

Hafslund 

ECO

Half-year report

2020 first half year

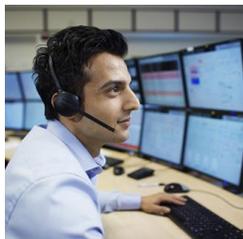
For a renewable and fully electric future



EBITDA
1H 2020

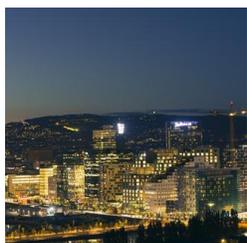
1 341

NOK million



Debt/ EBITDA

5.0x



Highlights first half-year

- ▶ Net profit after tax of NOK 518 million (NOK 1,632 million) strongly impacted by a significant fall in the power price due to a high power surplus and large restrictions in transfer capacity.
- ▶ Achieved power price of 12 øre per kWh (43.7 øre per kWh) – positive year-on-year contribution from produced volume.
- ▶ Stable earnings and solid dividend contribution from shareholding in Eidsiva Energi.
- ▶ Robust financing structure but increased gearing due to negative cash flow.
- ▶ Emergency response organisation established and full operations maintained since the outbreak of the corona pandemic.
- ▶ Dividend of NOK 700 million for the 2019 financial year paid to the City of Oslo (NOK 1,284 million) reflects fall in power prices and weaker market outlook.

Key figures

NOK million	1H 2020	1H 2019	2019
FINANCIAL KEY FIGURES			
Revenues	1 637	6 392	10 437
EBITDA	1 341	3 758	6 072
Operating profit (EBIT)	1 102	3 173	5 060
Underlying operating profit	1 097	2 661	4 434
Profit before tax	739	2 902	8 773
Profit after tax	518	1 632	6 511
Result from sale of Grid activities	41	-	- 4 351
Profit after tax adjusted for result from sale of Grid activities	559	1 632	2 160
Net interest-bearing debt	13 289	14 728	10 340
Subordinated debt (not included in net interest-bearing debt)	5 764	3 847	5 764
Equity	32 421	16 701	33 107
Total assets	64 525	49 656	65 274
Capital employed	52 031	37 127	51 275
Investments in fixed assets (continuing operations)	356	317	701
ROE (%)	3,4 %	19,5 %	6,5 %
ROCE (%)	4,2 %	17,1 %	9,9 %
Net interest-bearing debt/EBITDA (x)	5,0	2,0	1,7
FFO/Net interest-bearing debt (%)	Negativ	31%	35%
Equity share (%)	50%	34%	51%
OTHER KEY FIGURES			
Number of employees	429	654	411
H2 - Total number of injuries per million hours worked	13,9	7,7	8,1
Produced volume (TWh)	8,5	6,3	13,6
Achieved price (øre/kWh)	12,0	43,7	39,2

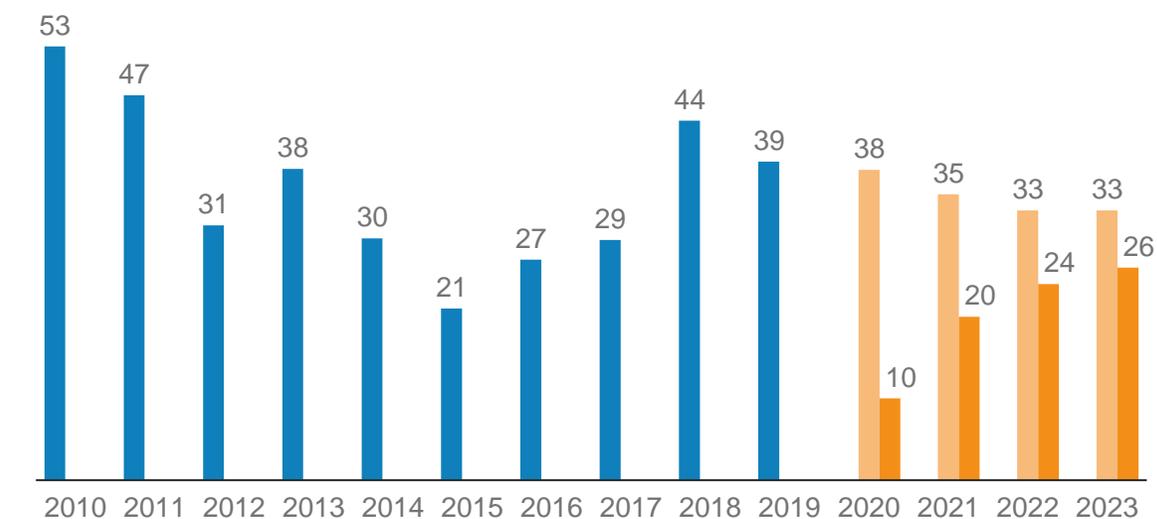
4.2 %
ROCE

8.5 TWh
Hydropower produced

518 NOK million
Profit after tax

Power price development

Values in EUR/MWh



■ Spot price ■ Forward price per 1 Dec 2019 ■ Forward price per 1 Aug 2020

Figures in Norwegian kroner unless otherwise specified. Figures for 2019 are given in parentheses.

1) Number of employees 1H 2019 includes employees in Hafslund Nett, but not employees in Hafslund E-CO Vannkraft Innlandet.

2) Produced volume 1H 2020 includes volume from Hafslund E-CO Vannkraft Innlandet.

Summary first half-year 2020

Comparative figures for 2019

On 30 September 2019, Hafslund E-CO completed a transaction with Eidsiva Energi to integrate the hydropower operations in Hafslund E-CO and the grid operations in Eidsiva Energi. At the same time, a cross ownership was established between Hafslund E-CO and Eidsiva Energi where Hafslund E-CO owns 50 per cent of Eidsiva Energi and Eidsiva Energi owns 42.8 per cent of Hafslund E-CO Vannkraft, a subsidiary of the Hafslund E-CO Group. The figures for 2019 stated in parenthesis show the total consolidated amounts for 2019 including discontinued operations.

HSE

There were 14 injuries in the first half of 2020 involving employees and suppliers, 8 of which involved lost-time. At the reporting date, the H2 indicator (rolling 12-month number of injuries per million working hours) was 13.9, compared with 7.7 twelve months previously. The company is actively endeavoring to reduce the number of injuries across the business.

Profit first half-year

Hafslund E-CO posted EBITDA of NOK 1,341 million (NOK 3,758 million) and an operating profit of NOK 1,102 million (3,173 million) in the first half of 2020. The decrease in the operating profit is primarily due to a significant fall in power prices. The achieved first-half power price of 12.0 øre per kWh is down 73 per cent on the previous year, but 18 per cent higher than the spot price for the reporting period. The recognised profit from the shareholding in Eidsiva Energi in the first six months of the year was NOK 355 million.

