation of operating assets	(45)	(45)	(155)	(157)	(504)	(514)	(12)	(9)
Impairment of operating assets			(240)					
Amortisation of intangible assets							(8)	(7)
Losses on receivables			(1)	(6)	(12)	(37)	(32)	(17)

Capital employed	4 776	4 464	5 576	5 464	9 237	9 257	1 753	1 215
Investments	24	62	326	463	497	444	180	107

NOK million	Other business		Eliminations		Group	
	2012	2011	2012	2011	2012	2011
Gross segment sales	438	565	(362)	(481)	11 466	13 704
Intersegmental sales	192	186	(362)	(481)		
Sales revenues	246	379			11 466	13 704
Operating profit/loss	(383)	(1 228)			854	343
Finance cost	(371)	(373)			(557)	(584)
Income tax expense	246	153			(349)	(456)
Profit/loss for the year	(508)	(1 491)			(52)	(698)

Depreciation of operating assets	(59)	(67)			(775)	(793)
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Impairment of operating assets	(242)		(482)	
Amortisation of intangible assets	(1)	(3)	(2)	(10)
Losses on receivables	(1)	(14)	(46)	(74)
Capital employed	323	519	21 665	20 918
Investments	52	139	1 079	1 215

See also analytical information for other key figures for the segments.

Reconciliation of capital employed to equity (NOK million):

	2012	2011
Capital employed	21 665	20 918
Income tax payable	(338)	(280)
Deferred income tax liability	(3 104)	(3 186)
Borrowings	(11 541)	(10 849)
Cash and cash equivalents	223	870
Interest-bearing liabilities	396	431
Other	274	227
Equity	7 575	8 131

Revenue analysed by category (NOK million)

	2012	2011
Power sales	5 124	7 026
Power production	708	1 137
District heating sales	1 042	977
Distribution revenue	3 658	3 913
Other revenue	934	651
Total	11 466	13 704

The majority of revenue derives from energy customers localised in and around Oslo, Akershus and Østfold, where a significant number of Hafslund's assets are located. Revenue from the Group's power sales companies in Sweden amounted to NOK 759 million, while capital employed in the Swedish companies totalled NOK 154 million.

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Note 6 Property, plant and equipment

NOK million	Technical equipment and chattels	Power facilities	District heating facilities	Networks	Facilities under construction	Other property	Total
Book value as of 31 December 2010	394	3 712	4 072	8 650	1 563	167	18 557

2011 financial year

							18
Book value as of 1 January 2011	394	3 712	4 072	8 650	1 563	167	557
Operating investments	89				1 080		1 169
Capitalised borrowing costs					38		38
Transferred from facilities under construction	60	386	256	440	(1 142)		
Disposals at book value	(19)			(316)	(2)	(4)	(341)
Depreciation 2011	(148)	(45)	(151)	(446)		(3)	(793)
Book value as of 31 December 2011	376	4 053	4 177	8 328	1 539	160	632

Balance as of 31 December 2011

							29
Cost	1 853	7 211	4 930	13 423	1 852	198	467
Cumulative amortisation	(1 334)	(3 158)	(754)	(5 095)	(13)	(38)	(10 393)
Cumulative impairments	(143)				(300)		(443)
Book value as of 31 December 2011	376	4 053	4 177	8 328	1 539	160	632

2012 financial year

							18
Book value as of 1 January 2012	376	4 053	4 177	8 328	1 539	160	632
Operating investments	39	24			956	1	1 020
Capitalised borrowing costs					14		14
Transferred from facilities under construction	55		647	390	(1 163)	71	
Disposals (cost)	(209)						(209)
Disposals cumulative depreciation	31						31
Disposals cumulative impairments	135			(1)			134
Depreciation 2012	(109)	(47)	(158)	(452)	(4)	(5)	(775)
Impairments 2012	(18)		(309)		(85)	(70)	(482)
Book value as of 31 December 2012	300	4 030	4 357	8 265	1 257	157	365

Balance as of 31 December 2012

							30
Cost	1 738	7 235	5 577	13 813	1 659	270	292
Cumulative amortisation	(1 412)	(3 205)	(912)	(5 548)	(17)	(43)	(11 138)
Cumulative impairments	(26)		(309)	(1)	(385)	(70)	(791)

							18
Book value as of 31 December 2012	300	4 030	4 357	8 265	1 257	157	365
Capitalisation rate borrowing costs					4,9%		
Depreciation percentage	3-33	2-5	2-10	2-7		0-5	

The Group capitalised borrowing costs of NOK 14 million in 2012 relating to qualifying assets. The Group's average-weighted interest rate has been applied.

See Note 8 for information on impairment testing.

As of 31 December 2012 the Group's total future lease commitments associated with office premises and transformer substations recognised at nominal value amounted to NOK 1,118 million:

NOK million

2013	121
2014	123
2015	126
2016	129
2017	133
2018 and later	486
Total lease obligations	1 118

The leases are operating leases and have varying payment dates, price-regulating clauses, and lease prolongation rights. In 2012 rent amounting to NOK 121 million was recognised in the income statement for leases of office premises and transformer substations.

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Note 7 Intangible assets

NOK million	Customer portfolios	Waterfall rights	Customer purchase order (CPO)	Total	Goodwill	Total intangible assets
Book value as of 31 December 2010	34	253		287	2 102	2 389
2011 financial year						
Operating investments					7	7
Disposals					(5)	(5)
Amortisation	(10)			(10)		(10)
Book value as of 31 December 2011	24	253		277	2 104	2 381
Balance as of 31 December 2011						
Cost	92	356		448	2 720	3 168

Cumulative amortisation	(68)	(103)	(171)	(518)	(689)
Cumulative impairments				(98)	(98)
Book value as of 31 December 2011	24	253	277	2 104	2 381

2012 financial year

Operating investments			45	45	14	59
Disposals (cost)	(2)		(2)	(99)		(101)
Disposals cumulative impairments					98	98
Amortisation	(2)		(2)			(2)
Currency translation differences					(3)	(3)
Book value as of 31 December 2012	20	253	45	318	2 114	2 432

Balance as of 31 December 2012

Cost	90	356	45	491	2 632	3 123
Cumulative amortisation	(70)	(103)	(173)	(518)		(691)
Book value as of 31 December 2012	20	253	45	318	2 114	2 432

See Note 8 for information on impairment testing.

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Note 8 Impairment assets

Hafslund holds significant assets, both property, plant and equipment and intangible assets, whose book values are based on estimates. Property, plant and equipment is recognised in the balance sheet at cost, and depreciated on a straight-line basis to its residual value over its expected useful life. In line with the implementation of IFRS, property, plant and equipment used in production activities is valued at fair value. Residual values and useful lives are estimated. There is no directly attributable cost for goodwill; instead goodwill is valued based on the Group's own valuations made at the time of business acquisitions. Goodwill is allocated to relevant cash-generating units. Intangible assets with indefinite useful lives and goodwill are not amortised, but are tested annually for impairment.

Cash flows associated with the results units are identified and discounted. The recoverable amount of a cash-generating unit is calculated based on the value the asset is expected to generate for the business. The present value of future cash flows is based on the budget for 2013 and forecasts for the four years before the terminal value is established. For Network and Heat, cash flows are applied for a longer period before the terminal value is established, as these are predictable over a longer term. The applied discount rate reflects the specific risk of the cash-generating unit.

Hafslund constantly monitors for indications of potential impairment. Where such indications are identified, impairment tests are performed immediately. If the valuation tests indicate that the book values are no longer recoverable, assets are written down to their recoverable amounts. The result of 2012 impairment tests was that operating assets and intangible assets associated with BioWood Norway AS were written down by NOK 229 million and the bioenergy plant Bio-El Fredrikstad (Heat) was written down by NOK 240 million.

The table below shows the book values allocated to the individual cash-generating units at the end of 2012:

NOK million Results unit	Operating assets	Intangible assets	Total	Cumulative impairments	Discount rate before tax	Terminal year	Growth terminal value
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Production	4 093	260	4 353		7,7%	2018	1,5%
Networks	8 829	266	9 095		6,7%	2043	1,5%
Heat	4 860	582	5 442	240	7,9% - 8,3%	2028	1,5%
Markets	248	1 276	1 524		8,9%	2018	1,5%
BioWood Norway	63		63	529	N/A	N/A	N/A
Other business	272	48	320	22	10,8 % - 11,9 %	2018	1,5%
Total	18 365	2 432	20 797	791			

Future cash flows are based on a number of assumptions. Power prices are based on forward prices on Nasdaq OMX at the time of the impairment tests. Forecasts for 2017 are based on a power price of 31.3 øre/kWh. This assumes normal production for Production and Heat. The assumption of normal production for the Production business area of 3,100 GWh is based on ten years' hydropower data adjusted for efficiency improvements. The assumption of normal production of 1,688 GWh in 2013 for the district heating business (included in Heat) is based on average temperatures over the last ten years, adjusted for existing and planned customer connections. After 2015 customer numbers for power sales are expected to remain flat, and there are not expected to be any changes in consumption patterns, while margins are expected to decrease slightly. The current revenue model for network operations is expected to continue until the terminal year, taking into account the new model for determining the NVE-rate from 2013.

Since its start-up in June 2010, BioWood Norway has failed to deliver satisfactory results. There are few signs of near-term improvements in today's market conditions of overcapacity and low pellets prices. The long-term contract market for wood pellets is also weak. This situation, along with production technology challenges and a failure to reach maximum production capacity, has resulted in write-downs of the production facility and raw materials inventory, and in provisions associated with agreements and disputes totalling NOK 271 million in the third quarter of 2012. On 21 November 2012, the Board of Directors of BioWood Norway AS decided to discontinue the business. The plant and land are recognised in the balance sheet at NOK 63 million at the end of 2012, based on the expected net realisable value.

The profitability of the waste-to-energy plant Bio-El Fredrikstad (part of the Heat business area) is strongly affected by waste prices, which represent a revenue source for the plant. The waste-to-energy plant's future profitability is dependent on positive performance of the waste market. Waste prices fell further in 2012, and there are few signs of a recovery over the short term. The drop in waste prices is attributable to overcapacity resulting from considerable capacity expansion in Norway and Sweden. The decline in waste prices weakens the facility's profitability over both the short and longer terms. It is assumed that the price for receiving waste (income) is NOK 330 tonne in 2017, an increase in price from around NOK 200 to 240 tonne in late 2012. Thus, a decision has been made to write down the book value of the Bio-El Fredrikstad facility by NOK 240 million in the third quarter of 2012. The plant has a book value of NOK 101 million at the end of 2012.

