Annual Report 2013

Hafslund

Key Figures

NOK million	2013	2012	2011	2010	2009	2008	2007	2006
RESULT (excluding REC)								
Sales revenues	**12 818**	11 466	13 704	15 829	10 670	11 056	8 625	9 799
EBITDA	**2 446**	2 170	2 235	3 914	2 213	2 224	2 643	2 717
Operating profit/loss	**1 653**	911	1 433	2 644	1 331	1 374	1 751	2 048
Profit/loss before tax and business disposals	**1 150**	354	849	2 173	670	689	1 306	1 716
Profit/loss for the year	**747**	(12)	388	1 583	335	637	1 158	1 024
REC-effect on net profit for the year			(1 086)	(1 975)	(137)	(16 537)	12 198	10 626
Equity and cash flow								
Net cash generated from operations	**1 624**	236	3 513	565	1 879	1 085	140	1 467
Investments (not acquisitions)	**786**	1 088	1 215	1 533	1 663	1 757	3 166	1 176
Capital employed	**20 901**	21 269	20 919	27 028	25 870	27 067	40 669	28 849
Equity ratio (%)	**29.9 %**	29.7 %	32.9 %	35.3 %	38.6 %	41.1 %	64.6 %	53.3 %
Net interest-bearing liabilities	**9 931**	10 648	9 321	13 067	11 601	11 442	10 102	9 379
NOK per share								
Result (excluding prior ownership of REC)	**3.83**	(0.06)	1.99	8.11	1.71	3.26	5.93	5.25
Dividend *	**2.50**	2.50	2.50	7.50	2.25	2.25	3.00	17.75
Cash flow from operations	**8.32**	1.21	18.00	2.89	9.62	5.56	0.72	7.52

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

Chief Executive Officer's Statement

Hafslund faces a number of significant challenges and opportunities in the years ahead. Consequently, the company used 2013 to lay foundations for the future. The ongoing improvement initiatives across the Group are well underway. The net profit is vastly improved from 2012, and now reflects mainly the value added in the core business. We are ready to meet the population growth in our area, to meet the customers' changing energy needs, and to seize new opportunities in the years to come.

Hafslund operates and develops the central energy infrastructure in Oslo, Akershus and parts of Østfold. Our customers are among the world's most sophisticated energy users; with the highest utilisation of mobile communications, electric cars and heat pumps.

The energy flow in the infrastructure will change due to more efficient buildings, local electricity production from solar panels and local generation of heat and refrigeration. Climate challenges and requirements for cleaner air in residential areas mean that district heating is replacing oil heating, while electricity is replacing petrol and diesel in transport. These developments are being accompanied by powerful population growth in the company's home area.

Hafslund is an expertise-based business. Efficient operations will be an absolute prerequisite if the Group is to overcome the strategic challenges that lie ahead. In 2013 we stepped up our improvement initiatives through the introduction of FLYT, our own version of the Lean methodology. Thanks to targeted training and a dedicated management focus we will build on each individual's expertise to enable everyone to become even better at identifying and implementing improvements.

I am very proud of the commitment shown by our employees during the year. The result for the year shows that the improvement initiatives are bearing fruit. However, there is still potential for further improvements, and the organisation has good drive to embrace new challenges. We will constantly create the best energy solutions for our customers.

Competition between power sales companies is fierce, and will further intensify following the introduction of advanced metering systems (AMS). The launch of a new market model in the Nordic region, where the power sales company will be the customer's sole contact point, will also increase competition. New solutions and organisations will gradually enter the stage as advanced user technology becomes an integral part of service deliveries to electricity customers.

The Power Sales business passed one million customers during the year due to organic growth of 44,000 customers and the acquisition of all remaining shares in Energibolaget i Sverige (EBS). Significant customer growth in Sweden and Finland demonstrates that our business models are also competitive outside Norway. The combination of an efficient production apparatus, strong products and excellent customer relations mean the company is well positioned to succeed in the future Nordic end-user market for electricity.

Networks' result improved due to a higher NVE interest rate. The return under the old model had become increasingly unsustainable in recent years. The change was necessary in order to be able to maintain and develop the grid, in particular in light of the significant current and expected future population growth in the company's home area. The investments in AMS will modernise the energy system. The new meters will also give customers new opportunities to exploit new technology to streamline their energy use and to reduce their electricity bills. AMS is also a billion investment for Hafslund. Robust framework conditions will play a important role in this context.

The organisation of the networks business in Norway is currently the subject of major debate. The example of Hafslund shows that voluntary mergers of networks businesses provide better returns for owners, improved security of supply and lower rates for customers. The company's power grid, power plants and district heating operations in Oslo, Akershus and Østfold are managed by one of Europe's most advanced operating centres. Quality of supply and economic efficiency are achieved by viewing operations and development of the energy supply in unison.

Hafslund's hydropower plants in Glomma have been producing emission-free hydropower for more than 100 years. In recent years the company has improved resource utilisation through the commissioning of a new generator in Kykkelsrud, and a new generator is also planned for Vamma. Strengthened exploitation of water resources in Glomma will produce renewable power equivalent to the consumption of 7,000 homes.

In November 2013 the company opened its new wood pellets boiler in Haraldrud. The new boiler will double pellets consumption in Norway, and deliver renewable heat to 15,000-20,000 apartments. Together with the new bio-oil boiler at Rodeløkka, this will make district heating in Oslo practically fully renewable in a normal year. Initiatives to optimise operation of the district heating system have significantly improved economical results the last year.

Strong winds in December highlighted the importance of having proper contingency arrangements in place to rectify faults caused by forces of nature, and of effective communications with customers who temporarily find themselves without power. This winter has shown that our own and subcontracted teams can really step up to the plate even under the most intense pressure.

Hafslund's business is renewable, environmentally-friendly and critical to society. We transport renewable energy to homes, workplaces, hospitals and transport, to replace fossil fuels. We are there for our customers 24 hours a day – 365 days a year.