Finance costs for the first half-year totaled NOK 363 million (NOK 271 million), including a charge of NOK 41 million from a pro-contra settlement in connection with the Eidsiva transaction. In addition, the year-on-year increase in finance costs is attributable to the changed capital structure and loan portfolio following the completion of the Eidsiva transaction in autumn 2019.

The tax expense of NOK 221 million for the period (NOK 1,270 million) includes resource rent tax for hydropower production of NOK 110 million (NOK 611 million). The profit after tax for the first half-year of NOK 518 million (NOK 1,632 million) was lower than the previous year due to a significant fall in the power prices.

Cash flow first half-year

In addition to low earnings due to the low power prices, the net cash outflow from operations for the half-year of NOK -1,596 million is attributable to taxes paid of NOK 1,711 million following high power prices and good results in 2019. EBITDA of NOK 1,341 million for the first half-year were NOK 2.6 billion higher than the associated cash flow from operations before changes in working capital. In addition to paid taxes, the difference is due to interest paid of NOK 441 million and NOK 376 million from the share of profits of associates (mainly Eidsiva Energi).

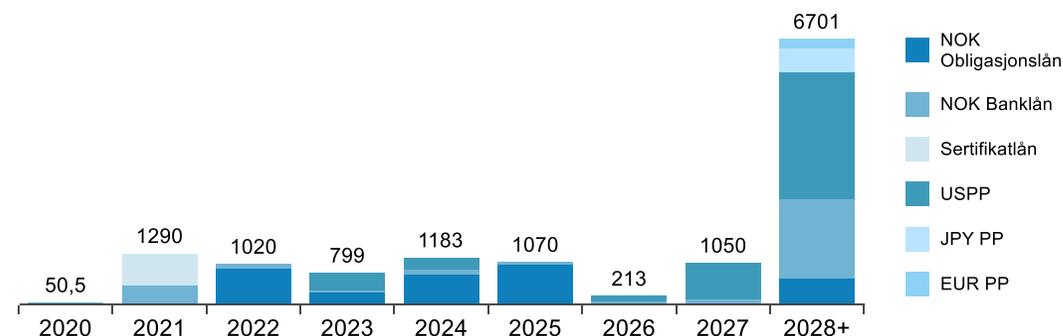
Net investments in the first half-year closed on NOK 337 million, the dividend paid for the 2019 financial year to the City of Oslo and non-controlling interests amounted to NOK 1,068 million, while dividends received from Eidsiva Energi totalled NOK 325 million. In total, this generated a net cash outflow that increased interest-bearing liabilities by NOK 3.0 billion during the first half-year.

Balance sheet, financing and capital

At the end of the first half of 2020, Hafslund E-CO had total assets of NOK 64.5 billion, down 0.7 billion from the start of the year. Capital employed rose by NOK 0.7 billion to NOK 52.0 billion during the reporting period, primarily due to the fact that paid tax reduces the current overdrafts that are included in capital employed.

At the reporting date, Hafslund E-CO had net interest-bearing liabilities of NOK 13.3 billion excluding subordinated loans, and an average coupon rate for the loan portfolio of 2.3 per cent. The average term to maturity is 7.2 years. At the end of the first half-year, the key credit ratios net liabilities/EBITDA and FFO/net interest-bearing liabilities were 5.0x and negative, respectively, due to the negative cash flow, compared with 1.7x and 35 per cent, respectively, for the 2019 financial year. At the end of the first half of 2020, outstanding subordinated loans amounted to NOK 5.8 billion.

Annual maturity profile of loans as of June 2020 (NOK million)¹



Hafslund E-CO has a robust financing structure with long-term committed drawdown facilities and sufficient liquidity to cover at least the next 12 months' loan maturities. At the end of the first half of 2020, the Group had unutilised drawdown facilities of NOK 2.9 billion (including an overdraft facility of NOK 400 million) and no covenants on any loan agreements.

Risks and uncertainties over the next six months

The market price of power, together with the produced power volume, are the most important growth drivers that could materially impact Hafslund E-CO's earnings in the second half of the year and dividend capacity. Temperatures and other weather conditions affect both demand for and production of power, and therefore the power price. The market price of power is also a significant driver for the value of the Group's assets. In addition to operational risk, Hafslund E-CO is particularly exposed to interest rate risk on borrowings.

Power production first half-year

Power market

The hydrological balance was significantly strengthened in the first half-year due to mild, wet and windy weather, including extremely high volumes of snow. This resulted in low demand for energy and a high power surplus, followed by a significant fall in power prices. The fall in power prices was partly exacerbated by periodic large restrictions in transfer capacity within and outside the Nordic power market. The average spot price for both price area NO5 (Western Norway) and NO1 (Eastern Norway) in the first half of 2020 was 10.2 øre per kWh. This represents a year-on-year reduction of just over 31 øre per kWh. For the sake of comparison, the Nordic system price was 11.0 øre per kWh (40.1 øre per kWh) during the same period. The lowest monthly price was in June with a spot price of 1.6 øre per kWh, due to a historically high hydrological surplus, as well as restrictions in transfer capacity on the cables to Sweden, Denmark and the Netherlands.

Total power production in Norway in the first half-year was 75 TWh, up 11.6 per cent on the previous year.

¹) In contrast to note 5 Interest-bearing debt, the graph shows maturities including swap effects. There are no swap effects prior to 2023.

Power hedging

Hafslund E-CO has an active power hedging strategy aiming to hedge cash flow and leverage the market outlook. The Group performs ongoing analyses to hedge the price of sales of power in the Nordic power market. To reduce the risk of uncertainty surrounding future power prices and production volumes, the Group uses financial power contracts to hedge production revenues. The hedged portion of production varies in line with expected market developments and production volumes.

With the effect from 1 March 2020, the Group has implemented hedge-accounting for financial power contracts in the Nordic market with delivery after 2020.

Profit power production

Power production posted operating revenues of NOK 1,533 million in the first half-year, compared with NOK 3,463 million the previous year. Operating revenues in the reporting period were strongly impacted by a significant fall in the power price, a strong contribution from hedging transactions and a higher production volume.

NOK million	1H 2020	1H 2019	2019
Revenues	1 533	3 447	6 046
EBITDA	885	2 931	4 686
Operating profit (EBIT)	686	2 753	4 364

The achieved power price of 12.0 øre per kWh in the first half of 2020 was down 31.7 øre per kWh on the previous year and contributed to a NOK 2.1 billion decrease in the operating profit compared with the first half of 2019. In addition to sales in the spot market, the production volume used to calculate the achieved power price includes 0.5 TWh in concessionary power and 0.2 TWh in industrial power. The result from hedging transactions for the half-year came in at NOK 394 million (NOK 528 million), of which NOK 445 million (NOK 16 million) was realised. A weaker NOK/EUR exchange rate during the half-year helped to offset the power price reduction due to the fact that power is sold in EUR. The average hedging ratio (all sales obligations) in the first half-year was 30 per cent.