Sensitivity in estimation of recoverable amounts

Sensitivity tests reveal robust values in the Group's capital-intensive units. Estimation of recoverable amounts is based on assumptions regarding future developments in a number of areas. This framework conditions development of framework conditions, power prices, temperature, economic growth and consumption patterns. The Hafslund Group has performed sensitivity analyses on the consequences of various changes in assumptions relating to the recoverable amount, including in respect of decreases in power prices, lower energy production, a 20 per cent reduction in the cash flow in the terminal year or an increase of 20 per cent in the discount rate. The Group's recoverable amount is most sensitive to changes in the power price and regulatory changes within the Networks business. A permanent reduction in power prices of 20 per cent reduces the recoverable amount to approximately NOK 2.5 billion, and implies no need to recognise an impairment for the Group.

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Note 9 Investments in associates and joint ventures

NOK million	Year of acquisition	Cost	Registered office	Shareholding	Voting share
Rakkestad Energiverk AS	2001	43	Rakkestad	33%	33%
Infratek ASA	2009	380	Oslo	43,3%	43,3%
Glommens og Laagens Brukseierforening	1903		Lillehammer	22,3%	22,3%
Energy Future Invest AS	2012	157	Gjøvik	49,5%	49,5%
				2012	2011
Book value as of 1 January 2012				426	430
Additions				157	
Share of profit/loss				15	30
Dividends				(43)	(27)
Adjusted prior-year result Infratek ASA				5	(7)
Book value as of 31 December 2012				560	426
Amortisation of goodwill for the year				1	1
Added value as of 31 December 2012				6	7

The Group's share of the results of its associates, of which Infratek ASA is listed, and its aggregated assets and liabilities:

	Registered in	Assets	Liabilities	Sales revenues	Result for the year
Rakkestad Energiverk AS	Rakkestad	36	11	24	2
Infratek ASA	Oslo	640	339	663	31
Glommens og Laagens Brukseierforening	Lillehammer	51	6	16	0
Energy Future Invest AS	Gjøvik	159	24	94	(18)
Total		727	355	703	15

The Group owns a 49 per cent stake in Energibolaget i Sverige Holding AB (EBS), and together with other shareholders exerts a controlling interest on the company. The Group's share in the company is consolidated on a line-by-line basis in the consolidated financial statements in accordance with the gross method. The figures below show the Group's 49 per cent share of assets, liabilities, sales and earnings from the investment in EBS.

	2012	2011
Assets:		
Non-current assets	5	6
Current assets	226	253
Total assets	231	259

Liabilities:

Long-term liabilities		10
Current liabilities	114	154
Total liabilities	114	164

Net assets	117	95
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Revenues	478	459
Expenses	(456)	(431)

Profit/loss for the year	22	28
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Note 10 Financial instruments by category

The following principles have been applied in the subsequent measurement of financial instruments for financial assets recognised in the balance sheet:

NOK million	Derivatives utilised for hedging purposes	Assets at fair value through profit or loss	Loans and receivables	Total
Assets as of 31 December 2012				
Long-term receivables			712	712
Shares and shareholdings		1		1
Derivatives	1	86		87
Trade and other receivables			2 333	2 333
Cash and cash equivalents			223	223
Total financial assets as of 31. December 2012	1	87	3 268	3 356

Assets as of 31 December 2011

Long-term receivables			431	431
Shares and shareholdings		102		102
Derivatives		26		26
Trade and other receivables			1 708	1 708
Cash and cash equivalents			870	870
Total financial assets as of 31. December 2011		128	3 009	3 137

Derivatives utilised	Liabilities at fair value	Other financial
----------------------	------------------------------	-----------------

Liabilities as of 31 December 2012	for hedging purposes	through profit or loss	liabilities	Total
Borrowings		6 774	4 767	11 541
Derivatives	2	72		74
Trade and other current payables			1 532	1 532
Total financial liabilities as of 31 December 2012	2	6 846	6 299	13 147

Liabilities as of 31 December 2011				
Borrowings		7 843	3 006	10 849
Derivatives		86		86
Trade and other current payables			1 514	1 514
Total financial liabilities as of 31 December 2011		7 929	4 520	12 449

Changes in financial assets at fair value through profit or loss are recognised in the income statement as other (losses)/gains - net.

Derivatives held for trading purposes are classified as current assets or liabilities. The entire fair value of a hedging derivative instrument is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

No amount has been recognised in profit and loss for 2012 due to the ineffective portion of the Group's cash flow hedges.

a) Forward currency contracts

The nominal total of outstanding forward foreign currency contracts as of 31 December 2012 was NOK 0.2 million.

The hedged, highly probable transactions denominated in a foreign currency are expected to occur at various dates over the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 December 2012, will be recognised in the same period or the same periods in which the hedged transaction affects profit or loss. This is normally within 12 months from the balance sheet date.

b) Power contracts

The nominal total of outstanding power contracts as of 31 December 2012 was NOK -2.1 million.

The hedged, highly probable transactions denominated in a foreign currency are expected to occur at various dates over the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 December 2012, will be recognised in the same period or the same periods in which the hedged transaction affects profit or loss. This is normally within 12 months from the balance sheet date.

The Group has previously had significant share investments in a venture portfolio. Hafslund and Eidsiva Vekst entered into an agreement on 22 December 2011 to merge its investment business through the transfer of Hafslund's venture portfolio to a jointly owned company with Eidsiva Vekst: Energy Future Invest AS (EFI). The transaction was completed with effect from 2012, and gave Hafslund a gain of NOK 21 million. Hafslund and Eidsiva own 49.5 per cent of EFI each, see also Note 9.

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Note 11 Available for sale financial assets

Hafslund sold its shareholding in Renewable Energy Corporation ASA (REC) of 89 million shares (8.93 per cent) on 9 December 2011 at a price of NOK 3.40. The investment is classified under "available-for-sale financial assets". As of 31

December 2011, sales and impairments of the Group's investment in REC resulted in the reclassification of accumulated fair value adjustments recognised in other comprehensive income to the income statement under "Result of investment in Renewable Energy Corporation ASA" in the amount of NOK 192 million.

NOK million	2012	2011
Book value as of 1 January		1 584
Disposals		(300)
Realised (losses)/gains through profit or loss		(1 090)
Net unrealised (losses)/gains recognised directly in equity		(194)
Book value as of 31 December		0

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Note 12 Long-term receivable

NOK million	2012-12-31	2011-12-31
Interest-bearing loans and receivables	275	274
Contributions to pension funds	116	116
Net pension assets	284	30
Other	37	42
Total long-term receivables	712	462

All long-term receivables mature more than one year from the reporting date. The fair value of long-term receivables corresponds to the book value.

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Note 13 Trade and other receivables

NOK million	2012-12-31	2011-12-31
Trade receivables	876	811
Bad debt provision	(46)	(25)
Net trade receivables	830	786
Accrued, non-invoiced income	1 068	667
Interest-bearing liabilities	6	42
Other receivables	429	213
Total trade and other receivables	2 333	1 708

The fair value of trade and other receivables corresponds to the book value. See also Note 3 for further details.

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Note 14 Cash and cash equivalents

NOK million	2012-12-31	2011-12-31
Cash and cash equivalents Group account	67	454
Cash and cash equivalents non-Group account	156	416
Total cash and cash equivalents	223	870

Of the Group's total bank deposits of NOK 223 million, NOK 1 million is pledged as security for Group power trading activities. Hafslund has a group account scheme with Nordea. A group account scheme imposes joint and several liability between the participating companies. Hafslund ASA's accounts constitute single, direct accounts for transactions with its banks, while deposits into and withdrawals from subsidiaries' accounts are treated as intercompany balances with Hafslund ASA. Companies participating in the group account schemes have joint and several unconditional liability for total drawdowns on the two group account schemes up to a limit of NOK 100 million, which is the overall limit on bank drawdown facilities.

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Note 15 Share capital and premium

As of 31 December Hafslund ASA's share capital comprised the following categories of shares:

NOK million	A shares	B shares	Total shares	Share premium	Total
Balance as of 31 December 2011	115	80	195	4 080	4 275
Balance as of 31 December 2012	115	80	195	4 080	4 275

The shares have a par value of NOK 1. There are no outstanding share options. The B shares do not confer any voting rights. In all other respects each share grants the same rights in the company. As of 31 December 2012 Hafslund held 397,361 treasury B shares (2011: 397,361 B shares).

The largest shareholders in Hafslund ASA as of 31 December 2012 comprised the following:

(in thousands)	A shares	B shares	Total	Shareholding	Voting share
City of Oslo	67 525	37 343	104 868	53,7%	58,5%
Fortum Forvaltning AS	37 853	28 706	66 559	34,1%	32,8%
Østfold Energi AS	5 201	4	5 205	2,7%	4,5%
Odin Norge		3 735	3 735	1,9%	
Total > 1 % ownership interest	110 579	69 788	180 367	92,4%	95,8%
Total other	4 849	9 970	14 819	7,6%	4,2%
Total number of shares	115 428	79 758	195 186	100%	100%

The largest shareholders in Hafslund ASA as of 31 December 2011 comprised the following:

(in thousands)	A shares	B shares	Total	Shareholding	Voting share
City of Oslo	67 525	37 343	104 868	53,7%	58,5%
Fortum Forvaltning AS	37 853	28 706	66 559	34,1%	32,8%
Østfold Energi AS	5 201	4	5 205	2,7%	4,5%
Odin Norge		3 880	3 880	2%	
Total > 1 % ownership interest	110 579	69 933	180 512	92,5%	95,8%
Total other	4 849	9 825	14 674	7,5%	4,2%
Total number of shares	115 428	79 758	195 186	100%	100%

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Note 16 Trade and other payables

Millioner kroner	2012-12-31	2011-12-31
Leverandørgjeld	454	482
Skyldige offentlig trekk	473	619
Påløpte rentekostnader	190	159
Påløpte kostnader	462	520
Øvrige forpliktelser	414	353
Sum leverandørgjeld og annen kortsiktig gjeld	1 993	2 133

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Note 17 Borrowings

NOK million	2012-12-31	2011-12-31
Long-term borrowings		
Fixed-interest bonds	4 274	4 235
Floating rate notes	1 577	1 206
Other loans	2 571	3 606
Total long-term borrowings	8 422	9 047
Current borrowings		
Fixed-interest bonds	345	
Floating rate notes	403	256

Commercial papers	950	750
Other loans	1 421	796
Total current borrowings	3 119	1 802
Total borrowings	11 541	10 849

All borrowings taken out before 1 January 2010 are recognised at fair value, which is calculated by applying a discount factor to the borrowings' cash flows. The fair value does not include accrued interest. The discount rate applied is the Norwegian swap interest rate, adjusted upwards with Hafslund's credit spreads. From 1 January 2010 new borrowings are measured at amortised cost, which amounted to NOK 4,767 million at the year end. The fair value of borrowings measured at amortised cost amounted to NOK 4,772 million as of 31 December 2012.