Finn Bjørn Ruyter
President and CEO

Report from the Board of Directors

In 2013 Hafslund concluded its strategic focus on core activities with the divestment of the company's shareholding in Infratek ASA and the assets of BioWood Norway AS. Organic growth continued in Networks and Heat as a result of higher demand for energy and population growth, and within Power Sales due to high activity in the market. The Power Sales business passed one million customers when Hafslund increased its shareholding in Energibolaget i Sverige (EBS) from 49 to 100 percent.

Higher power prices and improved regulatory conditions for the Networks business, coupled with ongoing operational improvements generated a results improvement for core business, adjusted for non-recurring items, of NOK 223 million in the year under review, which was up 16 percent on the previous year. However, lower hydropower production and expansion costs for the Power Sales business are slightly depressing results.

Hafslund is well positioned in its core areas of Production, Heat, Networks and Markets, with most of its customers in the greater Oslo region. The strategic focus on core activities will further reinforce Hafslund's role as a leading energy company, and underpin the Group's focus on renewable energy, infrastructure for energy and the end-user market for electricity. Efficient and stable operations, combined with organic growth make structural growth in core activities a reasonable proposition in future. This was illustrated in 2013 by the acquisition of the remaining shares in Energibolaget i Sverige, which provided Power Sales with an even firmer foothold in the Swedish end-user market. The sale of shares in Infratek ASA and the assets of BioWood Norway AS was entirely consistent with the above decision to focus on core business.

In the second quarter of the year warm weather and a rapid snowmelt resulted in the largest floods experienced in Glomma since 1995. Such situations highlight the importance of ensuring that the company's power plants are prepared to deal with large volumes of water. Hafslund wishes to further enhance the capacity of its power plants, and to shepherd its resources even more efficiently. Future power prices and prices of el certificates will have a critical bearing on investment decisions. The achieved power price of NOK 0.30 per kWh was 27 percent higher than the year before. Hafslund wishes to continue its strategy of partial price hedging of expected power production with a view to leveraging market opportunities and hedging earnings and cash flows. In 2013 the Group also decided to continue its policy of partial price-hedging of the sales volume from Heat. Partial price-hedging throughout 2013 generated a profit of NOK 8 million for the Production and NOK 2 million for the Heat business areas.

Network's EBIT for the year came in 14 percent higher than in 2012. The underlying improvement in results primarily reflects a higher revenue ceiling for Networks following the change in regulatory conditions as a result of a higher interest rate established by the Norwegian Water Resources and Energy Directorate (NVE), and slightly lower maintenance costs compared with the previous year.

In its letter dated 18 February 2013, the Norwegian Ministry of Petroleum and Energy (OED) announced that the Settlement Regulation was to be changed, with the result that the deadline for the rollout of AMS would be delayed by two years, until 1 January 2019. In light of the above, Hafslund has revised its plans for the rollout of AMS, which will involve postponement of the main investments from 2015 to 2016.

Heat Business is Norway's largest district heating company with an express aim of phasing out fossil energy sources used in district heating production. Specific situations and lengthy periods of cold weather can result in some use of fossil energy sources in order to maintain security of supply. In order to increase output capacity, Heat has established a new pellets plant at Haraldrud, where a 56 MW wood pellets boiler has replaced a 20 MW oil boiler. Heat has also commissioned a 100 MW bio-oil boiler in Rodeløkka, which entered full operation in autumn 2013. The plants will help to further increase the share of renewable energy sources used in the district heating system in Oslo.

Market Business' sales volume increased with 1.0 TWh from previous year, despite mild weather towards the end of the year and lower consumption. This is attributable to the acquisition of 164,000 new customers during the year, bringing the total customer base at the end of the year to 1,069,000.

The Hafslund Group posted a consolidated profit after tax of NOK 747 million in 2013, an increase of NOK 759 million from 2012. In addition to higher power prices, changes in regulatory conditions for Networks and the effect of operational improvements, the improvement in results should be viewed in the context of extraordinary provisions and impairments in the amount of NOK 560 million recognised in 2012.

Hafslund is reaping the rewards of the Group's recent improvement initiatives. Measures relating to continual improvements, more efficient processes and cost control are constantly being enhanced in order further leverage the company's competitive advantages.

Financial performance, cash flow and capital

Financial performance

The Hafslund Group posted sales revenues of NOK 12.8 billion in 2013 (NOK 11.5 billion). The increase is primarily attributable to higher power prices and energy sales as a result of growth in the Power Sales business. At NOK 1,652 million, the operating profit was up NOK 741 million on the previous year. The increase in profit is attributable to extraordinary depreciation, amortisation and impairments of NOK 560 million in connection with the closure of the pellets business and the impairment of the bioenergy plant Bio-El Fredrikstad recognised in 2012. The achieved power price of NOK 0.28 per kWh in 2013 was NOK 0.06 per kWh higher than the year before. Total energy production of GWh 4,917 was 349 GWh lower than in 2012. Growth in district heating production is partly offsetting lower hydropower production caused by lower-than-normal precipitation. The improvement in Networks' result is attributable to changes in regulatory conditions and stable underlying operations, including a good security of supply and few major outages. Markets is continuing to expand its customer base, and the result reflects both expansion costs and higher overall costs in a transitional phase for system operations due to the introduction of new customer and invoicing systems for the Group.

Financial expenses totalled NOK 503 million in the year under review (NOK 557 million). This includes a charge of NOK -9 million (NOK -48 million) as a result of an increase in the market value of the loan portfolio, which is recognised at fair value, due to a slightly lower forward yield curve. At 3.8 percent, at the reporting date, the portfolio's coupon rate was down 0.2 percentage points on the previous year. Of the tax expense of NOK 402 million, resource rent tax for power production comprises NOK 145 million (NOK 111 million). The tax expense was positively impacted by a reduction in deferred tax liabilities of NOK 45 million at the reporting date on the back of a 1 percentage point reduction in the general tax rate to 27 percent from 2014. The tax expense for the previous year also includes a provision of NOK 183 million relating to an ongoing tax dispute. The consolidated profit for the year of NOK 747 million (NOK -12 million) equates to an earnings per share figure of NOK 3.83 (NOK -0.06).