Power production in the reporting period totalled 8.5 TWh, up just over 2.1 TWh on the previous year. 1.4 TWh of the increase in production is attributable to the takeover of Hafslund E-CO Vannkraft Innlandet (Eidsiva Vannkraft). Adjusting for the takeover, this represents an increase of 12.2 per cent on the previous year, excluding Hafslund E-CO Vannkraft Innlandet, primarily due to the strong increase in the hydrological balance. Higher production contributed to a NOK 0.2 billion increase in the operating profit compared with the first half of 2019.

Operating costs of NOK 651 million were up NOK 119 million on the previous year, primarily as a result of the takeover of Hafslund E-CO Vannkraft Innlandet. Total operating costs include influenceable costs of NOK 298 million (NOK 262 million). The influenceable cost per kWh in the first half-year was 3.5 øre (4.1 øre per kWh). As a result of the transaction with Eidsiva Energi in the autumn of 2019 and low power prices, effort is put in to reduce costs, improve operational efficiency and achieve economies of scale and other synergies including the establishment of shared digital solutions.

Power production's first-half EBIT of NOK 686 million were down NOK 2,067 million on the previous year, mainly due to the significant fall in the power price. The underlying operating profit (operating profit excluding unrealised changes in value of power and foreign exchange contracts) was NOK 744 million (NOK 2,242 million).

Other business first half year

Other business includes the shareholdings in Eidsiva Energi (50 per cent) and Fredrikstad Energi (49 per cent), the New Energy focus, the parent company Hafslund E-CO, and management of Hafslund Manor. It also includes power-hedging activities relating to power production and amortisation of excess values in Hafslund Production.

NOK million	1H 2020	1H 2019	2019
Revenues	104	2 945	4 391
EBITDA	457	827	1 386
Operating profit (EBIT)	415	420	696

EBIT for Other business totalled NOK 415 million in the first half of 2020, of which NOK 374 million relates to the share of profit of associates, including Eidsiva Energi. New Energy is in a growth phase and negatively impacted the operating result. Ladeklar, part of New Energy, won 70 contracts during the first half of the year. Power-hedging activities and amortisation of excess values relating to Hafslund Produksjon contributed NOK 114 million and NOK -39 million, respectively. The result for the previous year is primarily attributable to the disposal of the grid business in connection with the Eidsiva transaction.

Effects of the corona pandemic and dividend for 2019

In light of the significant fall in future power prices and major uncertainty surrounding the long-term effects of the corona pandemic, the Board decided not to propose a dividend for the 2019 financial year to the General Meeting at the time of the presentation of the annual financial statements.

The Board has continued to monitor the market, operating conditions, the equity and liquidity situation and dividend capacity, and on 12 June proposed a dividend for Hafslund E-CO of NOK 700 million based on the adopted annual financial statements for 2019. The dividend is significantly lower than the distribution for the 2018 financial year of NOK 1,284 million. The dividend for the 2019 financial year reflects the weaker market outlook, despite the solid result and average achieved power price of 39.2 øre per kWh for the 2019 financial year. The dividend was adopted at an Extraordinary General Meeting on 12 June 2020 and distributed at the end of June.

Following the outbreak of the corona pandemic, on 12 March the Group established an emergency response organisation and adapted the organisation to all authority requirements. The organisation has been in full operation throughout the period. While the coronavirus outbreak is considered to have had a limited impact on the company's earnings, the long-term effects of the pandemic on power prices is uncertain. We are now gradually seeing a normalisation of operations, while continuing to monitor the coronavirus situation.

Outlook

As Norway's second-largest hydropower producer, Hafslund E-CO's earnings are strongly exposed to changes in power prices, where sales revenues are a function of the achieved power price and produced volume. Beneficial power prices similar to those seen in 2019 were expected at the start of 2020, but unexpected weather fluctuations, including extremely mild temperatures at the start of 2020, and the ensuing high power surplus and large restrictions in transfer capacity have put power prices under significant pressure. Full water reservoirs have put further pressure on the power prices throughout 2020. The result for 2020 is therefore expected to be significantly lower than in 2019. Over the long term, the corona pandemic could further reduce the demand for power, and the effect of the outbreak on long-term power prices is uncertain. However, Hafslund E-CO is considered to have a solid basis for ongoing operations.

At the end of June 2020, spot prices for the first half-year and the forward price for the second half-year resulted in a power price for 2020 of 13.1 øre per kWh. For the sake of comparison, annual contracts for 2020 were trading at 35.3 øre per kWh at the end of 2019. Despite this, the long-term forward power price is significantly higher than today's spot prices. Power prices moving forward will affect the Group's earnings and therefore financial solvency and dividend capacity and could also impact the Group's financial position values. A reduction in long-term power prices or an increase in interest rates could result in the recognition of impairment losses. Assuming full spot-price exposure and normal production of 17 TWh, an increase/decrease in the power price over the year of 10 øre per kWh would increase, respectively reduce, the operating profit by around NOK 1,500 million. In order to secure cash flows and leverage market prospects, Hafslund E-CO hedges some sales of future energy production in the power market. The shareholdings in Eidsiva Energi and in Norway's largest grid company Elvia contribute to stable earnings.

The transaction with Eidsiva Energi in autumn 2019 and subsequent integration work remain a focus area, together with operational efficiency improvements and leveraging of economies of scale and other synergies, including the establishment of shared digital solutions. The Group's increased size will facilitate stronger internal centres of excellence and improve our ability to promote innovation in areas such as operations, maintenance and market operations in the hydropower business.

The low power prices and national goals of increased electrification have led to a renewed discussion about the power industry's regulatory framework, in particular the special taxation of hydropower. An improvement of the current regulatory framework conditions for hydropower is essential for the power industry's competitiveness and to get more renewable energy out of existing areas of hydropower.

Through our New Energy business, Hafslund E-CO will develop zero emissions solutions for customers and help accelerate the electrification of Norway. Hafslund E-CO aims to achieve further growth both organically and through structural activities, and to contribute to consolidation of the power industry. We shall leverage the commercial opportunities offered by the transition to a renewable and fully electric society to generate increased profitability, and establish Hafslund E-CO as the most profitable hydropower company in Norway based on our vision of "a renewable and fully electric future".