The nominal amount as of 31 December 2012 was NOK 11,268 million. The nominal amount as of 31 December 2011 was NOK 10,613 million.

The following credit spreads have been applied:

Credit spread (basis points)

Term (years)	2012-12-31	2011-12-31
0,25	50	20
0,5	50	20
1	40	5
2	90	92
3	117	115
4	134	125
5	150	135
6	155	140
7	160	145
8	163	148
9	166	152
10	170	155

Seen in isolation, the change in credit spreads during 2012 results in a reduction in the loan portfolio's fair value estimated at NOK 5 million. The corresponding change in 2011 was a reduction of NOK 20 million.

The Group's borrowings are exposed to market interest rate fluctuations based on the following loan interest maturities.

NOK million	2012-12-31	2011-12-31
0-6 months	6 757	6 603
6-12 months	593	
1-3 years	1 015	1 109
More than 3 years	3 176	3 137
Total borrowings	11 541	10 849

Hafslund has entered into a syndicated NOK 3,600 million credit facility maturing on 17 June 2017. Hafslund has a contingent option for up to one years' prolongation. The lender is a banking syndicate comprising six Nordic banks. The year credit facility is used as a back-stop for current certificate loans and as a general liquidity reserve. At the end of the year the entire facility remained unused. The Group also had a bilateral NOK 400 million overdraft facility, where NOK 200 million was unused at the end of the reporting period. This facility has been cancelled as of March 2013. In addition, Hafslund also has a NOK 100 million overdraft facility with Nordea that was also unused at the end of the reporting period.

Hafslund's loan agreements have a negative pledge clause. Some loan agreements also stipulate that significant assets cannot be disposed of without bank approval, while some have an ownership clause requiring more than 50 per cent of shares issued by Hafslund ASA to be held by current shareholders, or by shareholders with a credit rating of at least A- from Standard & Poor's or A3 from Moody's, or by shareholders approved by the lending banks.

Maturity profile interest-bearing loans:

NOK million	2012-12-31	2011-12-31
0-6 months	1 545	1 006
6-12 months	1 574	796
1-3 years	3 019	3 115
4-5 years	1 946	2 836
More than 5 years	3 457	3 096
Total borrowings	11 541	10 849

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Note 18 Deferred income tax

Deferred income tax is recognised in the balance sheet at the date the Group assumes a legal right to offset deferred income tax assets against deferred income tax liabilities.

The following items have been recognised net:

NOK million	2012-12-31	2011-12-31
Deferred income tax assets that reverse after more than 12 months	320	117
Deferred income tax assets that reverse within 12 months	(27)	50
Total deferred income tax assets	293	167
Deferred income tax liabilities that reverse after more than 12 months	3 202	3 213
Deferred income tax liabilities that reverse within 12 months	195	140
Total deferred income tax liabilities	3 397	3 353
Total deferred income tax - net	3 104	3 186
Change in deferred income tax in balance sheet		
Book value as of 1 January	3 186	2 971

Recognised in income in the period	(81)	213
Recognised in equity in the period	(1)	2
Book value as of 31 December	3 104	3 186

Change in deferred income tax liabilities and deferred income tax assets:

NOK million

Deferred income tax liability	Operating assets	Temporary differences	Other	Total
Balance as of 31 December 2010	3 000	(21)	96	3 075
Recognised in income in the period	203	159	(146)	216
Recognised in equity in the period		2		2
Balance as of 31 December 2011	3 203	140	(50)	3 293
Recognised in income in the period	(105)	56	154	105
Recognised in equity in the period		(1)		(1)
Balance as of 31 December 2012	3 098	195	104	3 397

NOK million

Deferred income tax benefit	Pensions	Borrowings and liabilities	Tax loss carryforwards	Total
Balance as of 31 December 2010	(15)	(86)	(3)	(104)
Recognised in income in the period	25	(31)	3	(3)
Balance as of 31 December 2011	10	(117)	0	(107)
Recognised in income in the period	17	(137)	(66)	(186)
Balance as of 31 December 2012	27	(254)	(66)	(293)

Deferred income tax assets are recognised for the tax loss carryforwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has recognised deferred tax assets connected to tax loss carryforwards in their entirety.

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Note 19 Pension costs, liabilities and assets

Group companies operate different pension schemes organised through pension funds and insurance companies. The pension schemes are generally funded through contributions made by the companies at levels largely determined on the basis of actuarial calculations. Hafslund operates both defined contribution and defined benefit schemes. In accordance with the Norwegian Act on Mandatory Occupational Pension Schemes, with effect from 1 July 2006, agreements have been entered into concerning defined contribution schemes for all companies that had not previously operated occupational pension schemes for their employees. From 1 January 2010 most of the companies had taken out disability pension insurance for employees with defined contribution pensions. As of 31 December 2012 a total of 416 employees were covered by defined benefit schemes through Hafslund's two pension funds. The pension funds also paid pensions to 1,156

individuals. In addition to the above, the Group has defined contribution schemes with various insurance companies. Hafslund reorganised its pension schemes with effect from 1 January 2007. As a consequence, the existing pension funds were closed to new members. At the same time, defined contribution schemes were introduced for all new employees.

Pension assets are valued at fair value at the end of the year. Pension liabilities (net present value of pension benefits accrued at the balance sheet date adjusted for expected future salary increases) are valued in accordance with best estimates based on assumptions at the balance sheet date. The actuarial calculations of pension liabilities have been prepared by an independent actuary. The assumptions regarding salary growth, increases in pension payments, and adjustments to the National Insurance Scheme's basic amount (G) are tested against historic observations, established collective agreements, and the relationships between individual assumptions.

Employees who terminate their employment before reaching retirement age receive paid-up policies. Hafslund's pension funds manage these paid-up policies, which are associated with vesting rights in municipal defined benefit schemes. Hafslund is financially committed to adjusting these paid-up policies in line with increases in the social security basic amount. From the time paid-up policies earned in other defined benefit schemes are issued, Hafslund is released from further obligations towards the employee to whom the policy pertains. Assets and liabilities are valued at the time of issue of the paid-up policy and are separated from pension liabilities and assets.

NOK million	2012-31-12	2011-31-12
Liability recognised in the balance sheet:		
Present value of accrued pension liabilities for funded defined benefit schemes	2 063	2 443
Fair value of pension assets	(1 950)	(1 775)
Actual net pension liabilities for funded defined benefit schemes	113	668
Present value of pension obligations for unfunded schemes	169	291
Estimate deviations not recognised in the income statement	(397)	(1 108)
Employer's national insurance contributions		119
Net pension liabilities in balance sheet (incl. employers' National Insurance contributions)	(115)	(30)
Net pension liabilities in balance sheet	(169)	
Net pension assets in balance sheet	284	
Fluctuations in the benefit based pension liability over the year:		
Pension liabilities as of 1 January (excl. employers' National Insurance contributions)	2 734	2 423
Employer's national insurance contributions	118	
Present value of current year's pension benefits earned	47	43
Interest expenses	66	89
Estimate changes	(606)	286
Benefits paid	(120)	(99)
Liabilities from scheme changes and acquisitions	(7)	(8)
Pension liabilities as of 31 December (excl. employers' National Insurance contributions)	2 232	2 734
Change in the fair value of the scheme assets:		
Fair value of pension assets as of 1 January	1 775	1 563
Expected return on scheme assets	73	98
Estimate changes	18	77

Total contributions	117	124
Total payments from fund	(91)	(87)
Pension assets on settlement	58	
Fair value of pension assets as of 31 December	1 950	1 775

The minimum pension liability, which is the net present value of pension liabilities based on the current income from which pension earnings are derived at the balance sheet date, amounted to NOK 2,021 million as of 31 December 2012 and NOK 2,276 million as of December 2011. Expected contributions in 2013 comprise NOK 123 million.

Following financial assumptions were made:	2012	2011
Discount rate	4,0%	2,6%
Expected yield on pension assets	4,0%	4,1%
Annual salary increase	3,3%	3,3%
Adjustment of National Insurance Scheme's basic amount (G)	3,3%	3,3%
Regulation of ongoing pension	0,5%	0,1%

The discount rate is calculated on the basis of a comprehensive interest rate curve that takes into account that pension payments will fall due at different times in the future. The curve is calculated based on prices from the Norwegian Covered Bonds market as of 31 December 2012, as calculated by the Norwegian Accounting Standards Board. Annual salary increase is calculated based on a curve based on historical data. Salary increase is set to an average of 3.25% over the period of service for the population in the different pension funds.

Demographic assumptions that form the basis of the calculations are based on the IR73 disability rate table (restated using the intensity method) and the GAP07 dynamic mortality rate table developed by Gabler Wassum AS.

The projected long-term return on pension assets is based on an estimated government bond interest rate as of 31 December, adjusted for differences in yield for the various investment categories in which pension assets are held. The expected long-term yield is based on long-term historic yield. The actual yield on pension assets amounted to NOK 71 million in 2012, compared with NOK 83 million in 2011.