In accordance with the Norwegian Accounting Act, the board confirms that conditions exist for continued operation of the enterprise on a going concern basis and that the annual financial statements have been prepared on this basis.

Cash flow and capital

The Group's cash flow from operations before changes in working capital was NOK 1,586 million (NOK 1,240 million). At the end of the reporting period working capital amounted to NOK 453 million (NOK 587 million). The reduction in working capital is attributable to lower power consumption caused by mild weather and lower power prices towards the end of 2013 compared with 2012. The above generated a net cash flow from operations of NOK 1,624 million for the year. The operating profit before depreciation, amortisation and impairments of NOK 2,446 million is NOK 860 million higher than the net cash flow from operations before changes in working capital, and includes payment of interest and taxes totalling NOK 812 million, and result effects of non-cash items in the amount of NOK 48 million.

Total investments in operations and expansion in 2013 amounted to NOK 873 million (NOK 1,084 million), of which NOK 519 million relates to Networks and NOK 220 million to Markets. The investments in Markets largely relate to the fact that Hafslund increased its shareholding in i Energibolaget i Sverige (EBS) from 49 percent to 100 percent, in addition to the completion of a new customer and invoicing system. Future investment will primarily relate to ongoing reinvestments in Networks, the gradual phasing-in of AMS and further development of the district heating business in Oslo. Any structural growth will also necessitate capital expenditure. As part of the company's focus on core activities, in 2013 capital of NOK 435 million was released from the sale of shares in Infratek ASA and the assets of BioWood Norway.

In 2013 a dividend of NOK 2.50 (NOK 2.50) per share was paid, corresponding to NOK 487 million. As a result of the above, this resulted in a cash flow of NOK 699 million for 2013, which helped to reduce net interest-bearing liabilities from NOK 10.6 billion to NOK 9.9 billion at the end of 2013.

The Group has a robust financing structure with long-term committed drawdown facilities. At the end of 2013 Hafslund had unutilised drawdown facilities of NOK 3.7 billion. None of Hafslund's loan agreements impose any covenants.

The business areas

Hafslund is one of the largest listed power groups in the Nordic region. The company is a leading supplier of electricity and district heating, the majority of whose customers are located in Oslo and Akershus. Hafslund owns Norway's largest power grid, has produced renewable hydropower for more than 115 years, and has a strong focus on energy utilization regarding bioenergy and waste-to-energy. The Group's core business comprises the business areas Production, Heat, Networks and Markets. The company is headquartered in Oslo.

Production
The Production business area comprises hydropower production, which has a normal annual production of 3,100 GWh, and a central power trading unit. Production is responsible for efficient management of the power plants in lower part of Glomma, and for targeting growth within renewable energy production. In 2013 the business area posted sales revenues of NOK 859 million (NOK 755 million) and an operating profit of NOK 568 million (NOK 443 million). At the reporting date Production had capital employed of NOK 4.3 billion. The operating profit for 2013 equates to return on capital employed of 12.6 percent (9.8 percent).

In 2013 the hydropower generation business posted sales revenues of NOK 818 million, which were up 13 percent on 2012. The increase in sales revenues is attributable to higher power prices, and was achieved despite significantly lower production. The operating profit of NOK 549 million (NOK 435 million) reflects an achieved power price of NOK 0.28 per kWh (NOK 0.22 per kWh) and a hydropower production volume of 2,845 GWh (3,273 GWh). Despite a gradual increase in price-hedging, hydropower production's results will to a large extent be driven by day-to-day fluctuations in the price of electricity. Assuming spot-price exposure and normal production, an increase/decrease in the power price over the year of NOK 0.001 per kWh will increase, respectively reduce, the operating profit by NOK 29 million. There is a certain correlation between production volumes and power prices. In addition to this correlation, price-hedging will dampen the financial impact of power price fluctuations. In 2013 power generation amounted to 2,845 GWh, which was down eight percent on normal production.

The year was characterised by sound underlying operations and solid progress for the improvement projects. Despite a major fault with generator FKF2 at Kykkelsrud power plant, the production uptime was 98.5 percent (43 GWh in water losses) in 2013. The extensive maintenance programme for all the largest and most important generators was completed in 2013. The programme was launched in 2008 and has helped to extend the expected useful working lives of Production's key assets by 10-15 years.

Investments for Production totalled NOK 26 million (NOK 24 million) in 2013, and primarily related to new control systems at Vamma power station.

Production embarked on a policy of active price-hedging of hydropower production in 2012. The recognised profit from hedging activities amounted to NOK 8 million, despite rising prices and a high hedging quota. At the reporting date the hedged volume for the next six months comprised 37 percent of normal production.

The Group's central power trading unit is responsible for trading on the spot market, trading in el certificates, financial hedging and power trading. The power trading business posted an operating profit of NOK 19 million (NOK 8 million) in 2013.

Heat
The Heat business area is responsible for district heating activities in Oslo and Akershus, and the delivery of heat and steam to industry in the county of Østfold. Sales revenues for the Heat business totalled NOK 1,153 million in 2013 (NOK 1,107 million). An operating profit before depreciation and amortisation of NOK 329 million represents an increase of 5 percent against 2012. This reflects a contribution of NOK 0.31 per kWh (NOK 0.29 per kWh) and

energy production of 2,072 GWh (1,993 GWh). The Heat business area had capital employed of NOK 5.5 billion at the end of 2013. The operating profit for the year of NOK 156 million (loss of NOK 82 million) equates to a return on capital employed of 2.9 percent (-1.5 percent). Adjusted for non-recurring items in 2012 and 2013, Heat posted a results improvement of NOK 59 million, or 54 percent compared with the previous year. Assuming full spot price exposure for power and normal energy demand, a NOK 0.001 per kWh increase/decrease in the power price during the year will result in a NOK 12 million increase, respective decrease, in the operating profit.