Oslo, 14 August 2020

Hafslund E-CO AS

The Board of Directors



Consolidated statement of comprehensive income

NOK million	1H 2020		1H 2019		2019					
	Hafslund	E-CO Group	Continuing operations	Discontinued operations	Hafslund	E-CO Group	Continuing operations	Discontinued operations	Hafslund	E-CO Group
Sales revenue	1 099		2 912	2 883	5 795		5 429	4 211	9 640	
Other gain/loss	508		528	-	528		664	-	664	
Other operating revenue	30		7	63	69		40	93	133	
Revenues and other income (note 4)	1 637		3 447	2 945	6 392		6 133	4 304	10 437	
Energy purchases and transmission	- 133		- 116	- 1 571	- 1 687		- 234	- 2 233	- 2 467	
Salary and other personnel costs	- 251		- 138	- 117	- 255		- 285	- 168	- 453	
Property tax and other imposed costs and compensations	- 203		- 179	- 7	- 186		- 505	- 12	- 517	
Other operating costs	- 84		- 140	- 381	- 521		- 401	- 602	- 1 003	
Profit/loss from equity-accounted investees (note 8)	376		14	1	15		72	2	74	
EBITDA	1 341		2 888	870	3 758		4 781	1 291	6 072	
Depreciation and amortisation	- 240		- 179	- 406	- 585		- 420	- 592	- 1 012	
Operating profit (EBIT)	1 102		2 709	464	3 173		4 361	699	5 060	
Interest income	-		9	3	11		19	4	23	
Interest expense	- 317		- 208	- 75	- 283		- 533	- 117	- 650	
Gain from sale of the grid business	- 41		-	-	-		3	4 351	4 354	
Other finance income/costs	- 5		- 1	1	1		- 14	1	- 13	
Net financial items	- 363		- 200	- 71	- 271		- 526	4 239	3 713	
Profit before tax	739		2 509	393	2 902		3 834	4 939	8 773	
Income taxes	- 221		- 1 183	- 87	- 1 270		- 2 133	- 129	- 2 262	
Profit after tax	518		1 326	306	1 632		1 702	4 809	6 511	

Consolidated statement of comprehensive income *(continued)*

NOK million	1H 2020		1H 2019		2019			
	Hafslund E-CO Group	Continuing operations	Discontinued operations	Hafslund E-CO Group	Continuing operations	Discontinued operations	Hafslund E-CO Group	
PROFIT ATTRIBUTABLE TO								
Owners of the parent company	486	1 232	306	1 538	1 437	4 809		6 246
Non-controlling interests	32	94	-	94	265	-		265
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS								
Hedging reserve	105	- 48	-	- 48	5	-		5
Income tax effects	- 77	11	-	11	5	-		5
Translation reserve equity-accounted investees	33	-	-	-	1	-		1
Total items that may be reclassified to profit or loss in subsequent periods	62	- 37	-	- 37	11	-		11
ITEMS THAT MAY NOT TO BE RECLASSIFIED TO PROFIT OR LOSS								
Actuarial gains (losses) on defined benefit plans	- 205	-	-	-	5	-		5
Income tax effects	118	-	-	-	- 14	-		- 14
Equity-accounted investees - share of OCI	- 273	-	-	-	50	-		50
Total items that may not to be reclassified to profit or loss	- 360	-	-	-	41	-		41
Other comprehensive income	- 298	- 37	-	- 37	52	-		52
Total comprehensive income	219	1 289	306	1 595	1 754	4 809		6 563
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO								
Owners of the parent company	221	1 195	306	1 501	1 485	4 809		6 295
Non-controlling interests	- 2	94	-	94	268	-		268

Consolidated statement of financial position

NOK million	30.06.2020	30.06.2019	31.12.2019
ASSETS			
Deferred tax assets	440	328	479
Intangible assets	23 569	15 879	23 579
Property, plant and equipment	19 958	12 937	19 819
Right-of-use assets	118	29	69
Equity-accounted investees	16 934	406	16 877
Non-current financial derivatives	1 500	881	883
Other non-current receivables	778	391	721
Non-current assets	63 297	30 852	62 427
Inventory	1	1	13
Trade receivables	97	64	236
Other non-interest-bearing current receivables	128	171	108
Current financial derivatives	86	64	45
Cash and cash equivalents	916	2 706	2 444
Assets held for sale	-	15 799	-
Current assets	1 228	18 804	2 847
Assets	64 525	49 656	65 274

NOK million	30.06.2020	30.06.2019	31.12.2019
EQUITY AND LIABILITIES			
Paid-in capital	15 395	15 395	15 395
Other equity	14 520	- 812	15 011
Non-controlling interests	2 507	2 118	2 701
Equity	32 421	16 701	33 107
Non-current interest-bearing debt (note 5)	19 459	17 367	18 199
Lease liabilities	119	31	70
Deferred tax liabilities	8 080	3 385	8 146
Pension liabilities (note 10)	126	54	51
Non-current financial derivatives	-	71	5
Other liabilities and obligations	1 661	1 290	1 704
Non-current liabilities	29 445	22 199	28 176
Trade payables	111	194	366
Other current non-interest-bearing liabilities	780	479	831
Taxes payable	557	1 852	2 064
Current financial derivatives	57	1	28
Current interest-bearing debt (note 5)	1 154	4 245	701
Liabilities held for sale	-	3 986	-
Current liabilities	2 658	10 756	3 990
Equity and liabilities	64 525	49 656	65 274

Consolidated statement of cash flows

NOK million	1H 2020	1H 2019	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
EBITDA	1 341	2 888	4 781
Gain/loss from sale of assets	-	-	2
Profit/loss from equity-accounted investees	-376	-	-74
Unrealised changes in derivatives	-5	-512	-626
Changes in inventories	12	-	-9
Changes in trade receivables and other non-interest-bearing receivables	93	386	479
Changes in trade payables and other non-interest-bearing liabilities	-469	-169	62
Other non-cash income and expenses	-41	132	-63
Cash flows from operating activities	556	2 725	4 551
Interest paid	-441	-326	-620
Taxes paid	-1 711	-1 284	-2 122
Net cash flows from operating activities - continuing operations	-1 596	1 115	1 809
Net cash flows from operating activities - discontinued operations		961	1 080

NOK million	1H 2020	1H 2019	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	-337	-317	-701
Acquisitions of business	-	-167	-167
Cash paid to equity-accounted investees	-	-	-45
Cash effect from transaction with Eidsiva Energi	-	-	4 277
Other investment activities	-	12	-5
Cash flows from investing activities - continuing operations	-337	-472	3 358
Cash flows from investing activities - discontinued operations	-	-667	-1 069
CASH FLOWS FROM FINANCING ACTIVITIES			
Changes in interest-bearing debt	1 713	2 648	-2 768
Changes in interest-bearing debt without cash effect	-564	-	-1 917
Dividends paid and other equity transactions	-1 068	-929	-1 319
Financial effects in continuing operations, from discontinued operations	-	-4 363	-
Other financing activities	325	-3	74
Cash flows from financing activities - continuing operations	406	-2 647	-5 930
Cash flows from financing activities - discontinued operations		1 222	-
Changes in cash and cash equivalents	-1 527	-487	-750
Cash and cash equivalents at 1 January	2 444	3 193	3 195
Foreign currency gains/losses on cash and cash equivalents		-	-
Cash and cash equivalents at end of period	916	2 706	2 444