NOK million	2012	2011
Current year's pension benefits earned	43	43
Interest expenses	66	89
Expected return on scheme assets	(73)	(98)
Amortisation of liabilities on scheme changes		(25)
Amortisation of estimated losses/(profits)	75	56
Income on net liabilities on settlement	(26)	
Employer's national insurance contributions	6	2
Member contributions		(1)
Pension expense defined benefit schemes	91	66
Pension expenses defined contribution schemes:	22	19
Total pension expenses	113	85

Sensitivity of pension liabilities for changes in the weighted financial assumptions

are:

	Impact on pension liabilities		
	Change	Increase in assumption	Reduction in assumption
Discount rate	0,5%	(13%)	17%
Salary increase	0,5%	4%	(3%)
Adjustment of National Insurance Scheme's basic amount (G)	0,5%	13%	(10%)
Expected lifetime	1 Year	3%	(3%)

Pension assets are invested in bonds and money-market placements issued by the Norwegian government, Norwegian municipalities, financial institutions and businesses. Foreign currency bonds are hedged. Investments in shares are limited to 37 per cent of total pension assets. Investments are made in both Norwegian and foreign shares. Any estimate deviation is distributed pro-rata between the individual asset categories.

Pension assets comprise:

NOK million	2012-31-12		2011-31-12	
Equity instruments	663	34%	576	33%
Interest-bearing instruments	1 248	64%	1 142	63%
Other	39	2%	57	4%
Fair value pension assets	1 950	100%	1 775	100%

Overview of pension liabilities and the fair value of pension assets related to funded schemes:

NOK million	2012	2011	2010	2009	2008
Present value of defined benefit pension obligations	2 232	2 734	2 423	2 367	2 397
Fair value of pension assets	1 950	1 775	1 563	1 644	1 792
Underabsorption	282	959	860	723	605

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Note 20 Other (losses)/gains - net

NOK million	2012	2011
Other financial assets and liabilities at fair value through profit or loss		
Fair value change of shares		(27)
Other financial income	36	96
Derivatives		
Interest rate swaps - borrowings	7	1
Forward foreign currency contracts	1	(18)
Options		6

Forward contracts	51	(110)
Sale of financial assets		
Gain on the sale of shares	21	68
Total other (losses)/gains - net	117	17
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Note 21 Other operating expenses

NOK million	2012	2011
Maintenance costs	617	682
Purchase of services	153	149
Rent, power etc.	176	179
Sales and marketing costs	151	133
Other	655	487
Total other operating expenses	1 752	1 630

In 2012 the Group recognised auditors' fees totalling NOK 7.8 million (NOK 9.7 million in 2011). The fees break down as follows: NOK 5.3 million (NOK 6.8 million) for statutory auditing, NOK 0.6 million (NOK 0.7 million) for other certification services, NOK 1.3 million (NOK 1.5 million) for tax consultancy services, and NOK 0.6 million (NOK 0.7 million) for non-auditing services.

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Note 22 Employee benefit expenses

NOK million	2012	2011
Salaries	620	615
Employer's national insurance contributions	111	100
Pension expenses - defined benefit schemes	91	66
Pension expenses - defined contribution schemes	22	19
Other benefits	64	64
Total employee benefit expenses	908	864

At the end of 2012, there was a total of 1,174 FTEs (1175) and 1216 employees (1207) in the Hafslund Group.

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Note 23 Overview of remuneration paid to senior executives

Name	Position	Salary, holiday pay & fees	Bonus (2)	Benefits in kind	Pension expenses	Loans 31 December 2012	Number of shares 31 December 2012
Finn Bjørn Ruyter	President and CEO (from January 2012)	3 463 323	480 536	134 470	344 784	470 000	10 000
Kari Ekelund Thørud	Senior Vice President	2 329 531	317 857	156 933	197 377	410 000	427
Heidi Ulmo	Senior Vice President (from August 2012)	795 843	111 607	51 215	82 060	580 000	6 000
Jan Presttun	Senior Vice President	2 118 870	251 233	122 220	115 395	405 000	3 056
Anders Østby	Senior Vice President	1 536 424	193 607	110 493	272 170	545 000	437
Jens Auset	Executive Vice President	1 670 517	144 344	150 204	310 091	535 000	3 056
Johan Hovland	Senior Vice President (from August 2012)	696 451	97 656	43 873	68 696	590 000	4 000
Christian Berg (4)	President and CEO (up to and including January 2012)	1 435 177		44 948	371 150		
Karen Onsager	Senior Vice President (up to and including March 2012)	689 914		53 677	187 919		
Birger Magnus (3)	Chairman of the Board	534 300					
Hans Kristian Rød (1,3)	Director	236 500					
Maria Moræus Hanssen (3)	Director	252 800					
Odd Håkon Hoelsæter (3)	Director	236 500					
Ellen Christine Christiansen	Director (from May)	106 500					
Per Orfjell (3)	Director (employee representative)	1 089 275		79 119	183 725	150 000	252
Per Luneborg (3)	Director (employee representative)	599 492		10 890			277
Jane Koppang	Director (employee representative from December 2012)	821 100		10 812	105 631		262
Tyra Marie Hetland (3)	Director (employee representative up to and including 2012)	833 495		6 928	16 566		100
Susanne Jonsson (3)	Director (up to and including April 2012)	130 500					
Ole Ertvaag	Director (up to and including April 2012)	109 500					
Kristin Bjella (3)	Director (up to and including April 2012)	130 500					

1) Rød and related parties do not own any shares in Hafslund. Fortum, on the other hand, which Rød represents, owns 37,853,110 Class A shares and 28,706,339 Class B shares in Hafslund.

2) Applies to bonuses earned in 2012 and paid in 2013.

3) Includes remuneration for work in the audit committee and compensation committee.

4) Christian Berg stepped down as President and CEO on 6 January 2012. Berg received his standard salary until the cessation of his employment

on 9 April 2012. The Pension expense in the table above applies to accrued pension rights for the period from 1 January to 9 April 2012. This, along with previous years corresponding reported accrued pension expense was paid in April 2012.

Guidelines and declaration regarding determination of salary and other remuneration for senior executives

The Board of Hafslund ASA will be presenting the following guidelines and declaration regarding determination of salary and other remuneration for senior executives for the coming financial year, in accordance with the Public Limited Companies Act, sections 6-16a and 5-6 (3).

The terms and conditions and remuneration paid in 2012 to the CEO, Group management, the Board and senior executives are also described below.

Terms and conditions, President and CEO

The CEO has a six-month period of notice. On leaving the company's employment he is entitled, upon certain conditions being met, in addition to period of notice, to continue receiving salary payments for 12 months after the notice period has come to an end. Upon receipt of salary from any new employer during the severance period, severance pay is reduced in line with special terms. The retirement age is 67 years and the CEO is a member of the Group's mandatory occupational pension (OTP) with 5% of salary between 1 and 6 times the National Insurance Scheme's basic amount (G) and 8% of salary between 6 and 12 G. For basic salary over 12 G, a pension compensation that provides a net additional income after tax of 8% will be paid. The CEO has the right to terminate employment with an early retirement plan (AFP), pursuant to regulations in force at any one time. The CEO has a disability pension plan with a compensation of 66% of salary between 12 and 30 G. The CEO is entitled to a bonus capped at 50 per cent of fixed salary. The bonus is determined annually based on Group targets, company targets/business targets, objective individual targets and a subjective individual evaluation.

Terms and conditions relating to other members of Group management

Other members of Group management are entitled, under certain circumstances, to 6–12 months' salary (beyond the period of notice). Upon receipt of salary from any new employer during the severance period, severance pay is reduced in line with special terms. Remuneration consists of a fixed salary and a bonus scheme capped at 30 per cent of fixed salary. The bonus is determined annually based on Group targets, company targets/business targets, objective individual targets and a subjective individual evaluation. Group management, with some exceptions, are members of the ordinary defined benefit pension schemes. Ulmo and Hovland were employed after the defined benefit pension scheme was closed to new members, and are covered by the same defined contribution scheme as the CEO. Group management has a disability pension plan with a compensation of 66% of salary between 12 and 30 G.

The Board's compensation committee

The Board of Directors of Hafslund ASA has a special compensation committee. The Compensation Committee will advise the board in all matters pertaining to the company's remuneration to the CEO. The committee will keep up to date on and propose guidelines for determination of remuneration to senior executives in the Group. In addition, the committee will function as the advisory body for the CEO as regards compensation schemes that cover all employees to a significant degree, including Hafslund's bonus system and pension scheme.

Guidelines regarding determination of salary and other remuneration for senior executives at Hafslund

The Group's guidelines for determination of salary and other remuneration to senior executives, which were discussed at the Annual General Meeting 24 April 2012, were used to determine executive salaries in 2012. As of 2012, the Group implemented the following policies for Group management: i) pension for basic salary above 12 G for those who are members of the Group's mandatory occupational pension, ii) disability pension for salary between 12 G and 30 G, and iii) a reduction in pay after termination of employment upon receipt of salary from a new employer. These guidelines for the determination of salary and other remuneration for senior executives were first adopted on 27 October 2006. Following the adoption of the guidelines, the Group has started the work of implementing them, but will continue to respect agreements made previously.

Remuneration paid to the CEO

Remuneration to the CEO must be competitive in relation to responsibilities and the industry. The remuneration must furthermore act as an incentive to long-term creation of value through development of the enterprise, positive profit and share price performance, and reflect the experience and expertise level of the employee. Remuneration will consist of fixed salary, performance-based salary of up to 50 per cent of the basic salary, pension and interest and instalment-free loans. The CEO will receive benefits in kind on the same level as other senior executives in the Group. The period of notice must equal at least six months.

Remuneration for senior executives and other executives

Remuneration for the Group management is adopted by the CEO, but must be put before the board for approval if the remuneration deviates from these guidelines. Remuneration for other executives is adopted by the relevant senior vice presidents. Remuneration to senior executives and other executives must be based on the guidelines below.

Fixed salary

Fixed salary is based on the duties performed and level of responsibility, as well as the incumbent's expertise and length of service in the position. Salary should be competitive in relation to responsibility and industry levels.

Borrowings

Interest-free loans that are written down over 10 years in accordance with adopted guidelines can be given for purchase of a car. In addition, an annual operating subsidy can be awarded, as determined by the administration. Should the senior executive not have need for a car, the loan can still be taken out on the same terms against other satisfactory collateral.

Benefits in kind

Benefits in kind are mainly in connection with expenses for broadband connection (home office), mobile telephone and newspapers.