In 2013 the share of electricity and other renewable energy sources used in district heating increased to 96.5 percent, a rise of 3.3 percentage points against 2012. The increase is attributable to a higher percentage of heat from pellets, and the use of waste as a base load source delivered by the Norwegian Waste-to-Energy Agency (EGE) at Klemetsrud in Oslo. The share of renewable energy will increase further as the new wood pellets boiler at Haraldrud, Oslo, heating centre and Rodeløkka, Oslo, peak load centre, which is now based on biooil, will be available for operation throughout 2014. The pellets boiler at Haraldrud heating centre was officially opened by the Mayor of Oslo on 7 November 2013.

In 2013 investments for Heat totalled NOK 61 million (NOK 324 million) and primarily related to higher organic growth in customer connections with an annual district heating requirement of 40 GWh. The waste-to-energy plants at Sarpsborg avfallsenergi (SAE, previously BWtE) in Sarpsborg and Bio-El Fredrikstad were in operation throughout the year. Both plants' performance was impacted by a challenging waste market. SAE converted to household waste in 2013, a measure that has resulted in reduced wear and tear and lower maintenance requirements.

The company's focus on optimum operation of production facilities and optimum utilisation of fuel mix were a key feature of 2013.

Networks

The Networks business area comprises the companies Hafslund Nett AS and Hafslund Driftssentral AS. Hafslund Nett is Norway's largest grid operator. In the year under review, sales revenues for the Networks business totalled NOK 4,052 million (NOK 3,992 million). The operating profit before depreciation, amortisation and impairments amounted to NOK 1,107 million, an increase of 6 percent on 2012. This reflects a regulated contribution of NOK 2,382 million (NOK 1,926 million), and an income deficit of NOK 120 million (income surplus of NOK 268 million). At the end of 2013 Hafslund Nett's accumulated income surplus amounted to NOK 312 million. At the reporting date, Networks had capital employed of NOK 9.3 billion. The operating profit for 2013 of NOK 619 million (NOK 541 million) equates to a return on capital employed of 7.0 percent (6.4 percent).

The business area has improved its operating performance and experienced fewer grid outages in recent years, and the company's security of supply is among the best of any grid company in Norway. 2013 was another good year, despite the fact that high winds in the middle of December meant that outage time increased slightly compared with 2012. On average Network's customers were without power for 0.99 hours during 2013, compared with 0.75 hours in 2012. Networks will continue to work systematically to ensure its power transmission grids offer a stable, robust and safe service, with a high security of supply throughout its area of coverage.

Network business is obliged to install AMS meters (automatic meter readers) for all its grid customers. Regulation 301 on metering, billing and invoicing requires all electricity customers to be using AMS by 1 January 2019. With AMS all households are equipped with a "smart meter" that records electricity consumption on an hourly basis and automatically transmits information on consumption to the grid company. This results in quicker retrieval of meter values and better information for the customer.

In recent years investments in the regional distribution grid, in particular in Oslo's central areas, have been prioritised. Network plans to gradually step up investment levels (excluding AMS) in both the distribution and the regional grid for the period 2014–2016, in part to cater for population growth in company's licence area.

Future investment levels will increase on the back of the introduction of AMS. Network has started work on and has already made some minor investments in AMS. The investments in AMS are expected to amount to around NOK 2 billion, with annual investments gradually rising in the period leading up to 2016, when the AMS rollout begins in earnest. The rollout is planned for 2016-2018, meaning that Network will have completed the rollout ahead of the deadline of 1 January 2019. Investments and maintenance are included in the basis for the annual revenue ceiling which the NVE sets for the business. The Network business remains one of Norway's most reasonably priced grid owners. At the end of 2013 the company had a total of 570,500 grid customers (562,500).

NVE has adopted a new model for establishing the NVE interest rate with effect from 2013. The new model results in a higher interest rate compared with previous years. In 2013 the NVE interest rate was 6.9 percent (4.2 percent). The interest calculation is intended to guarantee for the networks industry access to sufficient capital to implement necessary re-investments and future investments in AMS. A one percentage point increase in the NVE interest rate will result in a rise of around NOK 70 million in Network's revenue ceiling.

At the reporting date Network's accumulated surplus income amounted to NOK 312 million (NOK 425 million). Based on normal energy demand, planned transmission tariffs and maintenance, the operating result for 2014 is expected to be on a par with 2013.

Markets

The Markets business area comprises the results units power sales, invoicing services and the customer service centre. Markets operates in Norway, Sweden, Finland and Spain. Market's target is to consolidate its position as the largest and most efficient power sales company in Norway. Over the longer term the aim is also to achieve a leading position in the Nordic market. Total sales for the year amounted to NOK 6.9 billion, up 1.3 billion on 2012. The increase in sales is attributable to both higher wholesale prices for power purchased on Nord Pool compared with 2012, and a rise in the delivered volume of 1.0 TWh. The Power Sales business passed 1 million customers in 2013, and at the end of the year had 1,069,000 customers. The acquisition of the remaining 51 percent of shares in Energibolaget i Sverige (EBS) expanded the customer base by 120,000. The above, together with organic growth, resulted in an overall increase in the number of customers by 164,000 in 2013. A total of 17.4 TWh of electricity was sold to customers in 2013, compared with 16.4 TWh in 2012. Based on the sold volume in 2013, a change of NOK 0.001 per kWh in the gross margin from power sales impacts the operating result in the amount of around NOK 17 million.

Markets posted an operating profit of NOK 301 million in 2013 (NOK 370 million). The decrease compared with 2012 is in part attributable to a reduction in the value of power derivatives of NOK 4 million (increase of NOK 44 million) recognised in the income statement at fair value on an ongoing basis, extra costs relating to the implementation and completion of new customer and invoicing systems, plus start-up costs relating to the establishment of SverigesEnergi AB.