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 31 December 2019	100	15 295	15 011	30 406	2 701	33 107
TOTAL COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD TO 30 JUNE						
Profit for the period	-	-	486	486	32	518
Other comprehensive income for the period	-	-	-265	-265	- 33	- 298
Total comprehensive income for the period	-	-	221	221	- 2	219
TRANSACTIONS WITH OWNERS						
Dividends for 2019	-	-	-700	-700	-195	-895
Total transactions with owners	-	-	- 700	- 700	- 195	- 895
Other changes in equity	-	-	-12	-12	-	- 12
Other changes in equity, equity-accounted investees	-	-	-	-	-	-
Equity at 30 June 2020	100	15 295	14 520	29 915	2 507	32 421

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
Equity at 31 December 2018	100	15 295	-962	14 433	2 068	16 501
Adjustment in initial application of IFRS 16	-	-	-187	-187	-	-187
Adjusted equity 1 January 2019	100	15 295	-1 149	14 246	2 068	16 314
TOTAL COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD TO 30 JUNE						
Profit for the period	-	-	1 538	1 538	94	1 632
Other comprehensive income for the period	-	-	-37	-37	-	- 37
Total comprehensive income for the period	-	-	1 501	1 501	94	1 595
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
Equity at 30 June 2019	100	15 295	-812	14 582	2 118	16 701

Notes

Note 1 General information

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

The Group engages in power production through its subsidiaries Hafslund E-CO Vannkraft, Hafslund E-CO Vannkraft Innlandet and Hafslund Produksjon. Hafslund E-CO operates power plants with an annual production of more than 20 TWh and owns hydropower plants with a combined output in excess of 17 TWh. The power plants are located in Oslo, Viken, Innlandet, Vestland and Agder.

Hafslund E-CO also has a significant shareholding in the grid business through its 50 per cent ownership in Eidsiva Energi. Eidsiva Energi wholly owns the grid company Elvia, which has around 900,000 customers. The grid area includes Oslo, Innlandet and large parts of Viken.

The Group's subsidiary New Energy utilises the Group companies' expertise to create new growth opportunities with a main focus on electrification.

Hafslund E-CO has a 49 per cent shareholding in Fredrikstad Energi AS and is a part-owner of NorthConnect, which is planning a electrical "interconnector" to the UK.

The company is headquartered in Oslo. The half-year interim financial statements were authorised for issue by the company's Board of Directors on 14 August 2020.

Note 2 Basis for preparation and change in accounting policy

Hafslund E-CO's consolidated financial statements for the first six months ended 30 June 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The consolidated interim financial statements do not include complete information or disclosures that are required for annual financial statements in accordance with IFRSs. Consequently, this report should be read in conjunction with the Group's consolidated annual financial statements for 2019. These financial statements have been prepared applying the same accounting policies and the same estimation methods described in the annual report for 2019, with the exception of hedge accounting of financial power contracts which the Group implemented from 1 March 2020. Reference is made to note 7 Hedge accounting of financial power contracts.

Changes in standards that entered into force on 1 January 2020 have had no material impact on the consolidated financial statements.

The consolidated interim financial statements have not been audited. As a result of the transaction completed with Eidsiva in the autumn of 2019 the figures for the first half of 2020 are not comparable to the corresponding period for 2019.

In 2019, Hafslund E-CO elected to present discontinued operations in a separate column in the statement of comprehensive income, since the Group believes this provides the best information for users of the financial statements. The Group did not have discontinued operations in the first half of 2020.

The consolidated financial statements have been prepared on the historical cost basis, with the exception of some assets and liabilities that are measured at fair value. Preparation of financial statements in accordance with IFRSs requires the use of estimates and judgements. Items significantly impacted by discretionary judgements or assumptions and material estimates are described in the relevant notes to the 2019 consolidated annual financial statements or in notes to these consolidated interim financial statements where new or amended assumptions have been applied.

Note 3 Transactions and events in first half 2020

Transaction with Eidsiva Energi in 2019 - update

The transaction with Eidsiva Energi that was completed on 30 September 2019 resulted in a cross ownership between the two groups Hafslund E-CO and Eidsiva Energi. Hafslund E-CO owns 50 per cent of Eidsiva Energi, which in turn directly owns 42.8 per cent of Hafslund E-CO Vannkraft (formerly E-CO Energi). For the Eidsiva Group, this means that the hydropower business (hydropower and wind power production) was transferred to the Hafslund E-CO Group, while Hafslund E-CO's grid business (Hafslund Nett) became a part of the Eidsiva Group.

Following the transaction, the parties have agreed to pro et contra adjustments. This resulted in a NOK 41.2 million reduction in the gain from sale of the grid business and a NOK 3.5 million increase in the gain from sale of the 42.8 per cent shareholding in Hafslund E-CO Vannkraft (formerly E-CO Energi).

The reduced gain on the sale of Hafslund Nett has been recognised in profit or loss in the first half of 2020 on the accounting line Gain from sale of the grid business and should be viewed alongside the gain that was recognised in 2019. The increased gain on the sale of the 42.8 per cent shareholding in Hafslund E-CO Vannkraft has been recognised in equity, since the sale did not result in the loss of control and is solely an adjustment of equity.

The grid business is presented as discontinued operations in the statement of comprehensive income and as assets and liabilities held for sale in the balance sheet in the first half of 2019.

Notes

Industrial contract with Hydro Energi

During the reporting period, Hafslund E-CO signed an industrial contract with Hydro Energi to deliver 1.18 TWh of power. The power is due to be delivered in NO1 in the period 2021–2027.

The contract apply the own use exemption, apart from an embedded currency derivative measured at fair value.

Note 4 Operating revenues

The Group's operating revenues mainly comprise revenue from sales of power in the wholesale market. Please refer to Note 2.1 Revenues and other income in the 2019 annual financial statements for further information on the revenue recognition policies.

Hafslund E-CO uses power price and foreign currency derivatives to hedge future sales revenues. Until 1 March 2020, the Group did not apply hedge accounting to hedges of financial power contracts, and realised and unrealised changes in value relating to derivatives entered into to hedge future sales revenues were recognised in profit or loss under Other gains/losses. Since 1 March 2020, hedge accounting has been applied to account for hedges of financial power contracts in the Nordic market. See Note 7 Hedge accounting of financial power contracts for further information.

