



Half-year report

First half 2019
Hafslund E-CO

Hafslund 

ECO

For a renewable and fully electric future

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Main events first half 2019

Hafslund E-CO and Eidsiva integrate their operations

In June, the owners of Eidsiva Energy and Hafslund E-CO approved the agreement to bundle the two operations in a joint production company and a joint networks company. The integration of two strong centres of competence within power production and distribution provides a unique starting point for long-term value creation. The transaction is expected to be completed on 30 September 2019.

Record profit for Production

The first half-year of 2019 was record strong for the production operations with an underlying operating profit (operating profit excluding unrealised gains/losses on power price and foreign exchange contracts) of NOK 2,242 million, up NOK 411 million or 22 per cent on the first half of 2018. Efficient operations and resource utilisation in addition to high power prices contributed to the record profit.

Good efficiency in Networks

In 2018, Networks reinforced its position as one of Norway's most efficient network companies by becoming a benchmark company under NVE's regulation model in the regional and local distribution networks. Hafslund Nett has improved its efficiency and in 2019 achieved an efficiency rating of 118 per cent, compared with 115 per cent in 2018.

Vamma 12 started trial operations

Vamma 12, the new power production unit in Nedre Glomma, started its trial operations in May. The operation of the unit has been stable so far. With an installed capacity of 128 MW and a mean annual production of 1 TWh, Vamma 12 will have a net contribution of 230 GWh of new, emission-free power production. The provisional investment estimate for the project is, as previously stated, NOK 960 million.

Three additional power plants under construction

Hafslund E-CO currently participates in three additional power plant construction projects, Nedre Otta, Tolga and Mork. Together, the completion of Rosten power plant in 2018 and Vamma 12 in 2019, along with these ongoing power plant developments, will provide around 1 TWh of additional renewable energy each year.

New business concepts by New Energy

The new business area New Energy that was established in 2018 has developed two business concepts, Hafslund Rådgivning (Hafslund Consultancy) and Ladeklar (Fully Charged) which constructs and operates electrical vehicle infrastructure for housing cooperatives and condominiums. A letter of intent has also been

signed with the Port of Oslo to establish a joint entity to construct, own and operate zero-emission solutions in the port. These and other concepts and joint solutions will be further developed going forward.

Strategy

At the end of April, the Group launched its updated strategy to further strengthen the link between strategic goals and the Group's day-to-day operations. According to the updated strategy, Hafslund E-CO will:

- Grow, both organically and through consolidation
- Innovate and be the most profitable energy group, including by early adopting new technology
- Attract and develop employees
- Accelerate the electrification of Norway
- Lead the industry and be a preferred partner

Key figures

NOK million	1H 2019	1H 2018
FINANCIAL KEY FIGURES		
Revenues and other income	6,392	5,060
EBITDA	3,758	2,526
EBIT	3,173	2,000
Profit before tax	2,902	1,772
Profit after tax	1,632	873
Net interest-bearing debt	18,574	17,496
Equity	16,701	17,134
Total assets	49,656	44,146
Capital employed	41,569	39,871
Investments	993	963
ROE (%)	20 %	10 %
ROCE (%)	15 %	10 %
Debt / EBITDA (x)	2.5	3.5
FFO / Debt (%)	23 %	13 %
Equity ratio (%)	34 %	39 %
OTHER KEY FIGURES		
Number of employees	654	607
H2 - total number of injuries per million hours worked ¹	8.0	-

¹ H2 figures for 2018 are not available

15 %

ROCE

6.5 TWh

Hydropower produced

43.7 øre/kWh

Achieved price

NOK
1,632
million

Profit after tax

System price 2014 - 2019 (øre/kWh)



E-CO Energy, Production

NOK million	1H 2019	1H 2018
FINANCIAL KEY FIGURES		
Revenues and other income	3,447	2,268
EBITDA	2,931	1,739
EBIT	2,753	1,570
Profit before tax	2,585	1,412
Profit after tax	1,384	595
Net interest-bearing debt	9,548	10,872
Equity	13,302	12,290
Total assets	33,163	29,959
Capital employed	27,874	27,248
Investments	317	258
ROE (%)	21 %	10 %
ROCE (%)	20 %	12 %
Debt / EBITDA (x)	1.6	3.1
FFO / Debt (%)	30 %	10 %
Equity ratio (%)	40 %	41 %
OTHER KEY FIGURES		
Number of employees	193	185
H2 - total number of injuries per million hours worked	9.6	-
Produced volume (TWh)	6.5	7.2
Achieved power price (øre/kWh)	43.7	35.8

Hafslund, Networks

NOK million	1H 2019	1H 2018
FINANCIAL KEY FIGURES		
Revenues and other income	2,947	2,792
EBITDA	885	788
EBIT	479	430
Profit before tax	362	360
Profit after tax	284	278
Net interest-bearing debt	7,388	6,624
Equity	4,892	4,844
Total assets	16,270	14,187
Capital employed	13,542	12,623
Investments	676	705
ROE (%)	11 %	11 %
ROCE (%)	7 %	7 %
Debt / EBITDA (x)	4.2	4.2
FFO / Debt (%)	20 %	19 %
Equity ratio (%)	30 %	34 %
OTHER KEY FIGURES		
Number of employees	423	414
H2 - total number of injuries per million hours worked	7.6	9.0
NVE capital (Regulatory asset base)	10,738	10,022
Delivered volume (TWh)	10.7	11.3
Efficiency (%)	118 %	115 %
Change in income surplus/(deficit)	-239	-143

First half-year 2019

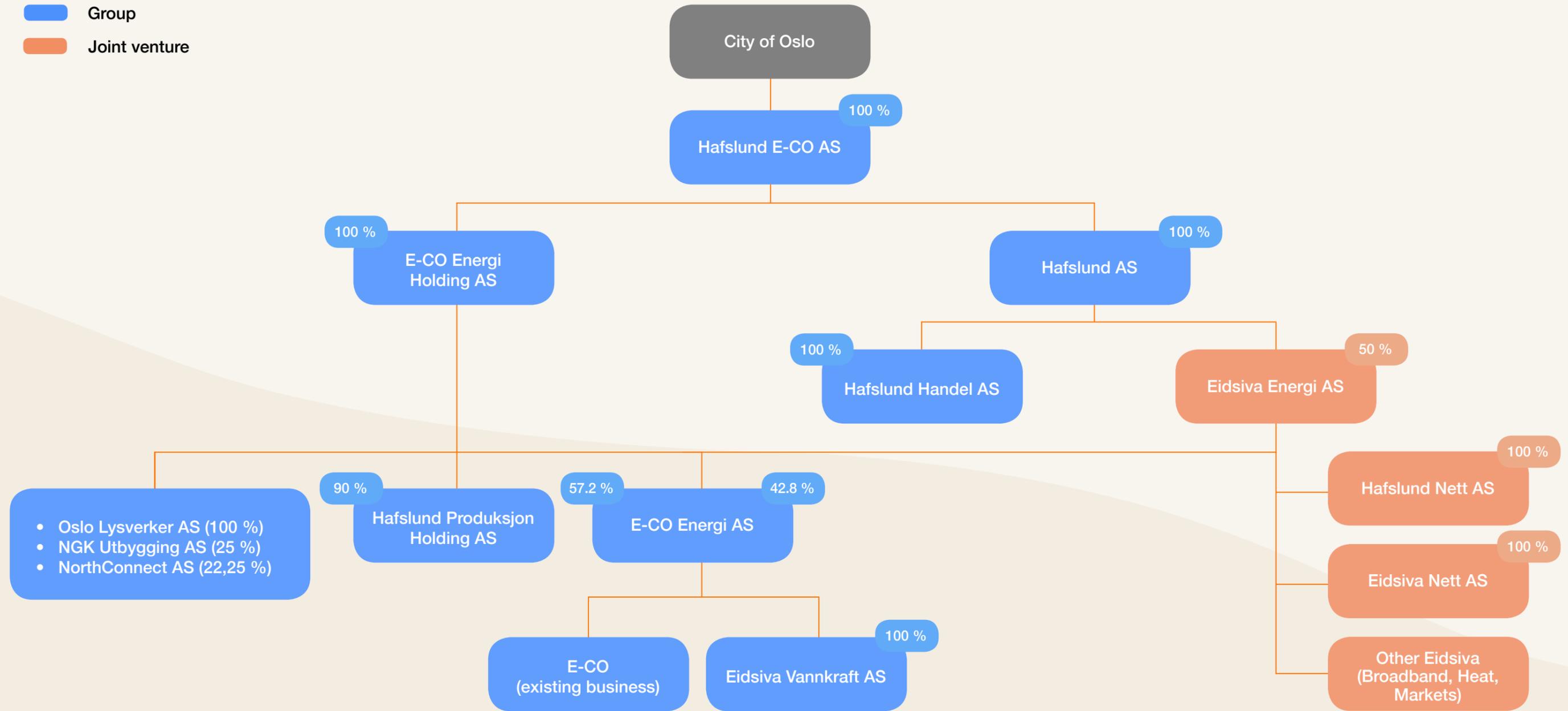
Hafslund E-CO looks back on an eventful half-year with strong results and a major structural milestone. High power prices, efficient operations and high availability at the hydropower plants enabled Production to turn in a strong performance, while Networks delivered a stable, predictable and above-industry-average return, as a result of high efficiency. Strong results and the successful conclusion of work to secure the integration with Eidsiva Energi have provided Hafslund E-CO with solid momentum, as the company enters the second half of the year and moves closer to a renewable and fully electric future.

Hafslund E-CO - Eidsiva

In autumn 2018, the boards of Eidsiva Energi and Hafslund E-CO agreed to examine the possibility of integrating the two groups' core business operations. In March 2019, the respective boards agreed the main features of the transaction and in the first half of the year the owners of both companies approved bundling the two businesses in a joint production company and a joint networks company. The integration is expected to boost competitiveness and profitability by leveraging economies of scale and facilitating operational improvements and increased digitalisation. This will contribute to lower distribution network charges for businesses and consumers, higher dividends to the owners and competitive solutions moving forward.

For Hafslund E-CO, the integration means that Hafslund Nett will be transferred to Eidsiva Energi with Hafslund E-CO obtaining a 50 per cent stake in a joint venture (Eidsiva Energi), which in turn will wholly own Hafslund's and Eidsiva Energi's Networks operations. Following the transaction, the Networks business will no longer be consolidated; however, the 50 per cent shareholding and joint venture will be recognised in accordance with the equity method in Hafslund E-CO's consolidated financial statements. Hafslund E-CO will acquire Eidsiva's Production business (Eidsiva Vannkraft). On completion of the integration, Hafslund E-CO's shareholding in the combined production operations will be 78.6 per cent (direct and indirect). In addition, Hafslund E-CO will receive a cash payment of NOK 3.3 billion from Eidsiva Energi, as part of the transaction. The payment is made in order to achieve a reasonable capital structure in both Hafslund E-CO and Eidsiva Energi. The integration has been approved by the Norwegian Competition Authority, the Ministry of Petroleum and Energy and the Norwegian Water Resources and Energy Directorate (NVE). The transaction is expected to be completed on 30 September 2019. The Group structure will be as follows:

- Group
- Joint venture



Following the decision to transfer Hafslund Nett to Eidsiva Energi, the Networks business is presented as discontinued operations in the statement of comprehensive income and under assets and liabilities held for sale in the statement of financial position as of 30 June 2019. The comparative figures in the statement of comprehensive income have been restated.