Markets had capital employed of NOK 2.0 billion at the end of 2013, of which NOK 0.4 billion comprised working capital. At NOK 301 million (NOK 370 million), the operating profit for 2013 represents a return on capital employed of 16.1 percent (26.5 percent).

The authorities are aiming to establish a joint Nordic end-user market for electricity by the end of 2016. Against this background in 2010 Hafslund bought a stake in the Swedish power sales companies Göta Energi AB (100 percent) and Energibolaget i Sverige Holding AB (EBS) (49 percent). In 2013 Hafslund continued its initiatives to firm up its presence in the Swedish market. The acquisition of a 49 percent shareholding in EBS in 2010 secured Hafslund an option with a unilateral right, however with no obligation, to purchase the remaining 51 percent of the shares in autumn 2013. At the end of September 2013 Hafslund exercised this purchase option against the other shareholders in EBS, and acquired all the remaining shares in the company in early October. The low-price company SverigesEnergi AB was established in autumn 2012, and began its first year of operation in 2013. Hafslund aims to build on its experiences gained from NorgesEnergi and is trialling the low-price concept in the Swedish market. After a cautious start, sales are picking up and the company is progressing in line with initial expectations.

The above, together with the company's strong position in the Norwegian power market, means Hafslund is well placed to participate in a joint Nordic end-user market for electricity. At the end of 2013 Hafslund had a total of 1,069,000 electricity customers. This figure includes the customer portfolios of Hafslund Strøm, NorgesEnergi, Fredrikstad EnergiSalg, Hallingkraft, Total Energi and Røyken Kraft in Norway, and the portfolios of the wholly owned Swedish companies Göta Energi, SverigesEnergi and Energibolaget i Sverige.

The number of enquiries made to Hafslund's customer service centres in 2013 was up slightly on the previous year. There was no one single underlying reason for the above. The company is constantly implementing measures to improve customers' opportunities to self-service. More long-term plans to reduce incoming enquiries, and improve internal processes are also being implemented. Ongoing surveys of a selection of customers contacting the Customer Service Centre reveal that customers generally have a positive impression of dealing with the centres.

Hafslund Fakturaservice supplies metering, invoicing and collection services for the Group's companies. This includes ongoing invoicing of more than one million end-customers. In recent years the company has implemented a major system and organisation development project to change the company's core systems for invoicing and metering. The start-up and commissioning of the new system took place in October 2012, and the project was concluded when the final Group companies migrated to the new solution in October 2013. After the first year of operation, all operational functions were in normal operation, the system was functioning well and all activities had been implemented in accordance with plan.

Government relations and framework conditions

Hafslund's Networks business is regulated by the authorities as a natural monopoly. The revenue ceilings for the district heating business are established by statute. Both power production's and district heating's income is directly linked to prices in the power market, a market that is significantly impacted by political decisions.

It is critical for Hafslund to be able to provide the authorities with constructive feedback on the effect of framework conditions that impact its businesses and their development opportunities. At the same time, Hafslund contributes to sensible political and regulatory decisions, by highlighting how decisions impact the key functions that Hafslund performs for modern society.

Implementation of the third package of the EU's single market for gas and electricity and the "Reitan Committee" will lay the foundations for the development of the structure of the Norwegian power industry. One of Hafslund's priorities is to secure continued leverage of operational and expertise-related synergies in the current integrated energy companies. Here, the regional and distribution should be deemed to be the distribution grid under the EU single market for gas and electricity package 3, and incentives should be provided for more rational structures.

Hafslund believes that the current restriction on use of electricity in district heating is inappropriate in light of the current power surplus in Norway and the Nordic region. The Ministry of Finance published an important interpretation of the current regulatory framework in February 2013, and Hafslund has targeted a further softening of the regulatory framework.

Corporate Social Responsibility

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

During 2013 the Group focused on reinforcing corporate social responsibility in the Group's companies, primarily with regard to environmental management and ethical trading. A guiding principle for the Group's work in this regard is its policy for the environment and corporate social responsibility, along with specific procedures for environmental management and ethical trading. Hafslund has its own Code of Conduct that applies to all the company's suppliers, which is incorporated into all contracts.

In recent years Hafslund has been a key sponsor in various arenas. As a natural consequence of the change in business in recent years, and a sharpened cost focus across the Group, the Group's sponsorship portfolio was significantly scaled back in 2013. The Group's sponsorship activities shall help to create value for the Group at the same time as benefiting society.

External environment

Environmental management
Effective environmental management is a natural part of Hafslund's corporate social responsibility, and an important means of securing efficient resource utilisation and operations. All the Group's units are expected to practise a systematic form of environmental management, and the Group has established requirements for such. The

company that is responsible for the majority of energy consumption and emissions in the Group, Hafslund Varme, is certified to the international environmental standard ISO 14001. In addition, the head office at Drammensveien 144 and the Conference Centre at Hafslund Manor have both been certified as Environmental Lighthouses.

Production
The run-of-river plants produce environmentally friendly power, and it is in everyone's interests that the water resources of the Glomma river system be exploited in the most efficient manner possible. Hafslund has implemented and is working on further expansions of the facilities with a view to utilising resources more efficiently. In 2013 production uptime at Hafslund's electricity generating facilities was 98.5 percent. There were no emissions of oil that had any significant environmental consequences.

Heat
The bulk of Hafslund's energy consumption and emissions to air are associated with the production of heat. A high percentage of residual waste and renewable energy in the input factors means that emissions of greenhouse gases are low in relation to the amount of energy generated. In addition, district heating is increasingly replacing older oil boilers. Emissions of greenhouse gases in 2013 amounted to 62 grams per kWh delivered to customers in Oslo. This is a decrease compared to 2012, when emissions per kWh delivered was 72 grams.