NOK million	1H 2020	1H 2019
REVENUES AND OTHER INCOME		
Power revenue	929	2 835
Concessionary power	65	49
Grid rental/actual revenue	23	28
Industrial contracts	83	-
Sales revenue	1 099	2 912
Realised gains/losses power derivatives and foreign currency derivatives	503	16
Value adjustments power derivatives	- 38	512
Value adjustments currency derivatives	43	-
Other gains/ losses	508	528
Other operating income	30	7
Other operating income	30	7
Revenues and other income	1 637	3 447

Notes

Note 5 Interest-bearing debt

NOK million	Loan amount (in currency)	Currency	Due date	30.06.2020	31.12.2019
The Nordic Investment Bank	3 170	NOK	2020-2030	3 170	3 221
Commercial paper in the Norwegian market	600	NOK	2020	-	600
Commercial paper in the Norwegian market	800	NOK	2021	800	-
Bond issue in the Norwegian market	400	NOK	2022	400	400
Bond issue in the Norwegian market	500	NOK	2022	500	500
Private placement in the American market	75	USD	2023	723	659
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
Private placement in the American market	290	NOK	2024	290	290
Bond issue in the Norwegian market	1 000	NOK	2025	1 000	-
Private placement in the American market	25	USD	2026	241	220
Private placement in the American market	910	NOK	2027	910	910
Private placement in the Japanese market	5 000	JPY	2028	447	405
Bond issue in the Norwegian market	250	NOK	2029	250	250
Private placement in the Japanese market	5 000	JPY	2029	447	405
Private placement in the American market	723	NOK	2029	723	723
Bond issue in the Norwegian market	200	NOK	2030	200	200
Bond issue in the Norwegian market	200	NOK	2031	200	200

Notes

Note 5 Interest-bearing debt (continued)

Interest-bearing debt (NOK million)	Loan amount (in currency)	Currency	Due date	30.06.2020	31.12.2019
Private placement in the American market	125	USD	2031	1 206	1 099
Private placement in the German market	30	EUR	2031	325	296
Private placement in the American market	848	NOK	2032	848	848
Private placement in the American market	600	NOK	2033	600	600
Subordinated loan the City of Oslo	2 347	NOK	2037	2 347	2 347
Subordinated loan Oslo Energi Holding AS (subsidiary of City of Oslo)	1 500	NOK	2037	1 500	1 500
Subordinated loan Eidsiva Energi AS	1 917	NOK	2039	1 917	1 917
Interest-bearing debt translated to NOK				20 087	18 632
Carrying amount of interest-bearing debt related to fair value hedges				526	268
Interest-bearing debt				20 613	18 900
Hereof current interest-bearing debt				1 154	701
Hereof non-current interest-bearing debt				19 459	18 199

Combined interest and currency swap agreements that swap principal amounts in foreign currency with principal amounts in NOK have also been established for all loans that are taken out in foreign currency. As of 30 June 2020, Hafslund E-CO had total interest-bearing debt of NOK 20,087 million, NOK 1,154 million of which were current. During the reporting period, the Group repaid a certificate loan of NOK 600 million and took out a new certificate loan of NOK 800 million and a bond loan of NOK 1,000 million.

Notes

Note 6 Maturity structure, financial liabilities

The table shows undiscounted cash flows by interval. Combined interest and currency swap agreements that swap repayments of principal amounts in foreign currency with repayments of principal amounts in NOK are included in the table regardless of whether the agreements are classified as a liability or an asset in the balance sheet. Consequently, the table shows the net principal amount payable in NOK.

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

NOK million	Within 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total as of 30.06.2020
FINANCIAL LIABILITIES RELATED TO DERIVATIVES					
Interest and currency derivatives	-	-294	-	-653	-947
Currency futures	57	-	-	-	57
Derivative financial liabilities	57	-294	-	-653	-890
OTHER FINANCIAL LIABILITIES					
Non-current interest-bearing debt	-	2 215	2 173	14 545	18 933
Current interest-bearing debt	1 154	-	-	-	1 154
Trade payables and other current liabilities	891	-	-	-	891
Non-derivative financial liabilities	2 045	2 215	2 173	14 545	20 978

NOK million	Within 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total as of 31.12.2019
FINANCIAL LIABILITIES RELATED TO DERIVATIVES					
Interest and currency derivatives	-	-	-230	-411	-641
Currency futures	28	-	-	-	28
Derivative financial liabilities	28	-	-230	-411	-613
OTHER FINANCIAL LIABILITIES					
Non-current interest-bearing debt	-	1 460	2 132	14 338	17 931
Current interest-bearing debt	701	-	-	-	701
Trade payables and other current liabilities	1 197	-	-	-	1 197
Non-derivative financial liabilities	1 898	1 460	2 132	14 338	19 829

Notes

Note 7 Hedge accounting of financial power contracts

Hafslund E-CO is exposed to price risk for power prices denominated in EUR, primarily in the price areas NO1 and NO5. The Group has an active power-hedging strategy to hedge the price of power sales in the Nordic market. Financial power contracts denominated in EUR that are settled against the system price on Nord Pool are used to hedge power prices. Forward exchange contracts are also entered into to swap settlement in EUR to NOK, along with some price area differential contracts (EPADs) that hedge the difference between the area and the system prices.

Since 1 March 2020, the Group has applied hedge accounting for financial power contracts in accordance with IFRS 9. The contracts that are covered by hedge accounting are Nordic power contracts with delivery after 2020. Hedge accounting is not applied for forward exchange contracts and price area differential contracts. Consequently, changes in value for these instruments are recognised at fair value through profit or loss on the line Other gains/losses under Operating revenues.

To be able to define the hedged items, highly probable future production has been assessed per month for each price area where Hafslund E-CO owns power plants. The hedged item in each price area consists of the power that is produced in the first hours of the month, less the volume of industrial contracts and concessionary power with physical delivery. The financial power contracts that are settled against the Nordic system price in EUR are designated as hedging instruments.

The power price hedges are treated as cash flow hedges, with the change in value of the effective portion of the hedge recognised in the hedging reserve through other comprehensive income. The ineffective portion of the hedge is recognised on the line Other gains/losses under Operating revenues.

The effectiveness of hedging relationships is measured on an ongoing basis to ensure that all material ineffectiveness is identified and recognised in profit or loss. Sources of ineffectiveness include differences in changes between the system and area prices, as well as differences attributable to the fact that the hedged item is defined based on the production in the first hours of the month, which does not coincide with financial power contracts with daily settlement.

The company also continually monitors whether the hedge exceeds highly probable future production (over-hedging). If this is exceeded, the change in value of all over-hedging is recognised in profit or loss.

Note 8 Share of profit from equity-accounted investees

The share of profit from equity-accounted investees was NOK 376 million, of which NOK 355 million relates to the joint venture Eidsiva Energi, in which Hafslund holds a 50 per cent stake. Eidsiva Energi has been owned by the Group since 30 September 2019. In mid-July Eidsiva Energi entered into an agreement to sell its 50 per cent ownership of the retail power supplier Innlandskraft to Fjordkraft. The transaction is expected to be completed during the autumn of 2020. Hafslund E-CO's share of the profit from Innlandskraft for the first half-year, through the ownership of Eidsiva Energi, was MNOK 14 million.

Note 9 Related party transactions

The Group has subordinated loans with related parties as lenders. Outstanding loan amounts and terms and conditions for all subordinated loans are unchanged from 31 December 2019. Please refer to Note 9.1 Related party transactions in the 2019 consolidated annual financial statements for further information.