Strategy and business development

Hafslund E-CO was established in the summer of 2018, with work on a strategic plan for the new Group starting immediately afterwards. The strategy has five main strategic goals, which were presented in the Group's 2018 Annual Report. The main strategic goals were further developed during the winter and spring of 2019, and at the end of April the Group launched its updated strategy to further strengthen the link between strategic goals and the Group's day-to-day operations. According to the updated strategy, Hafslund E-CO will:

- Grow, both organically and through consolidation
- Innovate and be the most profitable energy group, including by early adopting new technology
- Attract and develop employees
- Accelerate the electrification of Norway
- Lead the industry and be a preferred partner

To further reinforce our vision "For a renewable and fully electric future", we established a new business area in 2018, New Energy, to develop innovative solutions within areas such as electrical infrastructure and smart city solutions. We will develop these solutions by aligning



expertise and knowledge about customers' needs, technological development, network development and renewable energy production. To date, New Energy has established two business concepts, Hafslund Rådgivning (Hafslund Consultancy), which offers advisory services for the sustainable roll-out of electrical infrastructure and new energy solutions, and Ladeklar (Fully Charged) which constructs and operates electrical vehicle infrastructure for housing cooperatives and condominiums. In just a short period, Ladeklar has won contracts with six housing cooperatives/condominiums with a total of 600 parking places, and a contract to operate 100 charging stations in an office building. A letter of intent has also been signed with the Port of Oslo to establish a joint entity to construct, own and operate zero-emission solutions in the port in Oslo. These and other concepts and joint solutions will be developed going forward.

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

Hafslund E-CO's consolidated financial statements for the first six months of 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting. Unless otherwise stated, figures for the first six months of 2018 are stated in brackets.

Contributions from continuing operations and discontinued operations are discussed separately for each main accounting line. In the text that follows discontinued operations is referred to as "Networks". Eidsiva Vannkraft will be consolidated into the Group's figures after the completion of the transaction. For further information on the effect of the integration of Eidsiva with Hafslund E-CO's Production and Networks subsidiaries on the consolidated financial statements, please refer to the discussion above, as well as notes 3 and 4 of the interim financial statements.

Income statement

The Group posted an overall operating profit of NOK 3,173 million in the first half of 2019, which was 59 per cent higher than in the first half of 2018, mainly due to higher power prices and unrealised gains from power derivatives. The operating profit from continuing operations came in at NOK 2,709 million (NOK 1,563 million), while Networks contributed NOK 464 million (NOK 437 million). The group made an underlying operating profit (operating profit excluding unrealised gains/losses on power price and foreign exchange contracts) of NOK 2,661 million in the first half of 2019, up NOK 400 million or 18 per cent on the first half of 2018. The profit after tax for the reporting period was NOK 1,632 million. This represents a year-on-year increase of NOK 759 million or 87 per cent.

Continuing operations contributed NOK 1,326 million, while Networks contributed NOK 306 million. Realised and unrealised gains on power hedging contracts of NOK 528 million reduced the effective tax rate, since these items are not included in the calculation basis for resource rent tax. The underlying net profit (excluding unrealised gains/losses on power price and foreign exchange contracts) was NOK 1,223 million in the first half of 2019. The net profit for the reporting period of NOK 1,632 million corresponds to a return on equity (ROE) of 20 per cent (10 per cent). The return on capital employed (ROCE) closed the period on 15 per cent (10 per cent).

In the first half of 2019, the Group posted sales revenues of NOK 5,795 million (NOK 5,407 million). The increase is primarily attributable to an increase in the average achieved power price of 22 per cent against 2018, but also to a higher distribution network charge from 1 January 2019 as a result of a higher distribution network charge from Statnett and a higher national tax on electrical power. Realised and unrealised gains on power price hedging contracts of NOK 528 million (losses of NOK 431 million) are recognised in other operating revenues, which contributed to increase total operating revenues by NOK 1,332 million or 26 per cent, from NOK 5,060 million in the first half of 2018 to NOK 6,392 million at the reporting date. Operating revenues from continuing operations amounted to NOK 3,447 million (NOK 2,296 million) in the first half of 2019, while Networks contributed NOK 2,945 million (NOK 2,764 million).

At NOK 271 million, net financial expenses were NOK 43 million higher than in the first half of 2018. The change is primarily attributable to

increased interest expenses as a result of higher interest-bearing debt, and the effect of the implementation of IFRS 16, Leases, under which the financing element of lease costs are now recognised under financial expenses. Net financial items from continuing operations amounted to NOK 200 million (NOK 194 million), while Networks contributed NOK 71 million (NOK 34 million). The tax expense amounted to NOK 1,270 million (NOK 899 million) of which NOK 1,055 million relates to tax payable (NOK 572 million). The tax expense from continuing operations was NOK 1,183 million (NOK 806 million), while the tax expense from Networks was NOK 87 million (NOK 93 million).

Cash flow, financial position and equity

In the first half of 2019, EBITDA from continuing operations totalled NOK 2,888 million (NOK 1,734 million). The operations paid combined tax and interest of NOK 1,609 million (NOK 1,315 million) and reduced working capital by NOK 217 million in the reporting period (increase of NOK 460 million). Unrealised changes in the value of derivatives and other non-cash-generating income and expenses reduced the cash flow from operating activities by NOK 380 million (increase of NOK 374 million). This generated a net cash flow from operating activities from continuing operations of NOK 1,115 million in the first half of 2019 (NOK 336 million). The net cash flow from operating activities from Networks (discontinued operations) totalled NOK 961 million (NOK 1,107 million).

The net cash flow from investing activities from continuing operations closed at NOK -472 million in the reporting period (NOK -258 million), while the net cash flow from investing activities from Networks (discontinued operations) was NOK -667 million (NOK -697 million).

Hafslund E-CO is currently experiencing a period of high investments driven by upgrades to the distribution and regional networks, investments in increased production capacity and dam refurbishments.

The net cash flow from financing activities from continuing operations totalled NOK -2,647 million in the first half of 2019 (NOK -1,755 million). The net cash flow from financing activities from Networks (discontinued operations) amounted to NOK 1,222 million (NOK -546 million). Total dividend paid to Oslo Municipality and non-controlling interests amounted to NOK 1,284 million and NOK 35 million respectively, whereof NOK 929 million from continued operations and NOK 390 million from discontinued operations. Since Hafslund E-CO's Networks business will be transferred to Eidsiva Energi with no external or internal debt apart from working capital items, a debt management process has been initiated for Hafslund's debt. The interest-bearing debt of Hafslund is therefore in its entirety recognised under continuing operations in the statement of financial position, but this is not reflected in the cash flow from financing activities, since Networks debt remained unsettled at the end of June.

At the reporting date, the Group had total assets of NOK 49,656 million (NOK 44,146 million). The recognised value of waterfall rights was NOK 12,914 million (NOK 12,350 million), while the recognised value of property, plant and equipment was NOK 12,937 million (NOK 24,669 million). The increase in waterfall rights is primarily attributable to the recognition of a contra item relating to a change in the calculation of the liability to landowners. The reduction in property, plant and equipment is attributable to the fact that Networks assets are classified as held-for-sale at 30 June 2019 in the statement of financial position.

At the reporting date, consolidated equity amounted to NOK 16,701 million (NOK 17,134 million), which corresponds to an equity ratio of 34 per cent (39 per cent). At the same time, net interest-bearing debt amounted to NOK 18,574 million (NOK 17,496 million), while the key credit figures, net interest-bearing debt/EBITDA and the FFO/net interest-bearing debt were 2.5x and 23 per cent, respectively. The Group has a robust financing structure with long-term, committed drawdown facilities.

The power market in the first half of 2019

Achieved area prices, the Nordic system price and forward prices

E-CO Energi is responsible for the Group's production activities. Production is spread roughly equally between price area NO5 (Western Norway) and NO1 (Eastern Norway). The average spot price in NO5 in the first half of 2019 was 41.3 øre per kWh, up 4.7 øre per kWh on the first half of 2018. The average spot price for price area NO1 was 41.4 øre per kWh, up 4.4 øre per kWh on the previous year. The average Nordic system price was 40.1 øre per kWh in the first half of 2019 (37.2 øre per kWh). The achieved price in the physical power market, including concessionary power, was 43.7 øre per kWh, an increase of 7.9 øre per kWh compared with the corresponding period in 2018, and 3.6 øre higher than the average system price.

At the start of the year, Norwegian reservoir levels were well below the normal for the time of the year, and there was little snow in the mountains. The low reservoir and snow levels resulted in relatively low Norwegian hydropower production and a net import of power to Norway during the winter. The highest monthly prices to date in 2019 were achieved in January (54.6 øre per kWh in NO1 and 54.3 øre per kWh in NO5), before

prices fell through February on the back of lower power prices in continental Europe following a decrease in marginal costs for coal and gas power production. Consumption was also depressed by the mild weather. Prices continued to fall in May and June. Despite an early start to the snow melt and relatively little snow in the mountains, inflow remained high towards the end of the half-year due to high levels of precipitation. The rainfall in Norway was 20 TWh in total for May and June, compared to the normal of 12 TWh. This resulted in reductions in spot prices, with an average price for June of 29.3 øre per kWh in both NO1 and NO5. At the end of the first half of 2019, reservoir levels in the Nordic region were 71.5 per cent, compared with a historic median level (1990-2012) of 68.5 per cent for the corresponding period.

In addition to high precipitation levels, further falls in the market prices for coal and gas contributed to push power prices down. Quota prices rose sharply during 2018 but have been relatively stable in 2019. At the reporting date, emissions quotas were trading at EUR 26.3 per tonne. This is on a par with the start of the year and EUR 11.0 per tonne higher than the same time the previous year.

Water resource developments across Norway are largely reflected in the Group's power plants. The year started with relatively low reservoir levels and little snow. High precipitation, in particular towards the end of the period, boosted the hydrological basis for future power production to broadly normal levels for the time of the year.