Incineration plants also produce emissions of a more local and regional nature, such as particle emissions, NOx and SOx, including dioxins and heavy metals from the waste incineration plants. In 2013 these emission levels were generally much lower than the maximum limits set by the authorities, and any emissions exceeding maximum limits were quickly dealt with and reported to the authorities.

Heat business has specific plans to further increase the proportion of renewable energy used as input factors in the production of heat including the use of pellets. Norway's largest pellets boiler, with an output of 56 MW, was officially opened in November. The long-term aim is to phase out fossil energy sources used in district heating production in a normal year. However, special conditions and lengthy periods of cold weather can result in some use of fossil energy sources to maintain security of supply.

Networks
One of Network's areas of corporate social responsibility is to make sure that energy produced arrives at its business and private customers' locations without significant outages or energy losses, and at the lowest possible cost to society. The ongoing conversion of the main distribution grid in Oslo to 132 kV will thus further reduce relative grid losses from current levels.

There were three incidents in 2013 where damage to cables resulted in emissions of cable oil to watercourses. Appropriate measures were taken, and there was no observable harm to either birds or fish.

Other operations
The impact on the external environment of Hafslund's other operations largely derives from its buildings, transport and externally sourced services, including transport and contracting activities. Hafslund collaborates with Norsk Gjenvinning in connection with waste collection and return schemes. Hafslund is also a member of Renas, a collection and treatment scheme for industrial electrical waste.

Ethics and anti-corruption measures
Hafslund is committed to maintaining high ethical standards in all its commercial operations. The Group has been a member of the Initiative for Ethical Trading (IEH) since 2008. Hafslund leverages its membership to continue to place clear demands on its suppliers in order to ensure that these exercise their business operations in line with Norwegian and internationally recognised principles and guidelines on human and employee rights, the environment and corruption. These requirements are incorporated into all contracts entered into by Hafslund. To prevent the possibility of corruption, bribery or conflicts of interest, Hafslund has also drawn up a Code of Conduct for its employees, which has been approved by Hafslund ASA's Board of Directors.

Social responsibility

Employees
At the end of 2013 Hafslund employed 1,220 staff (1,178.2 full-time equivalents). 34.5 percent of the Group's employees are women, while 65.5 percent are men. Hafslund strives to achieve a more equal gender balance in all business areas, and this is one of the focus areas of the Group's management development programmes. Hafslund's salary policy is based on individual salary establishment. Hafslund complies with the requirements for equality that are intended to ensure that no discrimination takes place based on gender, ethnicity, national background, origin, skin colour, language, religion or belief with regard to areas such as salaries, promotion and recruitment. Group management comprises three women and four men. The Group's management teams in subsidiaries comprise 33.73 percent women and 66.27 percent men. Eight members serve on the Board of Hafslund ASA, three of whom are women and five of whom are men. The company therefore complies with legislation regarding gender balance. Remuneration paid to executive management is discussed in Note 22 to the consolidated financial statements.

Health, safety and the environment
Hafslund shall maintain high standards with regard to health, safety and the environment (HSE), and HSE considerations should pervade all processes and activities. The Group wishes all companies to be attractive workplaces with a progressive and inclusive working environment, where the aim is that no employee should be injured at work or develop a work-related illness.

In 2013 Hafslund adopted a particular focus on suppliers of subcontract services, and audited the internal control systems of a total of nine companies.

Injuries
Two personal injuries were recorded involving own employees in the Norwegian part of the business, one of which resulted in lost time (Hafslund Eiendom). The other injury (non-lost-time) occurred at BioWood Norway AS. This equates to a sickness absence rate of 0.6 lost-time injuries per million working hours (H1 indicator).

A further ten lost-time injuries and eight non-lost time injuries were recorded at suppliers working at Hafslund's facilities. These injuries occurred on assignment for Hafslund Nett AS and Hafslund Varme AS.

No new cases of work-related illness were reported in 2013.

Reporting of undesired incidents (RUI)
Reporting of undesired incidents is a particularly important tool in initiatives to achieve the company's vision of zero injuries in the business. The aim is to ensure that all employees and suppliers notify undesired incidents, and that this information is used to prevent injuries and disseminate knowledge across the business. A total of 1,543 injuries were reported in 2013 (1,355).

Sickness absence rate
In 2013 the Group's sickness absence rate was 4.6 percent (4.7 percent). The short-term sickness absence rate (up to 16 days) was 2.3 percent, while the long-term absence rate was 2.3 percent. The aim is for sickness absence not to exceed four percent in the Group as a whole.

Risk
Hafslund is exposed to risk in a number of areas and along the entire value chain. The most important of these are regulatory, legal, reputational, financial, political and market risk, in addition to operational risk. Risk management at Hafslund is an integrated part of the Group's business activities, and is designed to maintain risk at an acceptable level in order to help secure achievement of strategic and operational targets. Hafslund has established guidelines and frameworks for active and co-ordinated risk management in a number of areas. Overall Group-level risk is reviewed by the Board.

Risk attaching to changes in power prices and production volumes, financial management risk, project risk, market risk in de-regulated business, regulatory risk, impairment risk and KILE risk are deemed to have the greatest impact on the company's financial performance.

The market price of electricity is one of several important factors affecting the Group's financial performance. This is in particular true of sales of power and district heating production. Hafslund has established hedging programmes for price-hedging of future production of hydropower and district heating. The company manages market risk by

trading in financial instruments. The Power Sales business endeavours to reduce uncertainty regarding fluctuations in power prices through hedging, in order to achieve a balance in exposure to customers and purchases in the wholesale market. Counterparty risk in the power market is minimised through the use of standardised contracts that are settled via Nasdaq OMX Commodities. Hafslund is also exposed to raw material risk in connection with district heating and waste incineration. Group management evaluates and adopts strategies to manage this type of risk within the risk profile determined by the board.