Vacation

Senior executives are entitled to vacation in line with the provisions of the Annual Holidays Act and the current internal rules of the Group. Vacation pay is calculated on the basis of basic salary. Additional benefits are not included in the calculation.

Annual bonus

A bonus system has been established to create an incentive for additional effort and value creation. The bonus will be disbursed on the basis of the added value created by the employee or group of employees. The bonus scheme is limited upwards to 50 per cent of fixed salary depending on the level of the position. The main rule is a ceiling of 30 per cent of basic salary for the Group management (level 1) and a ceiling of 20 per cent of basic salary for level 2. Any exceptions from the main rule must be specifically agreed with the CEO or the board. The bonus is set annually and the Group targets are set by the board. The measured criteria in addition to the Group targets for the individual employee, as well as weighting of targets are set by the employee's immediate supervisor based on:

- Group targets X percentage of maximum bonus.
- Company targets/business targets X percentage of maximum bonus.
- Individual objective targets X per cent of maximum bonus.
- Subjective individual assessment up to X per cent of maximum bonus.

The targets and the weighting must be adapted to the needs of the individual company/enterprise.

The annual bonus will be disbursed after presentation of the Group's annual financial statements. Disbursed bonus is not included in the calculation of vacation pay and pension benefits. Should legislation require such benefits to be calculated on the basis of salary including bonus, the bonus will be reduced by as much as necessary to limit bonus including other benefits to the total value determined by the provisions above.

Share schemes

The CEO and Group management are covered by the Group's share schemes for all employees. To strengthen the bonds between the employees and the Group, the company will annually consider giving all employees the opportunity to buy shares in Hafslund. The share offer should be viewed in the context of the total salary settlement for the Group. There was no share offer for employees in 2012.

Option schemes

The Group does not use option schemes.

Pension

The CEO and Group management shall have a pension scheme in accordance with the current pension scheme for the Group, unless otherwise agreed with the board. For those in Group management who are members of the Group's mandatory occupational pension (OTP) and have a basic salary over 12 times the National Insurance Scheme's basic amount (G), a pension compensation that provides a net additional income after tax of 8% will be paid. The retirement age for these individuals should normally be 67. The CEO and Group management are entitled to take early retirement in accordance with the AFP agreement in force at any one time. The CEO and Group management have a disability pension plan with a compensation of 66% of salary between 12 and 30 G.

Period of notice and pay after termination of employment

The CEO and Group management should have a six-month period of notice. In specific cases and depending on the position concerned, salary payments may continue to be made for 6 to 12 months beyond the period of notice. If the employee should begin a new job while receiving such pay, payments will be reduced by 66% of the lower of these monthly severance payments and the new monthly salary. Partly for historical reasons, this provision deviates in some cases from the Group's guidelines for senior executive pay.

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Note 24 Finance cost

NOK million	2012	2011
Interest expense borrowings	(503)	(513)
Change in fair value of borrowings	(48)	(89)
Capitalisation of borrowing costs	14	38
Foreign exchange gains/(losses)	2	14
Other finance costs	(22)	(34)
Total finance costs	(557)	(584)

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Note 25 Income tax expense

NOK million	2012	2011
Income tax payable	430	243
Deferred income tax liability	(81)	213
Total tax expense	349	456

Tax payable in the balance sheet

NOK million	2012
Payable tax expense	430
Payment of tax related to change motion for Hatros II	(92)
Tax payable in the balance sheet	338

The tax on the profit before tax deviates from the amount that would have resulted had the Groups average tax rate for general income been applied. The difference is reconciled below:

NOK million	2012	2011
-------------	------	------

Profit/(loss) before tax	297	(241)
Tax calculated at nominal tax rate (28%)	(83)	67
Resource rent tax	(111)	(200)
Sales and change in value of shares	6	(300)
Permanent differences	(10)	(7)
Change in value of deferred income tax assets	10	(6)
Provision for current tax disputes	(183)	
Over/underprovision relating to previous years	10	
Share of profit/loss of associates	6	6
Other adjustments	6	(16)
Total tax expense	(349)	(456)

Effective tax rate	118%	(189%)
--------------------	------	--------

The change in the effective tax rate with regard to general company tax is primarily attributable to the provision for current tax disputes, see Note 27, as well as the effect of resource rent tax for hydropower production activities.

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Note 26 Cash flow from operating activities

NOK million	2012	2011
Operating profit before depreciation, amortisation and impairments	2 113	1 145
Adjustments for:		
- result on sale of operating assets/and business	(4)	(6)
- result associated with the investment in REC		1 090
- result on financial assets at fair value through profit or loss	(108)	50
- other items with no cash flow effect	22	5
Changes in working capital:		
- Inventories	(21)	(3)
- Trade and other receivables	(934)	2 055
- Trade and other payables	7	204
Cash flow from operations	1 076	4 540

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Note 27 Contingencies

Tax on profit on sale of shares

As part of the Group's strategy to professionalise property operations, and further streamline the grid owner function, in 2006 and 2007 the Hafslund Group span off a series of properties from Hafslund Nett AS. A total of 58 properties were transferred to 11 different property companies organised as part of the Group's property business. The shares in two of the companies were sold in 2006 and 2007 (Hatros I and Hatros II). Hafslund deemed the sale of the shares to be non-taxable in accordance with the exemption method. Nevertheless, the Central Tax Office for Large Enterprises (SfS) has ruled to the contrary, that sale is covered by the principle of assigning appropriate financial responsibility and that the gains are taxable

Hafslund expensed NOK 183 million in tax associated with the tax dispute regarding the sale of Hatros II AS shares in 2007. NOK 92 million was paid in 2012, see Note 25 Tax in the amount of NOK 95 million resulting from the decision has been previously expensed. Hafslund has appealed the court's decision in the matter of Hatros I AS, and filed a lawsuit associated with the tax authorities' decision as to Hatros II AS. As of 31 December 2012, Hafslund has made total accounting allocations of NOK 278 million associated with the two disputes.

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Note 28 Related party transactions

As of 31 December 2012 the City of Oslo owned 53.7 per cent of the shares in Hafslund ASA. At the same date, Hafslund ASA held a 43.3 shareholding in Infratek ASA. Hafslund buys and sells goods and services with its related parties the City of Oslo and the Infratek Group. All transactions between the parties are carried out on market terms. Receivables from related parties primarily arise from the sale of goods and services. Trade payables from related parties mainly arise from the purchase of goods and services.

NOK million	City of Oslo		Infratek	
	2012	2011	2012	2011
Profit and loss				
Sale of goods and services	158	254	6	29
Acquisition of goods and services	171	119	311	365
Balance:	2012-12-31	2011-12-31	2012-12-31	2011-12-31
Receivables	26	41		4
Trade payables	28	19	54	80

Borrowings

Hafslund has two bond loans of NOK 500 million and NOK 740 million with Oslo Pensjonsforsikring AS established in 2007 and 2008 respectively. The loans have ten-year terms. Both loans were taken out on market terms and conditions are listed on the stock market. Norsk Tillitsmann is a counterparty to the agreement. Oslo Pensjonsforsikring AS is a life insurance company that is wholly owned by the City of Oslo. The loans are included in "Non-current loans, fixed-interest-rate bonds", see Note 17.

Loans to related companies	2012	2011
Book value as of 1 January	3	123
Loans extended		3
Loans written down		(12)

Loans repaid	(3)	(121)
Interest income		16
Interest received		(6)
Book value as of 31 December	0	3

Hafslund has previously extended loans to companies included in the Group's previous venture portfolio. As of 31 December 2012, all such loans are paid.

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Note 29 Consolidated companies

Company	Country/registered office	Ownership/Voting share %
Hafslund ASA	Oslo	100
Hafslund Produksjon AS	Sarpsborg	100
Sarp Kraftstasjon AS	Sarpsborg	100
BioWood Norway AS	Averøya	100
Hafslund Nett AS	Oslo	100
Hafslund Driftssentral AS	Oslo	100
Hafslund Varme AS	Oslo	100
Viken Fjernvarme AS	Oslo	100
Hafslund Strøm AS	Oslo	100
NorgesEnergi AS	Kristiansand	100
Hallingkraft AS	Ål	100
Røyken Kraft AS	Røyken	51
Fredrikstad Energisalg AS	Fredrikstad	100
Presencia AS	Vestby	100
Gøta Energi AB	Kungälv	100
SverigesEnergi AB	Solna	100
Energibolaget i Sverige AB	Haninge	49
Hafslund Fakturaservice AS	Oslo	100
Hafslund Kundesenter AS	Oslo	100
Hafslund Handel AS	Oslo	100
Embrig AS	Oslo	89
Embrig AB	Göteborg	100
Policom AB	Karlstad	100
Hafslund Hedging AS	Oslo	100
Hafslund Energy Trading AS	Oslo	100
Balder Energy AS	Oslo	100
RåEI Kraft AS	Oslo	78

Vestfjorden Kraft AS	Oslo	80
Hornnes Kraft AS	Oslo	75
Inforum Norge AS	Fredrikstad	100
Oslo Energi AS	Oslo	100
Hafslund Eiendom AS	Oslo	100
Ulven 1 AS	Oslo	100
Ulven 2 AS	Oslo	100
Slemdalsveien 105 AS	Oslo	100
Sinsenveien 86 AS	Oslo	100
Rosenkrantzgate 14 AS	Oslo	100
Hafslund USA Inc	USA	100
Hafslund Energy LLC	USA	100
Hafslund Energy Trading LLC	USA	100

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Balance sheet Hafslund ASA

31. December

NOK million	Notes	2012	2011
Assets			
Deferred income tax assets	6		15
Total intangible assets			15
Total property, plant and equipment	7	176	178
Shares in subsidiaries, associates and joint ventures	8	15 184	15 182
Other long-term receivables	3 , 9	3 090	3 120
Total financial assets		18 274	18 302
Total non-current assets		18 450	18 495
Trade and other receivables	10	443	1 239
Derivatives		22	16
Bank	16	109	665
Total current assets		574	1 920
Total assets		19 024	20 415
Equity and liabilities			
Paid-in equity		4 347	4 348
Retained earnings		2 638	3 082
Total equity	17 , 18	6 985	7 430
Provisions for liabilities	3	63	67
Long-term interest-bearing liabilities	13 , 14	9 918	9 932
Total long-term liabilities		9 981	9 999
Current interest-bearing liabilities	11	1 350	750
Trade payables		14	28
Proposed dividend	17	487	487
Income tax payable	6		26
Other current liabilities	12	207	1 695