Milder weather resulted in a decrease in general Norwegian power consumption compared with the first half of 2018. Consumption by

power-intensive industry rose, in part due to increased consumption by Hydro's aluminium plant at Karmøy, where a new pilot plant has been commissioned. However, prices of aluminium and silica fell and consumption by Norwegian power-intensive industry returned to the previous year's levels towards the end of the reporting period.

Forward prices for Nordic power fell during the first half of the year, though remain higher than the same time the previous year. The annual contract for 2020 was quoted at 34.6 øre per kWh at the end of June. This is 3.9 øre per kWh lower than at the start of 2019, but 5.5 øre per kWh higher than the same time in 2018.

Price hedging

Hafslund E-CO has an active hedging strategy and performs ongoing analyses to hedge sales of future production. The hedged portion of production varies in line with expected market developments and production volumes. Realised and unrealised gains relating to hedging contracts totalled NOK 528 million in the first half of 2019 (loss of NOK 431 million).

For further information on the power market, please refer to the Group's 2018 Annual Report.

Performance – business areas

Hafslund E-CO currently comprises the business areas Production and Networks through 100 per cent shareholdings in the subsidiaries E-CO Energi Holding AS ("E-CO Energi") and Hafslund AS ("Hafslund").

In the following section, the segments E-CO Energi and Hafslund are presented in the same way they are reported to Group management. The key figures for discontinued operations – Hafslund Nett – are discussed under the Hafslund segment.

The New Energy business area is still being developed and is provisionally reported as part of the parent company Hafslund E-CO AS.

E-CO Energi (Production, Continuing Operations)

Profit for the period

At NOK 2,753 million, EBIT for the first six months of 2019 were up NOK 1,183 million on the first six months of 2018 and represent E-CO Energi's best-ever half-year result. The improvement in results is primarily due to higher power prices and gains/losses on power price and foreign exchange contracts, while the power production volume closed slightly lower than the previous year.

The operating result includes gains/losses on power price and foreign exchange contracts of NOK 528 million (NOK -431 million), of which NOK 512 million (NOK -261 million) were unrealised. The company made an underlying operating profit (operating profit excluding unrealised gains/losses on power price and foreign exchange contracts) of NOK 2,242 million in the first half of 2019, up NOK 411 million or 22 per cent on the first half of 2018. The profit after tax for the first half of 2019 came in at NOK 1,384 million (NOK 595 million).

Operating revenues and produced volume

E-CO Energi posted operating revenues of NOK 3,447 million in the first half of 2019, an increase of NOK 1,180 million on the same period in 2018. Sales revenues of NOK 2,912 million were up NOK 237 million on the comparable prior-year period due to higher power prices. The production volume in the first six months of 2019 was somewhat down on the same period the previous year.

The achieved power price for physical production including concessionary power in the reporting period was NOK 43.7 øre per kWh, up 7.9 øre per kWh on the first half of 2018. In comparison, the average system price in the reporting period was 40.1 øre per kWh (37.2 øre per kWh). In the first half of 2019, sales of concessionary power totalled 440 GWh. A higher achieved power price increased the operating result by NOK 509 million compared with the first half of 2018.

E-CO Energi's total power production was 6.5 TWh in the first half of 2019, down 0.7 TWh against the comparable prior-year period. Lower power production reduced the year-on-year operating profit by NOK 283 million.

Costs, operations and tax

Total operating expenses, including energy purchases, transmission costs and depreciation and amortisation, was NOK 694 million in the first half of 2019 and were on a par with the previous year (NOK 700 million). Efficient operations and resource utilisation contributed to good availability at the power plants, which experienced no significant operational interruptions during the first half-year.

Net financial expenses totalled NOK 168 million in the reporting period (NOK 158 million). The tax expense of NOK 1,201 million for the first half of 2019 (NOK 817 million) corresponds to an effective tax rate of 46 per cent of profit before tax. Gains/losses from power price and currency derivatives reduced the effective tax rate by 6 percentage points, as these items are not included in the calculation basis for resource rent tax. The tax expense includes NOK 602 million in resource rent tax payable (NOK 486 million).

The profit after tax for the first half of 2019 came in at NOK 1,384 million (NOK 595 million). The profit after tax excluding unrealised gains/losses on power price and currency contracts was NOK 985 million, up NOK 189 million on the first half of 2018.

Investments

E-CO Energi made total investments of NOK 317 million in the first half of 2019 (NOK 258 million), of which NOK 171 million are related to Vamma 12 and three new power plant developments in Nedre Otta, Tolga and Mork.

Vamma 12 started its trial operations in May. The operations of the unit have been stable so far. With an installed capacity of 128 MW and a mean annual production of 1 TWh, Vamma 12 will contribute 230 GWh of new, emission-free power production. The remaining production will replace power previously generated by the Vamma power plant's other 11 units. The provisional investment estimate for the project is NOK 960 million.

Together, the completion of Rosten power plant in 2018 and Vamma 12 in 2019, along with the three other ongoing power plant developments, will provide around 1 TWh additional production of renewable energy each year.

Hafslund (Networks/discontinued operations and Other activities/continuing operations)

The Hafslund segment comprises Hafslund Nett and Other (non-networks-related) activities. Following the integration with Eidsiva Energi, Hafslund Nett will be transferred to Eidsiva Energi (see discussion under Hafslund E-CO – Eidsiva and notes 3 and 4). Until the transaction has been completed, Hafslund Nett/Networks will be presented as discontinued operations/operations held for sale. Hafslund Nett/Networks are therefore discussed separately in the report on the Hafslund segment.

Profit for the period

In the first half of 2019, Hafslund posted an EBIT of NOK 479 million (NOK 430 million). Networks contributed NOK 464 million (NOK 437 million), while continuing operations contributed NOK 15 million (NOK -7 million). EBITDA totalled NOK 885 million (NOK 788 million) including NOK 870 million from Networks (NOK 792 million). Net profit after tax for the first half of 2019 totalled NOK 284 million (NOK 278 million). Profit after tax from Hafslund Nett was NOK 306 million (NOK 310 million). The negative result from continuing operations is attributable to interest expenses on liabilities that is not attributed to Networks.

Operating revenues, energy deliveries

Hafslund generated operating revenues of NOK 2,947 million in the first half of 2019 (NOK 2,792 million). Networks contributed NOK 2,945 million (NOK 2,764 million), while continuing operations contributed only NOK 2 million (NOK 28 million). At 10,678 GWh, the energy delivery in the period was down 654 GWh on the prior-year figure of 11,332 GWh. The reduction is primarily attributable to milder weather.

Costs and operational performance

Total operating expenses, including energy purchases, transmission costs, and depreciation and amortisation, came to NOK 2,483 million in the first half of 2019, up NOK 115 million on the first half of 2018. Networks contributed NOK 2,482 million (NOK 2,328 million), while continuing operations contributed only NOK 1 million (NOK 39 million). Networks' energy losses and transmission costs were NOK 97 million higher than in the first half of 2018, in part due to higher costs of the overhead network. Networks companies are required to include the cost of drawing power from the overhead network in their tariffs. Partly as a result of increased costs at Statnett, Hafslund Nett raised its distribution network charge for retail customers by 1.8 øre per kWh from 1 January 2019, but retail customers and businesses in Hafslund Nett's networks area still benefit from one of the lowest distribution network charges in Norway. According to NVE's network rental statistics, at the start of 2019, Hafslund Nett had a distribution network charge of 27.33 øre per kWh, compared with the Norwegian average of 30.43 øre per kWh before VAT and consumption charges ¹.

¹ NVE.no

Hafslund Nett has maintained good quality of supply to network customers in recent years. The target for security of supply is 99.99 per cent, while the achieved figure for the first half of 2019 was 99.98 per cent. Despite higher power prices, costs relating to network losses were lower in the first half of 2019 than in the corresponding prior-year period due to a lower volume of network losses. In 2018, Networks reinforced its position as one of Norway's most efficient networks companies by becoming a benchmark company under NVE's regulation model in both the regional and local distribution networks. Networks constantly strives to optimise its operations and reduce costs. This benefits network customers in the form of lower distribution network charges and enables the Group to achieve a return on investments in excess of the industry average. Hafslund Nett has achieved an efficiency rating of 118 per cent in 2019, compared with 115 per cent in 2018.

The introduction of IFRS 16 Leases, has resulted in a shift from other operating expenses in the Networks business to depreciation and amortisation and financial expenses. Compared with the corresponding period in 2018, a total of NOK 64 million has shifted from operating expenses to other accounting lines in the first half of 2019. The implementation of IFRS 16 only affects Networks.

At the reporting date, Hafslund Nett had NVE capital of NOK 10.7 billion (NOK 10.0 billion) and capital employed of NOK 13.5 billion (NOK 12.6 billion).

On the investments side, Hafslund Nett is continuing its upgrades to the regional and local distribution networks. A total of NOK 371 million

(more than 50 per cent of total investments of NOK 676 million) were related to this work in the first half of 2019. The roll-out of smart meters (AMS) has now been completed and the remaining installations have been commissioned. A total of around NOK 1.7 billion has been accrued for the project, including around NOK 60 million in the first half of 2019. Customer-initiated investments have increased in 2019 as a result of an increased number of orders, reduced backlog and new rules for investment contributions. In addition, high activity levels within automation and digitalisation have been maintained in order to achieve cost reductions, more efficient operations and an improved customer interface. Hafslund Nett gained 8,300 new customers during the first half of 2019, bringing the total number of customers at the end of June to 737,300.

Corporate social responsibility

Hafslund E-CO is responsible for all social consequences caused by the Group's operations with regard to the external environment, working conditions, human rights and other social issues. Corporate Social Responsibility has a high strategic priority and permeates the company's entire value chain and operations. Hafslund E-CO constantly strives to promote the Group's values to employees, suppliers and partners. In the first half of the year, Hafslund E-CO carried out a pilot project to evaluate maturity and ambition levels from a sustainability perspective. The project is now in the final phase and the project conclusions will be discussed in the Group's upcoming reports. Further information relating to Corporate Social Responsibility is provided in the Group's 2018 Annual Report in the section A sustainable Hafslund E-CO, and in [E-CO Energi's Environmental and Sustainability Report for 2018](#).

HSE

Lost-time injuries

Health, safety and the environment is accorded a high priority across the Group. Hafslund E-CO aims to achieve zero injuries among its own employees and suppliers, and systematically works to reduce the number of injuries. The H1 indicator (number of lost-time injuries per million working hours) in the first half of 2019 was 1.0 for employees, and 3.8 for employees and suppliers combined. The average for the energy industry in 2018 was 4.7. In the reporting period, the H2 indicator (number of lost-time injuries and injuries without absenteeism per million working hours) was 1.9 for employees and 8.0 for employees and suppliers combined, compared with an industry average for 2018 of 10.4.