The Group's central finance department actively manages and hedges foreign currency exposure in order to reduce foreign exchange risk in relation to power trading, purchases of goods and services, and foreign currency borrowings. Hafslund is exposed to interest rate risk as a result of changes in interest rates on its interest-bearing borrowings, and due to the inclusion of five-year swap rate in the income framework established for the Networks business. The inverse effects of changes in the interest rate level on the business through the loan portfolio and the revenue ceiling for Networks represents an implicit form of natural hedging. The Group seeks to reduce its interest rate risk through balanced management of fixed and variable interest rates on its interest rate portfolio. The board has approved the guidelines and frameworks which govern the management of financial risk.

The Group has several long-term committed drawdown facilities in order to secure availability of liquidity even in periods when it may be difficult to obtain financing in the capital markets.

Several of the Group's energy supply businesses are subject to public licences and a large degree of public regulation. This applies in particular to the power generation, heat and networks businesses. The networks business is a natural monopoly with publicly-regulated earnings. The current grid regulation regime entered into force in 2013, and is expected to offer slightly more stability and better investment incentives than in the past.

The introduction of advanced metering systems (AMS) in Norway is one of the largest undertakings ever embraced by the energy industry. Network has commenced work on the project, with a view to ensuring that Networks 570,500 customers will have AMS installed by the appropriate deadline. This is a wide-ranging project involving commensurate risk for the Group. Initiatives to optimally identify, assess and manage risk are a key focus area across the entire project. The above is deemed to be particularly important in the introductory phase, when many of the conditions for the project will be established.

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

Information published in the Report from the Board of Directors includes and is based on expectations and future prospects that are subject to risk and uncertainty that could mean that actual results deviate significantly from these expectations.

Ownership structure and shareholders

Hafslund ASA has two classes of shares, with A shares granting voting rights at general meetings of the Group's shareholders. The reason for this is historical and deviates from the Norwegian Code of Practice for Corporate Governance. At the end of 2013 the Group's share capital totalled NOK 195,186,264, divided between 115,427,759 A shares and 79,758,505 B shares. As of 31 December 2013 the price of A and B shares was NOK 46.20 and NOK 46.50 respectively. At the end of the year Hafslund's market capitalisation totalled NOK 9.0 billion. The return (change in value + dividend) in 2013 totalled 7.4 percent. By comparison, the Oslo Stock Exchange's main index OSEBX (OSEBX is adjusted for dividends) increased by 21.0 percent.

At the reporting date, the City of Oslo was Hafslund ASA's largest shareholder, with 53.7 percent of share capital, comprising 58.5 percent of A shares and 46.8 percent of B shares. Fortum Forvaltning AS was the second-largest shareholder with 34.1 percent of the share capital, comprising 32.8 percent of A shares and 36.0 percent of B shares. At the close of the year, Hafslund held 170,411 treasury B shares.

The work of the Board of Directors

Hafslund's Board of Directors has complied with the previously adopted board mandate and guidelines for the board's activities. There were no changes in the Norwegian Code of Practice for Corporate Governance in 2013. Consequently, Hafslund ASA's corporate governance principles are based on the Code of Practice from 23

October 2012 as adopted by the board on 5 December 2012, which also applied to the 2013 accounting year. A description of the principles of corporate governance, and non-compliances with the above Code are discussed at www.hafslund.no under “Corporate Governance”. The board’s work is based on good corporate governance.

Hafslund meets the statutory requirements relating to gender balance on boards of ASA companies. The Board carries out an annual appraisal of its working practices, competence and working relationship with Group management. The board’s Compensation Committee advises the board on a number of matters including the remuneration paid by the company to its CEO. In 2010 the board established an Audit Committee. The Audit Committee’s remit is to assist the board in performing its duties regarding preparation of the financial statements and evaluation of the company’s internal controls.

At the Annual General Meeting held on 7 May 2013 board member Odd Håkon Hoelsæter was re-elected with a term of office until the 2015 Annual General Meeting. Per Langer was elected as a new board member with a term of office until the Annual General Meeting in 2015.

There is agreement within Hafslund not to establish a Corporate Assembly. Consequently the board reports directly to the general meeting and the shareholders. Disclosures that Hafslund is obliged to make in accordance with § 3-3b of the Norwegian Accounting Act regarding reporting on business management contained in the 2013 annual report are discussed at www.hafslund.no under “Corporate Governance”.

Dividend and appropriation of profit
At the Annual General Meeting to be held on 8 May 2014, the board will propose that a dividend of NOK 2.50 per share, a total of NOK 488 million, be paid for the 2013 financial year. The board proposes the following appropriation of Hafslund ASA’s net profit for the year of NOK 316 million:

Transferred from other equity	NOK 172 million
Propsed dividend:	NOK -488 million
Total allocated:	NOK 316 million

Outlook
Hafslund is a focused energy company with a strong strategic and operational position within Production, Networks, Heat and Markets. The Group will continue its organisational growth within these areas, along with structural growth in order to strengthen competitiveness and enable synergies. This growth is primarily expected to be achieved in Østlandet for Production, Networks and Heat, while Markets aims to strengthen its position as a leading Nordic power sales company.

Hafslund’s financial results are impacted by strategic, marketing, regulatory, financial and operational risks. The earnings of Production business and Heat business are directly impacted by fluctuations in power prices, while revenues for Networks are largely impacted by changes in the regulatory framework. In order to leverage market prospects more efficiently, and to hedge cash flows, Hafslund hedges some sales of produced energy. The power sales market is highly competitive, and profitability is contingent on Hafslund’s ability to achieve further efficiency improvements and improve customer deliveries. The Group’s investment requirements will, in addition to ongoing operating investments, be significantly impacted by statutory investments in AMS in the period leading up to 2019, and any structural growth. Potential structural growth opportunities are primarily expected to be financed through external financing. Power prices are affected at any one time by the hydrological balance, supply and demand for power and macroeconomic conditions in the Nordic region and Europe, and relevant regulatory and political initiatives. In mid-March 2014 future deliveries of power for 2014 were listed on Nasdaq OMX at NOK 0.23 per kWh compared to NOK 0.30 per kWh in average system price in 2013.