Short-term loan to North Connect KS

In June 2020, Hafslund E-CO and the other owners of North Connect KS issued a short-term bridging loan to North Connect KS. Hafslund E-CO's share amounts to NOK 4.45 million. The loan has an interest rate of 0.85 per cent and matures on 31 December 2020.

Note 10 Pensions

Please see Note 7.2 Pensions in the 2019 consolidated annual financial statements. The effect of the changed discount rate on the Group's pension liabilities has been assessed following the fall in interest rates caused by the corona pandemic. Consequently, the applied discount rate, which is based on the covered bonds rate as of 31 May 2020, has changed from 2.3 per cent as of 31 December 2019 to 1.4 per cent as of 31 May 2020. The yield on pension assets has been amended accordingly. No changes have been made to the other parameters. As a result of the amended discount rate, the Group had a net pension liability of NOK 126 million as of 30 June 2020, compared with net pension assets of NOK 120 million, included in Other non-current receivables, as of 31 December 2019.

Notes

Note 11 Impairment testing

Please refer to note 3.3 to the 2019 consolidated annual financial statements for details of the Group's accounting policies for impairment testing, key assumptions and estimates, and allocation to cash-generating units.

In the first half of 2020, forward power prices fell significantly in the short term. This has been identified as an impairment indicator. Impairment tests have been carried out by identifying and discounting cash flows relating to the cash-generating units applying a risk-adjusted, market-based discount rate.

Forecast assumptions and discount rate

The impairment tests are based on the Group's 5-year financial plan and are further extrapolated to establish the terminal value. Estimates of revenues for power production for the first five years are based on observable market prices (forward curve from Nasdaq), and subsequently on a price curve based on the Group's expected development of long-term power prices. The applied price curve is compared to expected price curves from a third party market analyses provider. Production volume is based on the Group's long-term production plans. The estimated cash flows are after tax.

Results

The impairment tests carried out for power production justified the balance sheet values for property, plant and equipment, waterfall rights and goodwill. No indications of impairment were identified for the investment in Eidsiva Energi.

Sensitivity

A sensitivity analysis has been performed on the most sensitive variables; a 10 per cent reduction in the applied price curve and a 10 per cent increase in the required rate of return. The sensitivity analyses revealed low headroom at the reporting date for some of the power plants that were acquired in the transaction with Eidsiva Energi in autumn 2019, which were recognised at fair value at the acquisition date 30 September 2019. A compensating factor is that a significant share of the transaction relates to a 25 per cent shareholding in Opplandskraft DA, which increased the Group's shareholding to 75 per cent, where the book value of the Group's previous shareholding (50 per cent) was lower than its fair value. The low headroom revealed by the impairment testing therefore relates to the other power plants acquired in the transaction. All other factors remaining unchanged, a weakening of the forward curve for power prices or an increase in the discount rate could lead to an impairment loss for these units. Other units showed strong headroom in the performed sensitivity tests.

Note 12 Events after the reporting period

At the time of the presentation of the interim financial statements for the first half of 2020, there were no known material events after the reporting period that were expected to have an impact on the Group's income statement for the first half of 2020 or its financial position as of 30 June 2020.

Eidsiva Energi's sale of Innlandskraft

In mid-July Eidsiva Energi entered into an agreement to sell its 50 per cent ownership of the retail power supplier Innlandskraft to Fjordkraft. See note 8 Share of profit from equity-accounted investees.

Transfer of Hafslund Pensjonskasse to Eidsiva Energi

As part of the transaction with Eidsiva Energi in autumn 2019, an agreement was concluded to sell Hafslund Pensjonskasse, with members who work for Elvia AS, to Eidsiva Energi AS. As of 30 June 2020, the transaction had not been finally adopted by all relevant bodies and has therefore not been recognised in the first half of 2020. The transaction is expected to result in an accounting loss of NOK 10 million. The transaction is subject to final approval from the Financial Supervisory Authority of Norway.

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 Hafslund E-CO Group for the period 1 January to 30 June 2020.

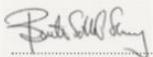
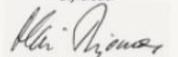
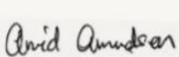
We hereby declare that, to the best of our knowledge:

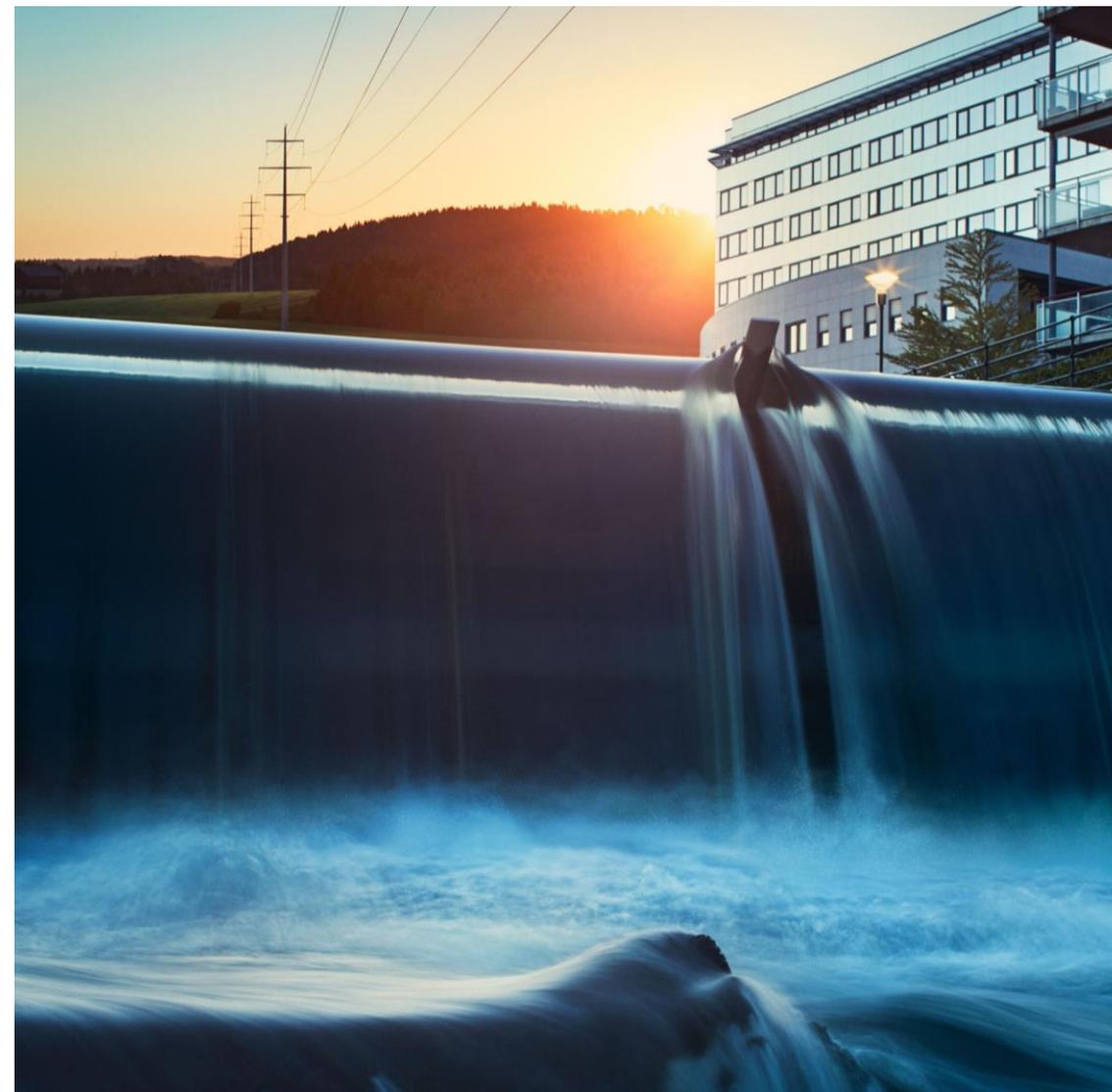
- The consolidated financial statements for the period 1 January to 30 June 2020 have been prepared in accordance with the requirements of IAS 34 Interim Financial Reporting and provide a true and fair view of the Group's assets, liabilities, financial position and performance as a whole; and
- The interim management report provides a true and fair view of important events during 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, 14 August 2020