Sick leave

Hafslund E-CO has set a goal of maintaining the Group's overall sick leave rate below 3.5 per cent. Hafslund E-CO's sick leave rate was 3.2 per cent in the first half of the year, a reduction against 3.6 per cent in 2018. We have implemented measures in areas of the Group with the highest levels of sick leave, including training on sick leave follow-up for managers, and bespoke measures for individuals. We also arrange joint professional and social activities to promote a common culture and maintain a good working environment. Active business sports teams also foster team spirit and job satisfaction.

Government relations and framework conditions

For Hafslund E-CO to be able to create long-term value and help realise a renewable and fully electric society, it is critical that central decision-makers receive good input about the impact of official framework

conditions. This will allow us to contribute to better political and regulatory decisions. In the first half of the year, the company has focused in particular on resource rent taxation of power production and regulatory matters relating to the Networks business. For a more detailed discussion on Hafslund E-CO's work on framework conditions and contact with the authorities, please refer to the Group's 2018 Annual Report.

Risk management

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

Internal control

Internal control is a key part of risk management at Hafslund E-CO, and an area we are continually working to improve and strengthen. In the first half of the year, an evaluation of internal control was completed as the integration of Hafslund AS and E-CO Energi Holding AS highlighted some differences and challenges between the business areas with regard to internal control procedures. The findings from the evaluation will be prioritised and necessary measures will be implemented during autumn 2019. For a more detailed report on risk and risk management, please refer to the Group's 2018 Annual Report.

Outlook²

Favourable market prices helped the group achieve record high results in the first half of 2019. The forward prices for the second half of 2019 is lower than the spot price in the second half of 2018, but the expected market price for the full year of 2019 is higher than for 2018, and the results for the year 2019 are thus expected to be well above last year. Based on the market's forward prices beneficial power prices are also expected in the years to come, despite increased availability of renewable energy. The annual contract for 2020 was quoted at 34.6 øre per kWh at the end of June. This is 3.9 øre per kWh lower than at the start of 2019, but 5.5 øre per kWh higher than the same time in 2018. However, electricity is a commodity that is subject to substantial price fluctuations. Assuming full spot-price exposure and normal production, an increase/decrease in the power price over the year of 10 øre per kWh would increase, respectively reduce, the consolidated EBIT by NOK 1.3 billion. To secure cash flows and leverage market prospects, Hafslund E-CO utilises partial hedging for future sales production.

The integration of Eidsiva Energi with Hafslund E-CO's Networks and Production subsidiaries has now been ratified by the respective businesses' owners and boards, and the transaction has been approved by the relevant authorities. Following the transaction, Hafslund E-CO will own 50 per cent of Eidsiva Energi, which in turn will own the overall business of the existing Hafslund Nett and Eidsiva Nett. At the same time, Eidsiva Vannkraft will be transferred to the subsidiary E-CO Energi AS, and become part of the jointly owned production company, where

Hafslund E-CO will become the majority owner (through E-CO Energi Holding AS) with a 57.2 per cent stake and Eidsiva Energi AS (in which Hafslund E-CO will own 50 per cent) will have a shareholding of 42.8 per cent. In total, Hafslund E-CO will therefore own 78.6 per cent of the production company. The transaction paves the way for further consolidation, while larger units will result in stronger centres of excellence and provide a sound basis for further development of the businesses. The transaction is scheduled to be completed on 30 September. During the autumn, a number of integration initiatives will be implemented to establish dynamic operations/companies.

On 1 July, Hafslund Nett completed a transaction to increase its shareholding in Trøgstad Elverk from 49 per cent to 100 per cent under an agreement with Trøgstad Municipality. The Group is also continuing its dialogue with Fredrikstad Municipality regarding a potential acquisition of or merger with Fredrikstad Energi and is assessing other structural projects and opportunities. Consolidation will boost competitiveness and profitability by leveraging economies of scale and facilitating operational improvements and increased digitalisation. This will contribute to lower distribution network charges for businesses and consumers and enable us to offer competitive solutions moving forward.

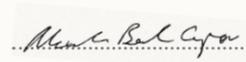
Hafslund E-CO additionally aims to be one of the energy industry's most innovative companies. This will require the Group to spearhead work to digitalise the electrical value chain. This value chain could potentially become the heart of the infrastructure, and help create smart cities, with smart construction sites, smart public transport solutions and pave the way for a renewable and fully electric future.

² The Board of Directors points out that significant uncertainty is normally associated with consideration of future conditions.

Through the newly established business area New Energy, the Group has established two business concepts; Hafslund Rådgivning (Hafslund Consultancy), which offers advisory services in the sustainable roll-out of electrical infrastructure and new energy solutions, and Ladeklar (Fully Charged), which constructs and operates electrical vehicle infrastructure for housing cooperatives and condominiums. Together with the letter of intent that has been signed with the Port of Oslo to establish a joint entity to build, own and operate zero-emission solutions in the port, these concepts will bring Hafslund E-CO closer to the goal of a renewable and fully electric society.

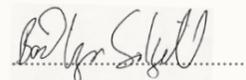
Oslo, 28 August 2019

Board of Directors, Hafslund E-CO AS

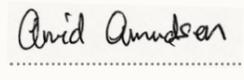

Alexandra Bech Gjorv
Styreleder


Bente Sollid Storehaug


Bjørn Erik Næss


Bård Vegar Solhjell


Mari Thjøemøe


Arvid Amundsen


Per Luneborg


Johnny Kjørås


Finn Bjørn Ruyter
Konsernsjef



Consolidated statement of comprehensive income

NOK million	1H 2019			1H 2018			2018		
	Continuing operations	Discontinued operations ¹	Hafslund E-CO Group	Continuing operations	Discontinued operations ¹	Hafslund E-CO Group	Continuing operations	Discontinued operations ¹	Hafslund E-CO Group
Sales revenue	2,912	2,883	5,795	2,693	2,714	5,407	5,929	5,482	11,411
Other operating revenue	535	63	597	-397	51	-346	-713	89	-625
Revenue (note 6)	3,447	2,945	6,392	2,296	2,764	5,060	5,216	5,571	10,786
Energy purchases and transmission	-116	-1,571	-1,687	-163	-1,453	-1,617	-303	-2,926	-3,229
Salary and other personnel costs	-138	-117	-255	-116	-108	-223	-268	-290	-558
Property tax and licensing fees	-137	-7	-145	-136	-7	-143	-313	-16	-329
Other operating costs	-182	-381	-563	-154	-404	-558	-328	-810	-1,138
Profit/loss from equity-accounted investees	14	1	15	7	1	7	-29	2	-28
EBITDA	2,888	870	3,758	1,734	792	2,526	3,974	1,530	5,504
Depreciation and amortisation	-179	-406	-585	-171	-355	-527	-372	-719	-1,091
Operating profit (EBIT)	2,709	464	3,173	1,563	437	2,000	3,603	811	4,414
Interest income	9	3	11	10	4	14	34	9	43
Interest expense	-208	-75	-283	-220	-39	-259	-483	-90	-573
Other finance income/costs	-1	1	1	17	-	17	24	1	25
Net financial items	-200	-71	-271	-194	-34	-228	-425	-80	-505
Profit before tax	2,509	393	2,902	1,369	403	1,772	3,177	731	3,908
Income taxes	-1,183	-87	-1,270	-806	-93	-899	-2,188	-115	-2,303
Profit after tax	1,326	306	1,632	563	310	873	990	615	1,605

¹ Discontinued operations = network operations, see note 3 and 4.

Consolidated statement of comprehensive income (continued)

NOK million	1H 2019			1H 2018			2018		
	Continuing operations	Discontinued operations ¹	Hafslund E-CO Group	Continuing operations	Discontinued operations ¹	Hafslund E-CO Group	Continuing operations	Discontinued operations ¹	Hafslund E-CO Group
PROFIT ATTRIBUTABLE TO									
Owners of the parent company	1,232	306	1,538	478	310	788	804	615	1,419
Non-controlling interests	94	-	94	85	-	85	186	-	186
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS									
Change in fair value of financial instruments	-48	-	-48	-8	-12	-20	14	-	14
Income tax effects	11	-	11	2	1	3	-4	-	-4
Total items that may be reclassified to profit or loss in subsequent periods	-37	-	-37	-6	-11	-17	10	-	10
ITEMS THAT MAY NOT BE RECLASSIFIED TO PROFIT OR LOSS									
Actuarial gains (losses) on defined benefit plans	-	-	-	-	66	66	21	269	290
Income tax effects	-	-	-	-	-16	-16	-7	-59	-66
Total items that may not be reclassified to profit or loss	-	-	-	-	50	50	14	210	224
Other comprehensive income	-37	-	-37	-6	39	33	24	210	234
Total comprehensive income	1,289	306	1,595	557	349	906	1,014	825	1,839
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO									
Owners of the parent company	1,195	306	1,501	478	310	788	828	825	1,653
Non-controlling interests	94	-	94	85	-	85	186	-	186

¹ Discontinued operations = network operations, see note 3 and 4.

Consolidated statement of financial position

NOK million	30.06.2019	30.06.2018	31.12.2018
ASSETS			
Deferred tax assets	328	301	319
Intangible assets	15,879	15,890	16,475
Property, plant and equipment	12,937	24,669	25,370
Right-of-use assets (note 9)	29	-	-
Equity-accounted investees	406	462	416
Non-current financial derivatives	881	752	928
Other non-current receivables	391	409	786
Non-current assets	30,852	42,483	44,295
Inventory	1	75	31
Trade receivables	64	1,024	472
Other non-interest-bearing current receivables	171	-	1,186
Shares and other financial assets	-	19	202
Current financial derivatives	64	10	1
Cash and cash equivalents	2,706	535	2,993
Assets held for sale (note 3, 4, 9)	15,799	-	-
Current assets	18,804	1,663	4,885
Assets	49,656	44,146	49,180

NOK million	30.06.2019	30.06.2018	31.12.2018
EQUITY AND LIABILITIES			
Paid-in capital	15,395	10,177	15,395
Other equity	-812	4,987	-962
Non-controlling interests	2,118	1,970	2,068
Equity	16,701	17,134	16,501
Non-current interest-bearing debt (note 7)	17,367	16,095	18,533
Lease liabilities (note 9)	31	-	-
Deferred tax liabilities	3,385	4,370	4,380
Pension liabilities	54	-5	114
Non-current financial derivatives	71	194	93
Other liabilities and obligations	1,290	749	1,294
Non-current liabilities	22,199	21,404	24,414
Trade payables	194	742	395
Other current non-interest-bearing liabilities	479	1,290	2,060
Current financial derivatives (liabilities)	1	236	350
Current tax liabilities	1,852	1,171	2,408
Current interest-bearing debt (note 7)	4,245	2,170	3,052
Liabilities held for sale (note 3, 4, 9)	3,986	-	-
Current liabilities	10,756	5,608	8,265
Equity and liabilities	49,656	44,146	49,180