Total current liabilities	2 058	2 986
Total equity and liabilities	19 024	20 415

The Board of Directors of Hafslund ASA

Oslo, 19 March 2013

Birger Magnus
Board Chairman

Maria Moræus Hanssen
Deputy Chairman

Ellen Christine Christiansen

Odd Håkon Hoelsæter

Hans Kristian Rød

Jane Koppang

Per Luneborg

Per Orfjell

Finn Bjørn Ruyter
President and CEO

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Income statement Hafslund ASA

1 January - 31 December

NOK million	Notes	2012	2011
Operating revenues		238	222
Salaries and other personnel expenses	2 , 3	155	175
Depreciation, amortisation and impairments	7	25	19
Other operating expenses	4	196	1353
Operating expenses		376	1547
Operating profit/loss		(138)	(1325)
Result of share investments	5	41	28
Net financial items	5	154	933
Total financial items		195	961
Profit/loss before tax		57	(364)
Tax on profit/loss on ordinary activities	6	(15)	(39)
Profit/loss for the year		42	(403)
Allocations			
Dividends	17	487	487
Transferred (from)/to other equity		(445)	(890)

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Statement of cash flow ASA

1 January - 31 December

NOK million	Notes	2012	2011
Profit/loss on ordinary activities before tax		57	(364)
Depreciation, amortisation and impairments	7	25	19
Other result items adjusted for liquidity effects		(10)	1 173
Accrued Group contributions		(416)	(1 192)
Change in working capital etc.		(4)	(31)
Change in receivables due from Group companies		(1 481)	4 831
Net cash flow generated from operations		(1 829)	4 436
Purchases of property, plant and equipment	7	(26)	(62)
Investments in subsidiaries		(2)	
Sale of operating assets or subsidiaries		8	5
Change in long-term receivables		7	253
Net cash flow investments		(13)	196
Change in interest-bearing liabilities		586	(2 873)
Net Group contributions received		1 192	355
Change in other long-term liabilities		(4)	12
Dividends paid		(487)	(1 461)
Net cash flow from financing activities		1 287	(3 967)
Net change in cash and cash equivalents		(555)	665
Cash and cash equivalents as of 1 January		665	0
Cash and cash equivalents as of 31 December		109	665

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Notes ASA

Notes ASA

Note 1 Summary of significant accounting policies

Hafslund ASA's financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway (NGAAP).

Operating revenues

Revenue from sale of goods and services is recognised at fair value of the consideration. Revenue from the sale of goods and services is recognised at the time of delivery to the customer, provided that the customer has assumed the risks and rights pertaining to the property.

Classification

Assets intended for permanent ownership or long-term use are classified as non-current assets. Assets relating to goods circulation, receivables due to be repaid within one year, and assets that are not intended for permanent ownership or long-term use in the business are deemed to be current assets. Liabilities falling due more than one year after the end of the accounting year are recognised as long-term liabilities. Other liabilities are classified as current liabilities.

Valuation principles

Assets and liabilities denominated in foreign currency

Balance sheet items denominated in foreign currency that are not hedged against changes in exchange rates are valued at the rate in force at the balance sheet date. Balance sheet items that are hedged against fluctuations in exchange rates using financial instruments are valued at the hedging rate. Balance sheet items denominated in foreign currency that hedge each other are valued at the rate in force at the balance sheet date. Gains and losses as a result of fluctuations in exchange rates on other balance sheet items are classified as financial items.

Trade and other receivables

Trade and other receivables are recognised at nominal value less bad debt provisions. Bad debt provisions are based on an individual assessment of each receivable. A non-specific provision is also recognised to cover expected bad debts on other trade receivables.

Treasury shares

Hafslund offers discounted treasury shares to employees in order to encourage employee ownership in the company. Any treasury shares sold to employees below market price are recognised as the difference between market price and sales price in the income statement under salaries and other personnel expenses. Treasury shares are recognised in the balance sheet as a reduction in equity.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are valued in accordance with the cost method. Dividends and other distributions received from subsidiaries are recognised as financial income. The Group values single-entity companies in accordance with IAS 36.

Investments in long-term shareholdings

Long-term investments in companies in which Hafslund controls more than 20 per cent of equity rights, but does not exercise significant influence or long-term ownership, are recognised at cost less any permanent diminutions in value. Individual investments are valued on a case-by-case basis. Dividends and other distributions received from subsidiaries are recognised as financial income. Realised gains and losses and any impairments attributable to permanent diminutions in value are recognised in the income statement under financial items.

Property, plant and equipment

Property, plant and equipment is recognised in the balance sheet at historic cost plus upwards revaluations less cumulative depreciation and impairments. Own investment activities are recognised in the balance sheet at full production cost. Property, plant and equipment is depreciated on a straight-line basis over its expected useful life from the time it is taken into operation. Profits and losses on the sale of property, plant and equipment are recognised as operating income and operating expenses respectively.

Retirement benefit obligations

See Note 2.18 to the consolidated financial statements. Hafslund ASA has opted to switch to NRS 6A which refers to IAS 19, regarding the accounting treatment of pension expenses.

Income tax expense, deferred income tax liabilities and deferred income tax assets

The income tax expense is based on the result on ordinary operations before tax. The income tax expense comprises taxes payable and changes in deferred income tax liabilities/deferred income tax assets. Tax payable is calculated based on the taxable result for the year. Deferred income 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. Recognition of deferred income tax assets relating to net tax-reducing temporary differences and tax loss carryforwards is 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.

Financial derivatives

The accounting treatment adopted for financial derivatives depends on the purpose of the underlying agreement. Currency derivatives are considered cash items recognised at fair value. Unrealised gains / losses are recognised in profit and loss.

Borrowings

Borrowings are recognised at nominal value. Borrowing costs on the taking out of loans are recognised directly in the income statement.

Contingencies

Contingencies are recognised if, on the balance of probabilities, it is more likely that these will be settled than not settled. Best estimates are used to calculate settlement values.

Provisions are recognised in the event that decisions are taken to implement measures (such as restructuring measures) that materially change the scope of the business or way in which it is operated, and when such measures result in termination benefits. Provisions are calculated based on best estimates of the expenses that are expected to accrue.

Basis of preparation of statement of cash flow

The cash flow statement has been prepared in accordance with the indirect method. This means that the starting point of the statement is the entity's result for the year in order to be able to present cash flows from ordinary operating activities, investing activities and financing activities, respectively.

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Note 2 Employee benefit expenses

Pension expenses

NOK million	2012	2011
Salaries	74	117
Employers national insurance contributions	16	14
Pension expenses	57	35

Other benefits	8	9
Total salaries and other personnel expenses	155	175
Number of employees as of 31.12	96	125

Information on remuneration paid to the Board of Directors and senior executives can be found in Note 23 in the consolidated financial statements.

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Note 3 Pension expenses, assets and liabilities

NOK million	2012	2011
Defined benefit schemes:		
Present value of accrued pension entitlements for the year	10	9
Interest expense on pension liabilities	22	29
Yield on pension assets	(24)	(31)
Net amortisation	22	22
Income on net liabilities on settlement	16	
Employer's national insurance contributions	2	2
Pension expense defined benefit schemes	47	31
Defined contribution schemes:		
Employer contributions	10	4
Total pension expenses	57	35

Pension assets and liabilities

NOK million	2012-31-12	2011-31-12
Gross pension liabilities	719	849
Pension assets	(607)	(566)
Actual net pension liabilities	112	283
Unamortised deviations from scheme/assumption	(89)	(314)
Employer's national insurance contributions		43
Net pension liabilities (pension assets)	23	12
Net pension liabilities in balance sheet	(63)	(67)
Net pension assets in balance sheet	40	55

	2012-31-12	2011-31-12
Net pension liabilities as of 1 January	12	32
Pension expense for the year	47	31
Pension payments and payment of pension premiums	(36)	(51)
Net pension liabilities as of 31 December	23	12

Assumptions	2012-31-12	2011-31-12
Discount rate	4,00 %	2,60%
Expected yield on pension assets	4,00 %	4,10%
Annual salary increase	3,25%	3,25%
Adjustment of National Insurance Scheme's basic amount (G)	3,25%	3,25%

The discount rate is calculated on the basis of a total yield curve that takes into account that pension payments will fall due at different times in the future. The curve is calculated based on prices from the Norwegian Covered Bonds market as of 31 December 2012, as calculated by the Norwegian Accounting Standards Board.

Annual salary increase is calculated based on a curve based on historical data. Salary increase is set to an average of 3.25% over the period of service for the population in the different categories.

There were 70 active employees covered by the pension scheme at the end of 2012.

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Note 4 Other operating expenses

NOK million	2012	2011
Purchase of services	25	39
Rent, power etc.	8	9
Sales and marketing costs	24	27
Operation and maintenance costs	28	30
Liquidation of Hafslund Pellets Holding AS	34	
Impairment of shares in subsidiaries		1 184
Other operating expenses	77	64
Total other operating expenses	196	1 353

Fees paid to auditors recognised in the income statement in 2012 for Hafslund ASA amounted to NOK 1 million (NOK 1.6 million). The fees relate to the following:

Statutory auditing NOK 0.7 million (NOK 1 million).

Tax advisory services NOK 0.1 million (NOK 0.3 million).

Other advisory services NOK 0.2 million (NOK 0.3 million).

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Note 5 Result of share investments and net financial items

NOK million	2012	2011
Dividends	41	28
Profit/loss on share investments	41	28
Interest income 1)	302	437
Interest expenses	(569)	(693)
Group contributions	416	1 192
Other finance income/(finance costs)	5	(3)
Net financial items	154	933

1) Interest income for Hafslund ASA includes internal interest for the years 2012 and 2011, at NOK 295 million and NOK 432 million, respectively.