Hafslund E-CO AS

The Board of Directors

			
Alexandra Bech Gjørv Styreleder	Bente Solliid Storehaug	Bjørn Erik Næss	Bård Vegar Solhjell
			
Mari Thjømøe	Arvid Amundsen	Jan Petter Knudsen	Gunnar Ola Braaten
			
Finn Bjørn Ruyter Konsernsjef			



Definitions and alternative performance measures

Measure	Definition
EBITDA	EBIT + Depreciation
Net interest-bearing debt	Gross interest-bearing debt – Interest-bearing receivables
Interest-bearing receivables	Cash and cash equivalents + money market funds + long-term interest-bearing receivables
Capital employed	Equity + Net interest-bearing debt + Taxes payable
ROE	Profit for the year adjusted for gain on sales / Ending balance Equity
ROCE	EBIT / Ending balance Capital employed
Debt / EBITDA	Ending balance Net interest-bearing debt / EBITDA
FFO / Debt	(EBITDA – interest paid excl. Interest paid on subordinated debt – taxes paid) / Ending balance Net interest-bearing debt
Power production	Total production in power plants in TWh
Achieved power price	Weighted power price including concession power and realized power price hedging
Underlying operating profit (EBIT)	EBIT adjusted for unrealised change in value power price- and currency exchange contracts

NOK million	1H 2020	1H 2019	2019
GROSS AND NET INTEREST-BEARING DEBT			
Long-term interest-bearing debt	19 459	17 367	18 199
Value change loan portfolio	- 542	- 253	- 268
Short-term interest-bearing debt	1 154	4 245	701
Gross interest-bearing debt incl subordinated debt	20 071	21 359	18 632
Subordinated debt	- 5 764	- 3 847	- 5 764
Gross interest-bearing debt excl subordinated debt	14 307	17 513	12 868
Cash and Cash equivalents	916	2 706	2 444
Other long-term interest-bearing receivables	102	79	84
Net interest-bearing debt	13 289	14 728	10 340
CAPITAL EMPLOYED			
Equity	32 421	16 701	33 107
Net interest-bearing debt	13 289	14 728	10 340
Subordinated debt	5 764	3 847	5 764
Taxes payable	557	1 852	2 064
Capital employed	52 031	37 127	51 275

Alternative performance measures *(continued)*

NOK million	1H 2020	1H 2019	2019
UNDERLYING OPERATING PROFIT¹			
Operating profit (EBIT)	1 102	3 173	5 060
Unrealised changes in power price and foreign exchange contracts	- 5	- 512	- 638
Underlying operating profit	1 097	2 661	4 422
ROCE / RETURN ON CAPITAL EMPLOYED¹			
Operating profit (EBIT)	1 102	3 173	5 060
Divided by:			
Ending balance capital employed	52 031	37 127	51 275
ROCE / return on capital employed²	4,2 %	17,1 %	9,9 %
ROE / RETURN ON EQUITY			
Profit for the year	518	1 632	6 511
Gain/loss on sale of Grid operations	41		- 4 351
Profit for the year adjusted for gain/loss on sale of Grid operations	559	1 632	2 160
Divided by:			
Ending balance equity	32 421	16 701	33 107
ROE / return on equity²	3,4 %	19,5 %	6,5 %

NOK million	1H 2020	1H 2019
DEBT / EBITDA¹		
Net interest-bearing debt	13 289	14 728
Divided by:		
EBITDA	1 341	3 758
DEBT / EBITDA²	5,0	2,0
FFO / DEBT¹		
EBITDA	1 341	3 758
Interest paid excl interest paid on subordinated debt	- 208	- 161
Taxes paid	- 1 711	- 1 284
Divided by:		
Net interest-bearing debt	13 289	14 728
FFO / debt²	Negative	31,4 %

¹Half year one 2019 and full-year 2019 includes discontinued operations for all accounting lines in the Profit and loss statement.

²EBIT, EBITDA and profit after tax are annualised in the half year calculations (half year profit multiplied by two).

Financial calendar

1. Report first half year 2020 – 14 August 2020
2. Preliminary annual accounts 2020 – 17 February 2021
3. Annual report 2020 – 25 March 2021

Investor information

1. Information can be found on the websites:
 - www.hafslundeco.no
 - Registration of subscription to stock exchange notices via "My page" at www.oslobors.no
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About Hafslund E-CO

Hafslund E-CO is Norway's second largest power producer after Statkraft. The Group generates 17 TWh of clean, renewable hydropower and pursues a growth strategy through its New Energy business. Hafslund E-CO also manages 4 TWh on behalf of other owners. Through Eidsiva Energi, Hafslund E-CO holds a 50 per cent stake in Norway's largest grid company Elvia. In 2019, Hafslund E-CO completed a transaction with Eidsiva Energi. The transaction resulted in the integration of the two main businesses of the two groups. The hydropower business was incorporated in Hafslund E-CO, while the grid business was incorporated in Eidsiva Energi. Hafslund E-CO acquired a 50 per cent shareholding in Eidsiva Energi, which in turn received a 42.8 per cent stake in the subsidiary Hafslund E-CO Vannkraft, which generates 14 TWh of hydropower. In addition, Hafslund E-CO's direct and indirect shareholding in the hydropower business where Eidsiva is a part-owner is 78.6 per cent. Hafslund E-CO also owns 90 per cent of Hafslund Produksjon Holding, which comprises the power plants in the lower part of Glomma, which generate around 3 TWh.