Consolidated statement of cash flows

NOK million	1H 2019	1H 2018	2018
CASH FLOW FROM OPERATING ACTIVITIES			
EBITDA	2,888	1,736	3,974
Changes in inventories	-	-	4
Unrealised changes in derivatives	-512	237	376
Changes in trade receivables and other non-interest-bearing receivables	386	-276	-391
Changes in trade payables and other current non-interest-bearing liabilities	-169	-184	114
Other non-cash income and expenses	132	137	-118
Cash flow from operating activities	2,725	1,650	3,958
Interest paid	-326	-316	-426
Taxes paid	-1,284	-999	-1,298
Net cash flow from operating activities - continuing operations	1,115	336	2,234
Net cash flow from operating activities - discontinued operations	961	1,107	1,429
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in property, plant and equipment	-317	-258	-604
Proceeds from sale of property, plant and equipment, etc.	-	-	-

NOK million	1H 2019	1H 2018	2018
Acquisition of business	-167	-	-31
Other investment activities	12	-	3
Cash flow from investment activities - continuing operations	-472	-258	-632
Cash flow from investment activities - discontinued operations	-667	-697	-1,546
CASH FLOW FROM FINANCING ACTIVITIES			
Change in interest-bearing debt and receivables	2,648	-1,092	650
Other financing activities	-3	-	8
Dividends paid and other equity transactions	-929	-663	-663
Financial effects in continuing operations, from discontinued operations	-4,363	-	-
Cash flow from financing activities - continuing operations	-2,647	-1,755	-4
Cash flow from financing activities - discontinued operations	1,222	-546	-635
Changes in cash and cash equivalents	-487	-1,813	846
Cash and cash equivalents at 1 January	3,193	2,348	2,349
Foreign currency gains/losses on cash and cash equivalents	-	-	-1
Cash and cash equivalents at end of period	2,706	535	3,195

Consolidated statement of changes in equity

NOK million	Share capital	Share premium	Other equity	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Equity at 1 January 2018	2,166	7,456	5,608	15,230	1,896	17,126
COMPREHENSIVE INCOME 2018	-	-	1,419	1,419	186	1,605
Profit for the year	-	-	234	234	-	234
Other comprehensive income	-	-	1,653	1,653	186	1,839
Total comprehensive income for the year	-	-	-985	-985	-13	-998
TRANSACTIONS WITH OWNERS	-	-	-1,500	-1,500	-	-1,500
Ordinary dividends for 2017	-	-	-2,485	-2,485	-13	-2,498
Other capital distribution	-	-	-3	-3	-	-3
Total transactions with owners	-	-	39	39	-	39
Other changes in equity	-2,066	7,839	-5,773	-	-	-
Other changes in equity, equity accounted investees	100	15,295	-962	14,433	2,068	16,501
Reclassification as a result of intergration Hafslund and E-CO Energi	-2 066	7 839	-5 773	-	-	-
Equity at 31 December 2018	100	15,295	-962	14,433	2,068	16,501
COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD TO 30 JUNE 2019	-	-	1,538	1,538	94	1,632
Profit for the period	-	-	1,538	1,538	94	1,632
Other comprehensive income	-	-	-37	-37	-	-37
Total comprehensive income for the period	-	-	1,501	1,501	94	1,595

Consolidated statement of changes in equity *(continued)*

NOK million	Share capital	Share premium	Other equity	Equity attributable to owners of the parent	Non-controlling interests	Total equity
TRANSACTIONS WITH OWNERS						
Ordinary dividends for 2018	-	-	-1,284	-1,284	-35	-1,319
Total transactions with owners	-	-	-1,284	-1,284	-35	-1,319
Other changes in equity	-	-	66	66	-9	57
Other changes in equity, equity accounted investees	-	-	54	54	-	54
Implementation of IFRS 16 Leases	-	-	-187	-187	-	-187
Equity at 30 June 2019	100	15,295	-813	14,581	2,118	16,701

Note 1 General information

Hafslund E-CO is an integrated energy and infrastructure group wholly owned by the City of Oslo.

Hafslund E-CO owns Norway's second largest power production company, E-CO Energi AS, through its subsidiary E-CO Energi Holding AS, and Norway's largest networks company, Hafslund Nett AS, through its subsidiary Hafslund AS. The Group has a 49 percent shareholding in Fredrikstad Energi AS, and some smaller investments. E-CO Energi AS is a part-owner in the project company NorthConnect, which is planning an electrical "interconnector" between Norway and Scotland.

The company's registered office is situated in Oslo. The consolidated financial statements were authorized for issue by Hafslund E-CO AS's board of directors on 28 August 2019.

Note 2 General accounting policies

The consolidated interim financial statements for the six months ended 30 June 2019 has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The consolidated interim financial statements do not include complete information and the disclosure of information in the notes required by IFRS for annual financial statements, consequently this report should be read in conjunction with the Group's consolidated annual financial statements for the year ended 31 December 2018. The consolidated interim financial statements have been prepared using the same

accounting policies and the same estimation methods as described in the consolidated annual financial statements for 2018, except for IFRS 16 Leases which was implemented from 1 January 2019. Several other changes to standards came into effect from 1 January 2019 but these changes have not had any significant effects on the consolidated interim financial statements as of 30 June 2019. The effect of the implementation of IFRS 16 is described in note 9 Leases.

The consolidated interim financial statements have not been audited. Hafslund E-CO has chosen to present discontinued operations in a separate column in the consolidated statement of comprehensive income as in the Group's view, this provides the best information for the users of the financial statements. This is a change as discontinued operations were previously presented as a single item in the consolidated statement comprehensive income.

The measurement basis for the interim consolidated financial statements is historical cost except for certain assets and obligations measured at fair value. Drawing up the accounts in conformity with IFRS requires use of estimates and judgements. Where there are significant judgements or assumptions and significant estimates, this is described in the relevant notes to the consolidated annual financial statements for 2018 or in notes to these consolidated interim financial statements where there are new or changed assessments.

Note 3 Transactions and events in the first half of 2019

In the autumn of 2018, the boards of Eidsiva Energi and Hafslund E-CO agreed through a letter of intent to look more closely at the possibility of integrating the main activities of the two groups. In March 2019, the boards agreed on the main features of an integration agreement and in the spring of 2019 the owners of Eidsiva Energi gave their consent. In the City Council meeting on 19 June, the City of Oslo gave its consent to the integration and the companies' general meetings have during June processed and approved the integration.

The integration has been approved by the Norwegian Competition Authority, the Ministry of Petroleum and Energy and the NVE.

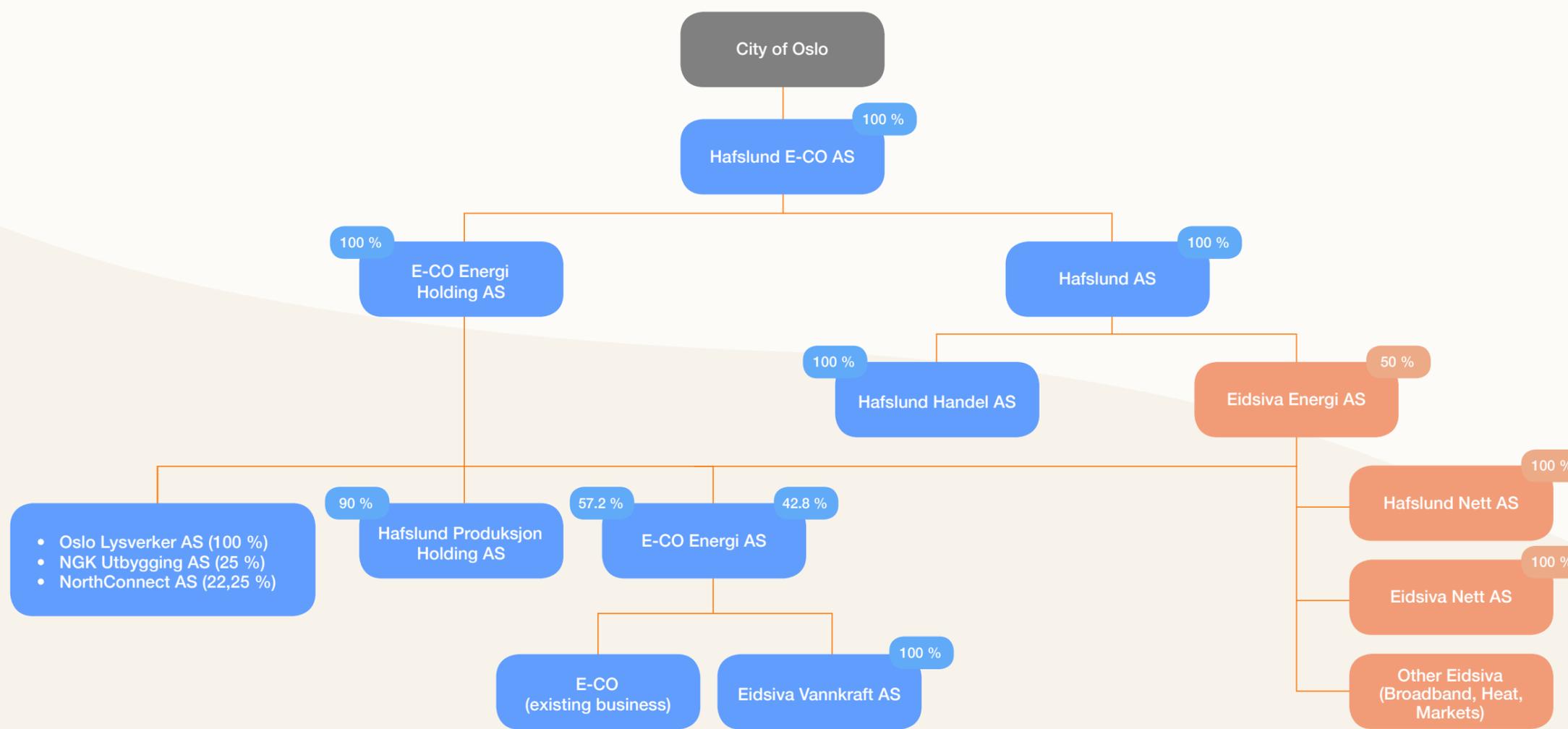
The integration means that Hafslund Nett is transferred to Eidsiva Energi and Hafslund E-CO receives a 50 percent stake in a joint venture (Eidsiva Energi) which will own 100 per cent of the network operations from Hafslund and Eidsiva Energi. This means that the network operations will no longer be consolidated, but through the 50 per cent stake and joint control, will be recognised and measured using the equity method of accounting in Hafslund E-COs consolidated financial statements. Hafslund E-CO's total ownership in the production operations will, after the integration, be 78.6 per cent (direct and indirect). It is expected that the transaction will be completed on 30 September 2019.