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Note 6 Income tax expense

NOK million	2012	2011
Profit/loss before tax	57	(364)
Permanent differences	(4)	1 158
Change in temporary differences	(53)	(40)
Tax basis before application of tax loss carryforward and Group contribution	0	754
Group contributions, net of tax		(660)
Tax basis, tax payable		94
The total tax expense comprises:		
Income tax payable		26
Adjusted tax settlement		1
Change in deferred income tax	15	12
Income tax expense	15	39
Reconciliation of tax rate		
Profit/loss ordinary activities before tax	57	(364)
Expected tax expense at a nominal rate of 28%	16	(102)
Tax effect of non-taxable income and non-deductible expenses	(1)	140

Income tax expense	15	39
Effective tax rate	28,3%	(11%)
	2012-31-12	2011-31-12
Basis deferred income tax liabilities/assets		
Temporary differences	32	(12)
Operating assets	(43)	(69)
Accrued pension liabilities	10	28
Basis deferred income tax liabilities/assets	(1)	(53)
Deferred income tax asset in balance sheet	0	(15)
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Note 7 Property, plant and equipment

NOK million	Machinery, technical equipment, furniture etc.	Land and other property	Work under construction	Total
Book value as of 31 December 2010	44	75	21	140
2011 financial year				
Investments	49		13	62
Disposals	(1)	(4)		(5)
Depreciation for the year	(17)	(2)		(19)
Book value as of 31 December 2011	75	69	34	178
Cost	231	96	34	361
Cumulative depreciation and impairments	(156)	(27)		(183)
Book value as of 31 December 2011	75	69	34	178
2012 financial year				
Investments	24		2	26
Transferred from facilities under construction	34		(34)	
Disposals	(2)			(2)
Depreciation for the year	(23)	(2)		(25)
Book value as of 31 December 2012	107	67	2	176
Cost	286	96	2	384
Cumulative depreciation and impairments	(179)	(29)		(208)
Book value as of 31 December 2012	107	67	2	176

Depreciation percentage

3-33%

0-5%

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Note 8 Shares in subsidiaries and other companies

NOK million	Year of acquisition	Registered office	Ownership/voting rights %	Recognised shareholding in company as of 31 Dec 2012	Book value as of 31 Dec 2012
Hafslund Handel AS	1986	Oslo	100	1 132	1 085
Sarp Kraftstasjoner AS	1987	Askim	100	80	61
Hafslund Nett AS	2009	Oslo	100	5 276	4 422
BioWood Norway AS		Averøya	100		
Hafslund Eiendom AS	2009	Oslo	100	652	662
Hafslund Strøm AS	2009	Oslo	100	1 596	1 348
Hafslund Fakturaservice AS	2009	Oslo	100	213	30
Hafslund Kundesenter AS	2009	Oslo	100	19	15
Hafslund Varme AS	2009	Oslo	100	1 726	3 408
Hafslund Produksjon AS	2009	Askim	100	903	3 076
Hafslund Driftssentral AS	2009	Oslo	100	177	722
Inforum Norge AS	2009	Oslo	100	15	10
Presencia AS	2012	Vestby	100		2
Gøta Energi AB	2010	Kungälv	100	49	83
Total shares in subsidiaries				11 838	14 924
Energibolaget i Sverige AB	2010	Haninge	49	100	131
Infratek ASA	2002	Oslo	43,3	340	129
Total shares in subsidiaries, associates and joint ventures				12 278	15 184

Shares in Hafslund Pellets Holding AS were liquidated and Hafslund Miljøenergi AS was merged with Hafslund Varme AS in 2012.

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Note 9 Other long-term receivables

NOK million	2012-12-31	2011-12-31
Net pension assets in balance sheet (See Note 3)	40	55
Interest-bearing loans and receivables	230	249
Contributions to pension funds	116	116

Loans to Group companies	2 704	2 700
Total other long-term receivables	3 090	3 120
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Note 10 Trade and other receivables

NOK million	2012-12-31	2011-12-31
Trade receivables	9	15
Receivable due from Group companies	416	1 192
Other receivables	18	32
Total trade and other receivables	443	1 239
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Note 11 Current interest-bearing liabilities

NOK million	Interest % as of 31 Dec 2012	Interest % as of 31 Dec 2011	Liabilities as of 31 Dec 2012	Liabilities as of 31 Dec 2011
Miscellaneous certificates and current loans	2,5-3,4	3,9	1 350	750
Current interest-bearing liabilities			1 350	750
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Note 12 Other current liabilities

NOK million	2012-12-31	2011-12-31
Public taxes due	5	3
Accrued interest	185	184
Other non-interest-bearing liabilities	14	24
Liabilities due to other Group companies	3	1 484
Total other current liabilities	207	1 695
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Note 13 Long-term interest-bearing liabilities

NOK million	Interest % as of 31 Dec 2012	Interest % as of 31 Dec 2011	Liabilities as of 31 Dec 2012	Liabilities as of 31 Dec 2011
-------------	---------------------------------	---------------------------------	----------------------------------	----------------------------------

Fixed-interest bonds	5,0-6,3	5,0-6,3	4 259	4 009
Floating rate notes	2,8-3,6	3,2-4,9	1 895	1 458
Other loans	2,4-4,4	3,2-5,7	3 764	4 465
Total long-term interest-bearing liabilities			9 918	9 932

Maturity profile long-term interest-bearing liabilities Hafslund ASA

NOK million	2013	2014	2015	2016	2017	Later	Total
	1 767	1 534	2 086	1 000	860	2 671	9 918

Hafslund has entered into a syndicated NOK 3,600 million drawdown facility maturing on 17 June 2017. Hafslund has a contingent option for up to one year' prolongation. The lender is a banking syndicate comprising six Nordic banks. The drawdown facility is used as a back-stop for current commercial papers and as a general liquidity reserve. At the end of the year the entire facility remained unused. The Group also had a bilateral NOK 400 million drawdown facility, where NOK 200 million was unused at the end of the reporting period. This facility has been cancelled as of March 2013. In addition, Hafslund also has a NOK 100 million overdraft facility with Nordea that was unused at the end of the reporting period.

Hafslund's loan covenants prohibit the pledging of assets as loan security. Some loan agreements also stipulate that significant assets cannot be disposed of without bank approval, while some have an ownership clause requiring more than 50 per cent of shares issued by Hafslund ASA to be held by current shareholders, or by shareholders with a credit rating of at least A- from Standard & Poor's or A3 from Moody's, or by shareholders approved by the lending banks.

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Note 14 Related parties

Hafslund has two bond loans of NOK 500 million and NOK 740 million with Oslo Pensjonsforsikring AS established in 2007 and 2008, respectively. The loans have ten-year terms. Both loans were taken out on market terms and conditions are publically listed. Norsk Tillitsmann is a counterparty to the agreement. Oslo Pensjonsforsikring AS is a life insurance company that is wholly owned by the City of Oslo. The loans are recognised under fixed interest bond loans in long-term borrowings in Note 17 to the consolidated financial statements.

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Note 15 Risk management and financial derivatives

The table below shows outstanding interest rate swaps as of 31 December 2012:

NOK million

Currency	Amount		Hafslund pays	Hafslund receives	Start	Maturity
NOK	200	Fixed/semi-annually	3,2%	Floating 6 M Nib	21/01/09	21/01/13
NOK	350	Floating/semi-annually	6 M Nib + 185	Fixed/annually 5%	04/02/09	04/02/13
NOK	200	Fixed/annually	5,1%	Floating 3 M Nib	29/04/05	11/07/13
NOK	200	Fixed/semi-annually	5,4%	Floating 6 M Nib	25/02/09	26/08/13

NOK	200	Floating	3 M Nib + 120	Fixed/annually	6,2%	09/01/04	09/01/14
NOK	200	Fixed/annually	4,9%	Floating	3 M Nib	09/01/04	09/01/14
NOK	200	Fixed/quarterly	3,8%	Floating	3 M Nib	09/03/11	10/03/14
NOK	200	Fixed/quarterly	3,7%	Floating	3 M Nib	29/04/11	29/04/14
NOK	200	Fixed/quarterly	4%	Floating	3 M Nib	09/03/11	09/03/15
NOK	200	Fixed/quarterly	4%	Floating	3 M Nib	29/04/11	29/04/16
NOK	200	Fixed/semi-annually	3,8%	Floating	6 M Nib	26/08/13	25/08/16
NOK	200	Fixed/quarterly	4,1%	Floating	3 M Nib	21/05/13	21/05/17
NOK	200	Fixed/quarterly	4%	Floating	3 M Nib	21/05/12	22/05/17
NOK	500	Floating	6 M Nib + 200	Fixed/annually	6,3%	21/01/09	21/01/19

As of 31 December 2012, the fair value of interest rate swaps amounted to NOK -28 million.

Foreign exchange contracts

The company has entered into foreign exchange contracts. As of 31 December 2012, the fair value of the contracts amounted to NOK 10 million.

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Note 16 Cash and cash equivalents

The Group purchases bank guarantees to secure some liabilities. As of 31 December 2012 these guarantees amounted to NOK 284 million for trading in the power market, NOK 58 million in tax deduction guarantees, NOK 36 million in rental guarantees and NOK 18 million in contract and payment guarantees.

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Note 17 Equity

NOK million	Share capital	Share premium account	Other paid-in equity	Retained earnings	Total contributions and retained earnings
Equity as of 31 December 2010	195	4 080	74	3 968	8 318
Result for the year				(403)	(403)
Proposed dividend (NOK 2.50 per share)				(487)	(487)
Change in treasury shares			(2)	4	2
Equity as of 31 December 2011	195	4 080	72	3 082	7 430
Result for the year				42	42
Proposed dividend (NOK 2.50 per share)				(487)	(487)
Equity as of 31 December 2012	195	4 080	72	2 638	6 985

As of 31 December 2012 Hafslund held 397,361 treasury B shares. The average purchase price was NOK 105.27 per share, making the total cost price NOK 41,830,541.

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Note 18 Share capital and shareholder information

We refer to Note 15 to the consolidated financial statements.