Note 3 Transactions and events in the first half of 2019

(continued)

After the integration, the group structure will be as follows:

Group ■
 Joint venture ■



Note 4 Discontinued operations and assets and liabilities held for sale

As part of an agreement between Hafslund E-CO and Eidsiva Energi to integrate the hydropower production and network businesses, Hafslund E-CO will transfer its network business (Hafslund Nett) to Eidsiva Energi and receive a 50 per cent ownership interest in Eidsiva Energi, while at the same time the Group acquires Eidsiva's (Eidsiva Vannkraft) production business. Both the network and production businesses shall be transferred without external or internal debt beyond working capital items but Hafslund E-CO will, as part of the transaction, receive a cash consideration of NOK 3.3 billion from Eidsiva Energi.

The transaction was approved by the City of Oslo at a city council meeting on June 19 and has previously been approved by the owners of Eidsiva Energi. Hafslund E-CO has considered that the transfer of Hafslund Nett meets the criteria for discontinued operations and assets and liabilities held for sale as of 30 June, 2019, in accordance with IFRS 5 Non-current assets held for sale and discontinued operations. The results from the networks operations are presented in a separate column marked "discontinued operations" in the consolidated statement of comprehensive income. Comparative figures are presented accordingly. In the consolidated statement of financial position assets and liabilities related to the network operations are presented as assets and liabilities held for sale, respectively as of 30 June 2019.

The transfer will be part of a larger transaction where Hafslund E-CO and Eidsiva integrate their production and network businesses,

see further description in note 3 Transactions and events in the first half of 2019.

When the transaction is completed, Hafslund Nett will no longer be a subsidiary of Hafslund E-CO but will through a 50 per cent joint venture in Eidsiva Energi, which together will own the networks operations in Hafslund E-CO and Eidsiva Energi, be recognised in accordance with the equity method.

Note 5 Segment information

Operating segments are reported according to the same structure as the management reporting to the Group's chief operating decision maker - the group management. Group management is responsible for allocating resources for and assessment of earnings in the operating segments. In Hafslund E-CO, the operating segments coincide with the business areas Production (E-CO Energi) and Networks (Hafslund). The Hafslund segment, in addition to the network operations (Hafslund Nett), also includes activities that are not network related, but this part of the segment was expected to be immaterial in the future as of 31 December 2018. In addition to the operating segments, the table includes Other activities (the parent company Hafslund E-CO AS) and group eliminations that are shown together in a separate column. Profit from equity-accounted investees is presented in the respective main segments Production and Networks, under operation. Transactions between the business areas are carried out according to the arm's length principle.

With support in the vision "For a renewable and fully-electric future", a new business area, New Energy, was also established in 2018, which will develop smart solutions within, among other things, electrical infrastructure and smart city solutions. The New Energy business area is under development and is currently being reported as part of the parent company, Hafslund E-CO AS.

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

After the integration with Eidsiva Energi, Hafslund Nett will be transferred to Eidsiva Energi. As of June 30, 2019, the network operations (Hafslund Nett) were therefore presented as discontinued operations in the consolidated statement of comprehensive income and assets and liabilities held for sale in the statement of financial position, see further discussion in note 4 Discontinued operations and assets and liabilities held for sale.

In the business review in the half-year report, the segments E-CO Energi and Hafslund are presented as followed up by the group management, but the discussion of the Hafslund segment also includes the main figures for discontinued operations (Hafslund Nett).

Disaggregation of different types of income per segment is given in note 6 Revenue.

Note 5 Segments ¹

NOK million	PRODUCTION		NETWORKS		OTHER ACTIVITIES AND ELIMINATIONS		GROUP	
	1H 2019	1H 2018	1H 2019	1H 2018	1H 2019	1H 2018	1H 2019	1H 2018
PROFIT AND LOSS								
Sales revenue	2,912	2,675	2,882	2,732	-	-	5,794	5,407
Other operating revenue	535	-407	65	61	29	-	597	-346
Revenue	3,447	2,268	2,947	2,792	29	-	6,392	5,060
Energy purchases and transmission	-117	-155	-1,571	-1,461	1	-	-1,687	-1,616
Salary and other personnel costs	-97	-97	-117	-126	-41	-	-255	-223
Property tax and licensing fees	-137	-136	-7	-7	-0	-	-144	-143
Other operating costs	-165	-143	-382	-415	-47	-	-563	-558
Profit/loss from equity-accounted investees	-	2	15	5	-	-	15	7
EBITDA	2,931	1,739	885	788	-58	-	3,758	2,526
Depreciation and amortisation	-178	-169	-406	-358	-1	-	-585	-527
Operating profit (EBIT)	2,753	1,570	479	430	-59	-	3,173	2,000
Interest income	37	13	1	1	26	-	11	14
Interest expenses	-199	-171	-124	-88	-12	-	-283	-259
Other finance income/costs	-6	-	6	17	-	-	1	17
Net financial items	-168	-158	-117	-70	14	-	-271	-228
Profit before tax	2,585	1,412	362	360	-45	-	2,902	1,772
Income taxes	-1,201	-817	-79	-82	10	-	-1,270	-899
Profit after tax	1,384	595	284	278	-35	-	1,632	873

¹ For segment information for the year ended 31 December 2018, please see the Group's annual report for 2018.

Note 5 Segments *(continued)*

NOK million	PRODUCTION		NETWORKS		OTHER ACTIVITIES AND ELIMINATIONS		GROUP	
	1H 2019	1H 2018	1H 2019	1H 2018	1H 2019	1H 2018	1H 2019	1H 2018
ASSETS								
Property, plant and equipment	12,745	12,385	13,088	12,284	170	-	26,004	24,669
Intangible assets	15,851	15,266	624	624	28	-	16,503	15,890
Right-of-use assets	29	-	959	-	-	-	989	-
Deferred tax assets	313	301	-	-	15	-	328	301
Equity accounted investees	136	33	325	429	-	-	461	462
Non-current financial derivatives	881	752	-	-	-	-	881	752
Other non-current receivables	217	227	580	182	4	-	801	409
Non-current assets	30,172	28,964	15,577	13,519	218	-	45,967	42,483
Inventory	1	-	27	75	-	-	28	75
Trade receivables	67	458	665	589	1	-	729	1,047
Other non-interest bearing current receivables	153	-	-1	-23	8	-	160	-23
Shares and other financial assets	-	-	2	19	-	-	2	19
Current financial derivatives	64	2	-	8	-	-	64	10
Cash and cash equivalents	2,706	535	-	-	-	-	2,706	535
Current assets	2,991	995	693	668	9	-	3,690	1,663
Assets	33,163	29,959	16,270	14,187	227	-	49,656	44,146

Note 5 Segments *(continued)*

NOK million	PRODUCTION		NETWORKS		OTHER ACTIVITIES AND ELIMINATIONS		GROUP	
	1H 2019	1H 2018	1H 2019	1H 2018	1H 2019	1H 2018	1H 2019	1H 2018
EQUITY AND LIABILITY								
Paid-in capital	7,606	7,606	2,016	2,571	5,773	-	15,395	10,177
Other equity	3,577	2,714	2,876	2,273	-7,266	-	-812	4,987
Non-controlling interests	2,118	1,970	-	-	-	-	2,118	1,970
Equity	13,302	12,290	4,892	4,844	-1,493	-	16,701	17,134
Non-current interest-bearing debt	12,103	10,659	3,764	5,436	1,500	-	17,367	16,095
Lease liabilities	31	-	1,067	-	-	-	1,098	-
Deferred tax liabilities	3,486	3,216	1,074	1,154	22	-	4,582	4,370
Pension liabilities	51	75	33	-80	3	-	86	-5
Non-current financial derivatives	71	194	-	-	-	-	71	194
Other liabilities and obligations	1,290	749	-	-	-	-	1,290	749
Non-current liabilities	17,034	14,893	5,937	6,511	1,525	-	24,495	21,404
Trade payables	188	469	294	273	7	-	486	742
Other current non-interest-bearing debt	360	-	1,281	1,290	48	-	1,689	1,290
Current financial derivatives (liabilities)	1	236	-	-	-	-	1	236
Current tax liabilities	1,852	1,171	189	-	-	-	2,040	1,171
Current interest-bearing debt	427	900	3,678	1,270	139	-	4,245	2,170
Current liabilities	2,828	2,776	5,442	2,832	195	-	8,461	5,608
Equity and liabilities	33,163	29,959	16,270	14,187	227	-	49,656	44,146

Note 5 Segments *(continued)*

NOK million	PRODUCTION		NETWORKS		OTHER ACTIVITIES AND ELIMINATIONS		GROUP	
	1H 2019	1H 2018	1H 2019	1H 2018	1H 2019	1H 2018	1H 2019	1H 2018
NET INTERESTBEARING DEBT								
Non-current interest-bearing debt	11,856	10,659	3,759	5,404	1,500	-	17,115	16,063
Current interest-bearing debt	427	900	3,678	1,270	139	-	4,245	2,170
Long-term interest-bearing assets	30	152	49	49	-	-	79	201
Cash and cash equivalents	2,706	535	-	-	-	-	2,706	535
Net interestbearing debt	9,548	10,872	7,388	6,624	1,639	-	18,574	17,496
CAPITAL EMPLOYED								
Equity	13,302	12,290	4,892	4,844	-1,493	-	16,701	17,134
Net interestbearing debt	9,548	10,872	7,388	6,624	1,639	-	18,574	17,496
Taxes net	5,025	4,086	1,262	1,154	7	-	6,294	5,240
Capital employed	27,874	27,248	13,542	12,623	153	-	41,569	39,871
INVESTMENTS								
Property, plant and equipment	317	258	676	705	-	-	993	963

Note 6 Revenue

Hafslund E-CO's sales revenue (revenue from contracts with customers) and other operating revenue is distributed across the business areas as follows:

NOK million	PRODUCTION		NETWORKS		OTHER ACTIVITIES		GROUP		Hafslund E-CO Group
	Continuing operations	Continuing operations	Discontinued operations	Networks (Hafslund Group)	Continuing operations	Continuing operations	Discontinued operations		
REVENUE 1H 2019									
Power revenue	2,835	-	77	77	-	2,835	77	2,912	
Concessionary power	49	-	-	-	-	49	-	49	
Investment contributions	-	-	136	136	-	-	136	136	
Network rental/actual revenue	28	-	2,670	2,670	-	28	2,670	2,698	
Sales revenue	2,912	-	2,882	2,882	-	2,912	2,882	5,794	
Realised gain/loss power derivatives	16	-	-	-	-	16	-	16	
Unrealised gain/loss power derivatives	512	-	-	-	-	512	-	512	
Other operating revenue	8	2	57	59	3	12	57	70	
Other operating revenue	535	2	57	59	3	540	57	597	
Other operating revenue - internal	-	-	5	5	-5	-5	5	-	
Revenue	3,447	2	2,945	2,947	-3	3,447	2,945	6,392	

Note 6 Revenue *(continued)*

Hafslund E-CO's sales revenue (revenue from contracts with customers) and other operating revenue is distributed across the business areas as follows:

NOK million	PRODUCTION		NETWORKS		OTHER ACTIVITIES		GROUP		Hafslund E-CO Group
	Continuing operations	Continuing operations	Discontinued operations	Networks (Hafslund Group)	Continuing operations	Continuing operations	Discontinued operations		
REVENUE 1H 2018									
Power revenue	2,611	18	74	93	-	2,629	74	2,704	
Concessionary power	37	-	-	-	-	37	-	37	
Investment contributions	-	-	122	122	-	-	122	122	
Network rental/actual revenue	27	-	2,517	2,517	-	27	2,517	2,544	
Sales revenue	2,675	18	2,714	2,732	-	2,693	2,714	5,406	
Realised gain/loss power derivatives	-170	-	-	-	-	-170	-	-170	
Unrealised gain/loss power derivatives	-261	-	-	-	-	-261	-	-261	
Other operating revenue	24	12	49	61	-	36	49	85	
Other operating revenue	-407	12	49	61	-	-395	49	-346	
Other operating revenue - internal	-	-2	2	-	-	-2	2	-	
Revenue	2,268	28	2,764	2,792	-	2,296	2,764	5,060	

Note 7 Interest-bearing debt

NOK million

	Loan amounts	Currency	Due date	30.06.2019	31.12.2018
E-CO ENERGI HOLDING AS					
Bond issue in the Norwegian market	100	NOK	2019		100
Private placement in the American market	50	USD	2019	427	433
Bond issue in the Norwegian market	500	NOK	2022	500	500
Private placement in the American market	75	USD	2023	637	649
Private placement in the American market	290	NOK	2024	290	290
Private placement in the American market	25	USD	2026	210	216
The Nordic Investment Bank	2,000	NOK	2027-2030	2,000	2,000
Private placement in the American market	910	NOK	2027	910	910
Private placement in the Japanese market	5,000	JPY	2028	395	394
Bond issue in the Norwegian market	250	NOK	2029	250	250
Private placement in the Japanese market	5,000	JPY	2029	395	394
Private placement in the American market	723	NOK	2029	723	723
Bond issue in the Norwegian market	200	NOK	2030	200	200
Loan from Eidsiva Vannkraft AS	96	NOK	2030		96
Bond issue in the Norwegian market	200	NOK	2031	200	200
Private placement in the American market	125	USD	2031	1,061	1,082
Private placement in the German market	30	EUR	2031	290	297
Private placement in the American market	848	NOK	2032	848	848
Private placement in the American market	600	NOK	2033	600	600
Subordinated loan (City of Oslo)	2,347	NOK	2037	2,347	2,347
Interest-bearing debt translated to NOK				12,284	12,528
Capitalised value of loans related to fair value hedges				247	172
Interest-bearing debt				12,531	12,700
Hereof current interest-bearing debt				427	533
Hereof non-current interest-bearing debt				12,104	12,168

Note 7 Interest-bearing debt *(continued)*

NOK million	Loan amounts	Currency	Due date	30.06.2019	31.12.2018
HAFSLUND AS					
Bank overdraft facility	1,617	NOK		1,617	
Bond issue in the Norwegian market	500	NOK	2019		500
Commercial paper in the Norwegian market	500	NOK	2019		500
Bond issue in the Norwegian market	500	NOK	2019		500
The Nordic Investment Bank	1,272	NOK	2019-2030	1,272	1,322
Bond issue in the Norwegian market	600	NOK	2019	600 ¹	600
Bond issue in the Norwegian market	305	NOK	2019	305	305
Bond issue in the Norwegian market	750	NOK	2020	750	750
Bond issue in the Norwegian market	300	NOK	2020	300	300
Bond issue in the Norwegian market	400	NOK	2020	400	400
Bond issue in the Norwegian market	750	NOK	2021	750	750
Bond issue in the Norwegian market	400	NOK	2022	400	400
Bond issue in the Norwegian market	300	NOK	2023	300	300
Bond issue in the Norwegian market	450	NOK	2024	450	450
Bond issue in the Norwegian market	293	NOK	2024	293	293
Interest-bearing debt translated to NOK				7,437	7,370
Fair value adjustment loan portfolio				5	13
Interest-bearing debt				7,442	7,383
Hereof current interest-bearing debt				3,678	2,519
Hereof non-current interest-bearing debt				3,764	4,864

¹ This loan is measured at fair value.

Note 7 Interest-bearing debt *(continued)*

NOK million	Loan amounts	Currency	Due date	30.06.2019	31.12.2018
HAFSLUND E-CO AS					
Bank overdraft facility	139	NOK		139	
Subordinated loan (Oslo Energi Holding AS)	1,500	NOK	2,037	1,500	1,500
Interest-bearing debt translated to NOK				1,639	1,500
Interest-bearing debt				1,639	1,500
Hereof current interest-bearing debt				139	
Hereof non-current interest-bearing debt				1,500	1,500
HAFSLUND E-CO GROUP					
Balance at 30 June 2019/31 December 2018, current interest-bearing debt				4,245	3,052
Balance at 30 June 2019/31 December 2018, non-current interest-bearing debt				17,367	18,532

Note 8 Fair value

Key accounting policies

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy: Fair value measurements are classified at the following levels:

- Level 1: Valuation is based on listed prices in active markets for identical assets or liabilities.
- Level 2: Valuation is based on inputs other than listed prices covered by Level 1 that are observable for the asset, either directly or indirectly.
- Level 3: Valuation is based on non-observable inputs for the asset or liability.

The Group endeavours to maximise the use of observable data where possible.

Key estimates and assumptions

When there is no listed market price in an active market, fair value is calculated by discounting future cash flows. Future cash flows are discounted based on the market interest curve, which is in turn derived from available interest swap rates.

	30.06.2019			30.06.2019	30.06.2019
NOK million	Level 1	Level 2	Level 3	Total fair value	Balance
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
Interest and currency derivatives	-	945	-	945	945
Interest-bearing receivables	-	-	49	49	49
Total financial assets measured at fair value	-	945	49	994	994
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE					
Interest and currency derivatives	-	71	-	71	71
Power derivatives	-	1	-	1	1
Compensation to landowners and free power	-	-	131	131	131
Interest-bearing debt	-	310	-	310	310
Total financial liabilities measured at fair value	-	382	131	513	513

Note 8 Fair value (continued)

NOK million				31.12.2018	31.12.2018
	Level 1	Level 2	Level 3	Total fair value	Balance
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
Interest and currency derivatives	-	929	-	929	929
Interest-bearing receivables	-	-	49	49	49
Total financial assets measured at fair value	-	929	49	978	978
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE					
Interest and currency derivatives	-	93	-	93	93
Power derivatives	-	350	-	350	350
Compensation to landowners and free power	-	-	131	131	131
Interest-bearing debt	-	818	-	818	818
Total financial liabilities measured at fair value	-	1,261	131	1,392	1,392

The Group has two loans measured at fair value through profit or loss. One of the loans was repaid in the first half of 2019. Other loans are measured at amortised cost. The fair value of these loans is shown in the table below. The amortised cost of other financial liabilities measured at amortised cost approximately equal to their fair value. Financial assets measured at amortised cost primarily comprise of trade receivables not considered as IFRS 15-receivables and other cost where amortised cost is considered to be approximately equal to fair value.

NOK million				30.06.2019	30.06.2019
	Level 1	Level 2	Level 3	Total fair value	Balance
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST					
Other current non-interest-bearing liabilities	-	-	479	479	479
Trade payables	-	-	194	194	194
Other liabilities	-	-	1,159	1,159	1,159
Interest-bearing debt	-	17,774	-	17,774	17,454
Total financial liabilities measured at amortised cost	-	17,774	1,832	19,606	19,286
Interest-bearing debt measured at amortised cost					17,454
Interest-bearing debt measured at fair value					310
Subordinated loan measured at amortised cost, fair value not estimated					3,847
Interest-bearing debt at 30 June 2019					21,612
Non-current interest-bearing debt					17,367
Current interest-bearing debt					4,245
Interest-bearing debt at 30 June 2019					21,612

Note 8 Fair value *(continued)*

NOK million				31.12.2018	31.12.2018
	Level 1	Level 2	Level 3	Total fair value	Balance
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST					
Other current non-interest-bearing liabilities	-	-	2,060	2,060	2,060
Trade payables	-	-	395	395	395
Other liabilities	-	-	1,163	1,163	1,163
Interest-bearing debt	-	16,912	-	16,912	16,918
Total financial liabilities measured at amortised cost	-	16,912	3,618	20,530	20,537
<hr/>					
Interest-bearing debt measured at amortised cost					16,918
Interest-bearing debt measured at fair value					818
Subordinated loan measured at amortised cost, fair value not estimated					3,847
Interest-bearing debt at 31 December 2018					21,584
<hr/>					
Non-current interest-bearing debt					18,533
Current interest-bearing debt					3,052
Interest-bearing debt at 31 December 2018					21,584

Discussion of key matters

There were no changes in the measurement of fair values during the reporting period that resulted in transfers between levels 1 and 2 and no transfers in or out of level 3.

Note 9 Leases**Key accounting policies**

Hafslund E-CO leases several assets, including transformer substations, power plants, office premises, waterfalls and other operating assets.

Leases in which the Group is a lessee

The Group recognises right-of-use assets and lease liabilities at the lease commencement date. The right-of-use asset is initially measured at cost and subsequently at cost less accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, and discounted.

Discount rate

Hafslund E-CO uses its incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The Group generally uses its incremental borrowing rate as discount rate. This is estimated based on the swap rate for the relevant lease term and the use of market data for the relevant type of asset.

Extension and purchase options

Several of the Group's leases contain options that allow for extension of leases. In addition, one of the contracts for the lease of transformer substations has a purchase option. Such options have been assessed and taken into account in the calculations of right-of-use assets and lease

liabilities. Significant judgements in connection with the options are described in the section Key estimates and assumptions below. There have been no changes in the assessment of extension and purchase options after the assessment that was made as of 1 January 2019.

Lease payment regulations

For several of the Group's lease agreements, there is an annual indexation of the lease payment. The lease liability and the right-of-use asset are adjusted when the relevant index adjustments occur. For leases where the lease payment is adjusted by a fixed percentage, the estimated adjustment is included in the calculation of the lease liability and the right-of-use asset at the time of the lease commencement date.

Short-term leases and leases where the underlying asset have a low value

The Group uses the recognition exception for leases that have a lease term of 12 months or less. The Group also uses the recognition exception for leases where the underlying asset has a low value.