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Analytic information

Group

NOK million	Definition	2012	2011	2010	2009	2008
PROFIT AND LOSS ACCOUNT						
Sales revenues		11 466	13 704	15 829	10 670	11 056
Other (losses)/gains - net		137	(1 050)	(883)	(40)	(15 721)
Purchase of goods and energy		(6 830)	(9 015)	(10 871)	(6 364)	(6 809)
Employee benefit expenses		(908)	(864)	(582)	(772)	(761)
Other operating expenses		(1 752)	(1 630)	(1 571)	(1 418)	(1 453)
EBITDA		2 113	1 145	1 923	2 076	(13 688)
Depreciation and impairment		(1 259)	(803)	(1 270)	(882)	(850)
Operating profit/loss		854	343	653	1 194	(14 538)
Finance cost		(557)	(584)	(471)	(661)	(684)
Profit/loss before tax and divested operations		297	(241)	182	533	(15 223)
Income tax expense		(349)	(456)	(574)	(336)	(902)
Profit/loss for the year		(52)	(698)	(392)	198	(15 900)
- of which operating profit/loss for prior ownership of REC			(1 090)	(1 991)	(137)	(15 912)
- of which profit/loss for the year for prior ownership of REC			(1 086)	(1 975)	(137)	(16 537)
RESULT AND RETURN, excluding prior ownership of REC						
Operating profit/loss		854	1 433	2 644	1 331	1 374
Profit/loss for the year		(52)	388	1 583	335	637
Return on equity (ROE)	2	(0,7%)	4,2%	14,6%	2,8%	3,1%
Return on capital employed (ROCE)	3	4,1%	6%	10%	5%	4,1%
CASH FLOW						
Net cash generated from operations	1	236	3 510	565	1 879	1 085
Investments (not acquisitions)		1 088	1 215	1 533	1 663	1 757
CAPITAL						

Total assets		24 794	24 710	29 613	28 918	30 520
Capital employed	4	21 665	20 919	27 028	25 870	27 067
- of which working capital		587	(248)	3 505	636	930
Equity		7 575	8 131	10 464	11 154	12 530
Equity ratio	5	30,6%	32,9%	35,3%	38,6%	41,1%
Market capitalisation		8 877	11 321	13 603	13 537	13 293
Net interest-bearing liabilities	6	10 648	9 321	13 067	11 601	11 442
Net interest-bearing liabilities / EBITDA	9	4,8	4,0	4,6	5,2	5,3
Unused overdraft facilities		3 900	4 400	3 692	4 558	4 531
Percentage variable borrowings		52%	53%	67%	58%	63%

KEY EQUITY FIGURES

Number of A shares (in thousands)		115 428	115 428	115 428	115 465	115 465
Number of B shares (in thousands)		79 759	79 759	79 759	79 759	79 759
Number of treasury B shares (in thousands)		397	397	451	451	451
Share price as of 31.12 A share		45,60	58,00	70,00	69,75	68,50
Share price as of 31.12 B share		45,30	58,00	69,25	68,75	67,50
Earnings per share (excluding REC)	7	(0,27)	1,99	8,11	1,71	3,26
Cash flow per share from operating activities		1,21	18,00	2,89	9,62	5,56
Dividend per share		2,50	2,50	7,50	2,25	2,25

Number of employees		1 216	1 207	1 123	979	1 086
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Business area Production

NOK million	Definition	2012	2011	2010	2009	2008
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PROFIT AND LOSS ACCOUNT

Sales revenues		755	1 024	1 220	866	1 002
Other (losses)/gains - net		6	(24)	20	(4)	(44)
Purchase of goods and energy						40
Employee benefit expenses		(49)	(37)	(34)	(35)	(32)
Other operating expenses		(225)	(194)	(205)	(176)	(191)
EBITDA		487	769	1 001	651	776
Depreciation and impairment		(45)	(45)	(43)	(43)	(45)
Operating profit/loss		442	724	958	608	731

OTHER KEY FIGURES

Investments (not acquisitions)		24	62	170	174	113
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Capital employed		4 776	4 464	4 395	4 314	4 203
Sales Price (øre/kWh)		22	32	39	27	30
Production volume (GWh)		3 273	3 135	3 041	3 018	3 248
Production in % of normal production	8	106	101	101	97	110
Distribution of operating profit/loss for:						
- Hydro power		435	743	929	618	746
- Power trading		7	(19)	29	(10)	(15)
Number of employees		46	42	40	37	36

Business area Heat

NOK million	Definition	2012	2011	2010	2009	2008
PROFIT AND LOSS ACCOUNT						
Sales revenues		1 107	1 120	1 259	796	713
Purchase of goods and energy		(510)	(598)	(727)	(406)	(326)
Employee benefit expenses		(71)	(67)	(47)	(49)	(52)
Other operating expenses		(214)	(196)	(171)	(133)	(135)
EBITDA		312	259	314	208	200
Depreciation and impairment		(395)	(157)	(151)	(136)	(142)
Operating profit/loss		(83)	102	163	72	58

OTHER KEY FIGURES

Investments (not acquisitions)		326	463	518	575	672
Capital employed		5 576	5 464	5 280	4 756	4 353
Number of employees		77	71	72	67	59

District heating

Sales price, including distribution (øre/kWh)		59	71	72	61	65
Energy production (GWh)		1 720	1 548	1 782	1 382	1 192
Fuel costs (øre/kWh)		28	36	39	28	26
Gross margin sold volume (øre/kWh)		32	30	29	30	36
Percentage renewable energy sources	12	93%	84%	74%	86%	89%

Industrial heating

Energy production (GWh)		274	280	246	93	29
Sales price (øre/kWh)		27	28	25	25	24
Waste (thousand tonnes)		131	129	114	57	37

Gross margin (øre/kWh)	12	14	13
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Business area Networks

NOK million	Definition	2012	2011	2010	2009	2008
PROFIT AND LOSS ACCOUNT						
Sales revenues		3 992	4 202	4 804	3 385	3 352
Purchase of goods and energy		(1 577)	(1 909)	(2 608)	(1 217)	(1 463)
Employee benefit expenses		(201)	(166)	(64)	(177)	(129)
Other operating expenses		(1 195)	(1 143)	(1 054)	(956)	(893)
EBITDA		1 019	983	1 077	1 035	868
Depreciation and impairment		(504)	(514)	(546)	(542)	(545)
Operating profit/loss		515	469	532	493	322
OTHER KEY FIGURES						
Investments (not acquisitions)		497	444	489	528	554
Capital employed		9 237	9 257	9 668	9 396	9 663
NVE capital		6 149	6 063	6 160	6 045	5 936
NVE interest		4,2%	5,3%	5,6%	6,2%	7,4%
Revenue ceiling, excl. transfer costs		2 170	2 312	2 891	2 461	1 989
Volume network losses (GWh)		990	1 019	1 249	1 141	1 148
CNES cost	10	61	90	67	62	34
Regulated contribution margin	13	1 926	1 916	2 287	2 106	1 616
Result effect income surpluses/(shortfalls)	11	268	212	(203)	(16)	205
Accumulated income surpluses/(shortfalls) as on 31.12	11	425	155	(57)	143	149
Number of customers (in thousands)		563	552	545	541	538
Number of employees		223	212	203	198	178

Business area Markets

NOK million	Definition	2012	2011	2010	2009	2008
PROFIT AND LOSS ACCOUNT						
Sales revenues		5 537	7 275	8 289	5 062	5 384
Other (losses)/gains - net		44	(85)	16	19	(24)

Purchase of goods and energy	(4 489)	(6 297)	(7 323)	(4 292)	(4 626)
Employee benefit expenses	(280)	(233)	(173)	(154)	(149)
Other operating expenses	(429)	(366)	(350)	(278)	(277)
EBITDA	383	293	460	356	308
Depreciation and impairment	(20)	(16)	(17)	(12)	(10)
Operating profit/loss	364	277	442	344	297

OTHER KEY FIGURES

Investments (not acquisitions)	180	107	11	10	30
Capital employed	1 753	1 215	3 391	2 080	2 331
Sales volume energy sales (GWh)	16 374	15 474	15 867	13 238	12 936
Number of wholly and partially owned customers (in thousands)	905	878	850	656	638
Gross margin power sales (øre/kWh)	3,9	4,1	4,2	3,7	3,8
Distribution of operating profit/loss:					
Power sales	300	201	348	240	216
- of which change in value of derivatives	44	(85)	16	19	(24)
Invoice and customer services	64	76	95	103	81
Number of employees	560	492	447	293	302

Other business

NOK million	Definition	2012	2011	2010	2009	2008
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PROFIT AND LOSS ACCOUNT

Sales revenues	76	84	257	562	605
Other (losses)/gains - net	87	(940)	(920)	(55)	(15 653)
Purchase of goods and energy	(254)	(211)	(213)	(449)	(434)
Employee benefit expenses	(308)	(360)	(264)	(357)	(400)
Other operating expenses	312	269	210	126	43
EBITDA	(87)	(1 159)	(930)	(174)	(15 839)
Depreciation and impairment	(295)	(70)	(513)	(149)	(107)
Operating profit/loss	(383)	(1 228)	(1 442)	(323)	(15 946)

OTHER KEY FIGURES

Investments (not acquisitions)	59	139	345	375	389
Capital employed	323	519	4 294	5 324	6 518
Distribution of operating profit/loss for:					

- Staff and support services	(67)	(133)	(104)	(151)	(142)
- BioWood Norway	(398)	(80)	(384)	(8)	(5)
- Embriq	(34)	(1)	(49)	(52)	
- REC, prior ownership		(1 090)	(1 991)	(137)	(15 912)
- Other	116	76	1 086	25	113
Number of employees	310	390	361	384	511

DEFINITIONS

1. Net cash generated from operations = as defined in the consolidated statement of cash flow
2. Return on equity = Result for the year excl. prior ownership of REC / Average equity including non-controlling interests
3. Return on capital employed = Operating result excl. prior ownership of REC / Average capital employed
4. Capital employed = Equity + Net interest-bearing liabilities + Net tax positions
5. Equity ratio = Equity / Total assets
6. Net interest-bearing liabilities = Interest-bearing liabilities - Interest-bearing receivables and cash equivalents
7. Earnings per share = Result for the year excl. prior ownership in REC / Average number of shares
8. Production compared to average production volume over the last ten years, adjusted for efficiency improvements
9. EBITDA = EBITDA from core businesses in Production, Heat, Networks and Markets
10. CNES cost = Quality adjustment of compensation for energy not supplied
11. See comment in Note 2.20 c in the financial statements
12. Corresponds to the use of renewable energy sources including electricity
13. Regulated contribution margin = Revenue ceiling excluding transfer costs from Statnett, less costs for network losses

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