Presentation in the balance sheet

The Group presents right-of-use asset on a separate line in the balance sheet under Right-of-use assets and lease liabilities on separate lines in the balance sheet under Lease liabilities. A significant part of the right-of-use assets and corresponding lease liabilities are in Hafslund Nett, which is held for sale as of June 30, 2019, see further description in note 4 Discontinued operations and assets and liabilities held for sale.

Leases in which the Group is a lessor

The Group's activities as a lessor are limited. Consequently IFRS 16 has not had any significant impact on the consolidated financial statements.

Implementation effects 1 January 2019

The Group has applied the modified retrospective transition method, where the accumulated effect of initial application of IFRS 16 is adjusted against retained earnings as at 1 January 2019. The comparative figures have not been amended as a result of transition to IFRS 16 applying this method. IFRS 16 replaces existing standards and interpretations of leases, including IAS 17 Leases and IFRIC 4 Determination of whether an agreement contains a lease.

For several major leases the right-of-use asset has been recognised as if IFRS 16 has always been applied. For other leases, the right-of-use asset is recognised at the value of the lease liability as of 1 January 2019. Options that entitle the Group to extend or terminate the lease are taken into account and reflected in the determination of the lease term where it is considered reasonably certain that the option will be exercised. A similar assessment is made for purchase options on the underlying asset.

Key estimates and assumptions

The Group has used judgement to determine the lease term for the leases containing extension options. The assessment of whether Hafslund E-CO is reasonably certain to exercise extension options affects the lease term, and thus this assessment also significantly affects the size of the lease liability and right-of-use asset. The largest lease agreements apply to the

leases of transformer substations, where the two leases contain 10-year extension options and one contains a purchase option. The Group's assessment at the transition to IFRS 16 was that for one of the leases it is reasonably certain that the first 10-year extension option will be exercised. For the other, the assessment is that the purchase option will be exercised. The two leases account for just under 90 per cent of the total lease liabilities on 1 January 2019.

The implementation effects can be specified as follows:

NOK million	1 January 2019
IMPLEMENTATION EFFECTS	
Right-of-use assets	1,005
Deferred tax assets	52
Assets	1,057
Lease liabilities	1,243
Equity	-186
Equity and liabilities	1,057

The right-of-use assets and lease liabilities relate to the following asset categories as of 1 January and 30 June 2019:

Mill. kroner	1 January 2019	30 June 2019	Discontinued operations at 30 June 2019
RIGHT-OF-USE ASSETS			
Power stations and dam facilities	6	5	
Networks	930	927	927
Technical equipment and chattels	6	5	
Other property	48	36	33
Waterfall rights	14	16	
Right-of-use assets	1,005	989	959
LEASE LIABILITIES			
Power stations and dam facilities	7	7	
Networks	1,157	1,151	1,133
Technical equipment and chattels	6	5	
Other property	59	38	53
Waterfall rights	14	16	
Lease liabilities	1,243	1,216	1,185

Note 9 Leases *(continued)*

Right-of-use assets and lease liabilities that belong to Hafslund Nett are included in Assets held for sale and Liabilities held for sale at 30 June 2019.

Compared with 2018, rental costs in operating profit have been replaced by depreciation of the right-of-use assets and interest expenses on the lease liabilities. An overview of the effects on key profit or loss captions compared to what these figures would have been if IFRS 16 had not been implemented is shown below to provide a comparative basis with the 2018 figures.

The Group had no lessee finance leases as of 31 December 2018.

NOK million	CONTINUING OPERATIONS				DISCONTINUED OPERATIONS				TOTAL			
	H1 2019 IFRS 16	IFRS 16- effect	H1 2019 IAS 17	H1 2018 IAS 17	H1 2019 IFRS 16	IFRS 16- effect	H1 2019 IAS 17	H1 2018 IAS 17	H1 2019 IFRS 16	IFRS 16- effect	H1 2019 IAS 17	H1 2018 IAS 17
BREAKDOWN OF EFFECTS ON PROFIT BEFORE TAX												
EBITDA	2,888	4	2,884	1,734	870	64	806	792	3,758	68	3,689	2,526
Depreciation and amortisation	-179	-2	-177	-171	-406	-37	-369	-355	-585	-39	-546	-527
Operating profit (EBIT)	2,709	2	2,707	1,563	464	28	437	437	3,173	29	3,144	2,000
Net financial items	-200	-1	-199	-194	-71	-15	-56	-34	-271	-16	-255	-228
Profit before tax	2,509	1	2,508	1,369	393	12	381	403	2,902	13	2,889	1,772

Note 10 Integration Hafslund and E-CO in 2018

As explained in the annual consolidated financial statements for 2018, Hafslund E-CO Group was formally established in 2018. For accounting purposes, the consolidated financial statements were based on book values in the two sub-groups E-CO Energi and Hafslund. Reference is made to note 1.4 Transactions and events in 2018 in the annual accounts for 2018.

The effect on comparative figures in the consolidated interim financial statements is as follows:

	1.1.-30.6. 2018	1.1.-30.6. 2018	1.1.-30.6. 2018
NOK million	E-CO Group (official half-year accounts)	Hafslund Group (official half-year accounts)	Hafslund E-CO Group
PROFIT FOR THE HALF-YEAR			
Revenue	2,269	2,792	5,060
Operating profit	1,571	430	2,000
Net financial items	-159	-71	-228
Profit before tax	1,413	360	1,772
Taxes	-817	-82	-899
Profit for the half-year	595	278	873

Note 11 Related party transactions

Hafslund E-CO AS acquired Hafslund Hovedgård AS from Oslo Energi Holding AS in April 2019, with consideration in cash. The consideration of NOK 167 million was based on a valuation carried out by a third party. Hafslund E-CO AS and Oslo Energi Holding AS are both wholly owned by the City of Oslo.

Note 12 Events after the reporting period

In July 2019, Hafslund E-CO carried out a business acquisition. The acquisition date was 1 July 2019. The Group acquired 51 per cent of the shares in Trøgstad Elverk AS from Trøgstad municipality, through the subsidiary Hafslund Nett AS and became a 100 per cent owner. The consideration was NOK 31 million and was settled in cash. Until then, the Group had a 49 per cent ownership interest and Trøgstad Elverk AS as of June 30, 2019 was an associate recognised in accordance with the equity method in the consolidated financial statements of Hafslund E-CO. Trøgstad Elverk AS will be part of the transaction with Eidsiva where the network operations are sold to Eidsiva, see further discussion in note 3 Transactions and events in the first half of 2019 and note 4 Discontinued operations and assets and liabilities held for sale.

Alternative performance measures

NOK million	1H 2019	1H 2018
UNDERLYING OPERATING PROFIT		
EBIT	3,173	2,000
Unrealised profit power and currency derivatives	-512	261
Underlying operating profit	2,662	2,261
GROSS AND NET INTEREST-BEARING DEBT		
Long-term interest-bearing debt	17,367	16,095
Value change loan portfolio	-253	-33
Short-term interest-bearing debt	4,245	2,170
Gross interest-bearing debt	21,359	18,233
Cash and cash equivalents	2,706	535
Other long-term interest-bearing receivables	79	201
Net interest-bearing debt	18,574	17,496
CAPITAL EMPLOYED		
Equity	16,701	17,134
Net interest-bearing debt	18,574	17,496
Net tax positions	6,294	5,240
Capital employed	41,569	39,871

¹ Capital employed and equity in calculations for half year 2018 only

² EBITDA, EBIT and profit annualised by multiplying the half-year figure by 2

NOK million	1H 2019	1H 2018
NET TAX POSITIONS		
Deferred tax assets	-328	-301
Deferred tax liabilities	4,582	4,370
Current tax liabilities	94	1,171
Current resource rent tax liabilities	1,946	-
Net tax positions	6,294	5,240

ROCE / RETURN ON CAPITAL EMPLOYED

EBIT	3,173	2,000
<i>Divided by:</i>		
Average capital employed ¹	41,339	39,871
ROCE / return on capital employed ²	15 %	10 %

ROE / RETURN ON EQUITY

Profit after tax	1,632	873
<i>Divided by:</i>		
Average equity ¹	16,601	17,134
ROE / return on equity ²	20 %	10 %

Alternative performance measures *(continued)*

NOK million	1H 2019	1H 2018
DEBT / EBITDA		
Net interest-bearing debt	18,574	17,496
<i>Divided by:</i>		
EBITDA	3,758	2,526
Debt / EBITDA ²	2.5	3.5
FFO / DEBT		
EBITDA	3,758	2,526
Paid interest	-377	-362
Paid taxes	-1,284	-999
<i>Divided by:</i>		
Net interest-bearing debt	18,574	17,496
FFO / Debt ²	23 %	13 %

¹ Capital employed and equity in calculations for half year 2018 only

² EBITDA, EBIT and profit annualised by multiplying the half-year figure by 2

Definitions

Term	Definition
EBITDA	EBIT + Depreciation
Unrealised profit power and currency derivatives	Unrealised gain/loss on power and currency derivatives
Underlying operating profit	EBIT - unrealised profit power and currency derivatives
Net interest-bearing debt	Gross interest-bearing debt - Interest-bearing receivables
Interest-bearing receivables	Cash and cash equivalents + money market funds
Capital employed	Equity + Net interest-bearing debt + Net tax positions
ROE	Profit for the year / Equity (Average for the year)
ROCE	EBIT / Capital employed (Average for the year)
Debt / EBITDA	EB Net interest-bearing debt / EBITDA
FFO / Debt	(EBITDA - interest paid - taxes paid) / Net interest-bearing debt
Power production	Total production in power plants in TWh
Achieved power price	Weighted power price including concession power
NVE capital (regulatory asset base)	Completed fixed assets in the grid operations including a fixed percentage mark-up for working capital

Declaration from the Board of Directors and CEO

The Board of Directors and the CEO have today considered and approved the interim management report and its condensed consolidated interim financial statements for the period 1 January to 30 June 2019 for the Hafslund E-CO Group.

We hereby declare to the best of our knowledge that:

- the condensed consolidated financial statements for the period 1 January to 30 June 2019 have been prepared in accordance with IAS 34 Interim Reporting and provide a true and fair view of the Group's assets, liabilities, financial position and performance as a whole
- the interim management report provides a true and fair view of important events in the accounting period and their influence on the consolidated interim financial statements, and the key risks and uncertainties facing the business in the next accounting period.

Oslo, 28 August 2019

Board of Directors, Hafslund E-CO AS

Alexandra Bech Gjorv
Styreleder

Bente Sollid Storehaug

Bjørn Erik Næss

Bård Vegar Solhjell

Mari Thjømøe

Arvid Amundsen

Per Luneborg

Johnny Kjørås

Finn Bjørn Ruyter
Konsernsjef