Hafslund’s position as a leading energy company will be strengthened through a further focus on renewable energy, infrastructure for energy and the electricity market, efficient and stable operations and organic and structural growth. Hafslund is therefore well equipped both operationally and financially to satisfy the need for increased energy supplies as a result of population growth in the Østland region and expected changes in the Nordic end-user market.

The Board of Directors of Hafslund ASA
Oslo, 24 March 2014

Birger Magnus
Chairman of the Board

Maria Moræus Hanssen
Deputy Chairman

Ellen Christine Christiansen

Odd Håkon Hoelsæter

Per Langer

Jane Koppang

Per Luneborg

Per Orfjell

Finn Bjørn Ruyter
President and CEO

Consolidated income statement

		1 January - 31 December	
	Notes	**2013**	**2012**
NOK million			**Restated**
Sales revenues	5	**12 818**	11 466
Purchases of goods and energy		**(7 867)**	(6 830)
Salaries and other personnel expenses	18, 21, 22	**(901)**	(851)
Other (losses)/gains - net	19	**75**	117
Other operating expenses	20	**(1 747)**	(1 752)
Share of profit/(loss) from associates	9, 26	**68**	20
Operating profit before depreciation, amortisation and impairments		**2 446**	**2 170**
Amortisation	6, 7, 8	**(789)**	(777)
Impairment losses	6, 7, 8	**(5)**	(482)
Operating profit/(loss)		**1 652**	**911**
Finance costs	23	**(503)**	(557)
Profit/(loss) before tax		**1 149**	**354**
Income tax expense	17	**(402)**	(366)
Profit/(loss) for the year		**747**	**(12)**
Attributable to:			
Owners of the parent		**747**	(10)
Non-controlling interests			(2)
Earnings per share for share of annual result attributable to the company's shareholders (NOK per share)			
Earnings per share (= diluted earnings per share)		**3.83**	0.06

Notes 1 to 27 are an integral part of the consolidated accounts.

Consolidated statement of comprehensive income

		1 January - 31 December	
	Notes	**2013**	**2012**
NOK million			**Restated**
Profit/(loss) for the year		**747**	**(12)**
Items to be reclassified to income statement			
Value adjustments on hedging contracts	10	**35**	(1)
Translation differences		**14**	(13)
Tax	17	**(10)**	
Total items to be reclassified to income statement		**40**	**(14)**
Items not to be reclassified to income statement			
Estimate deviations pensions	18	**(14)**	651
Tax	17		(182)
Total items not to be reclassified to income statement		**(14)**	**469**
Comprehensive income for the year		**26**	**455**
Total comprehensive income for the year		**773**	**443**
Attributable to:			
Owners of the parent		**774**	445
Non-controlling interests		**(1)**	(2)
Total comprehensive income for the year		**773**	**443**

Notes 1 to 27 are an integral part of the consolidated accounts.

Consolidated balance sheet

				31 December
	Notes	2013	2012	2012-01-01
NOK million			Restated	Restated
Assets				
Property, plant and equipment	6	**18 251**	18 365	18 632
Intangible assets	7	**2 575**	2 432	2 379
Investments in associates	9	**204**	560	426
Long-term receivables	11, 18	**491**	469	462
Non-current assets		**21 520**	**21 826**	**21 899**
Inventories		**60**	82	61
Trade and other receivables	10, 12	**2 428**	2 333	1 708
Financial assets	3, 10	**202**	88	128
Cash and cash equivalents	10, 13	**1 143**	223	870
Current assets		**3 833**	**2 726**	**2 767**
Total assets		**25 353**	**24 551**	**24 666**
Equity and liabilities				
Paid-in equity	14	**4 275**	4 275	4 275
Retained earnings		**3 290**	2 994	3 037
Non-controlling interests		**18**	20	23
Equity		**7 583**	**7 289**	**7 336**
Borrowings	10, 16	**9 432**	8 422	9 047
Deferred income tax liability	17	**3 098**	2 992	2 877
Pensions and similar obligations	18	**235**	323	1 104
Long-term liabilities		**12 765**	**11 737**	**13 028**
Trade and other current payables	10, 15	**2 002**	1 994	2 134
Financial liabilities	3, 10	**168**	74	86
Income tax payable	17	**299**	338	280
Borrowings	10, 16	**2 536**	3 119	1 802

Current liabilities		**5 004**	**5 525**	**4 303**
Total liabilities		**17 770**	**17 262**	**17 330**
Total liabilities and equity		**25 353**	**24 551**	**24 666**

The Board of Directors of Hafslund ASA

Oslo, 24 March 2014

Birger Magnus
Board Chairman

Maria Moræus Hanssen
Deputy Chariman

Ellen Christine Christiansen

Odd Håkon Hoelsæter

Per Langer

Jane Koppang

Per Luneborg

Per Orfjell

Finn Bjørn Ruyter
President and CEO

Notes 1 to 27 are an integral part of the consolidated accounts

Consolidated statement of cash flows

		1 January - 31 December	
	Notes	**2013**	**2012**
NOK million			**Restated**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**2 446**	**2 171**
Adjustments for:			
- losses/gains on sale of operating assets/businesses		**(18)**	(4)
- losses/gains on financial assets at fair value through profit or loss		**(3)**	(108)
- other items with no cash flow effect		**(27)**	22
Changes in working capital:			
- Inventories		**23**	(21)
- Trade and other receivables		**(10)**	(934)
- Trade and other current payables		**25**	(49)
Cash flow from operations		**2 436**	**1 076**
Interest paid		**(474)**	(480)
Income tax paid		**(338)**	(359)
Net cash generated from operations		**1 624**	**236**
Investments in operations and expansion	6, 7	**(873)**	(1 084)
Sales of property, plant and equipment		**65**	8
Capital released on sale of shares and other receivables		**370**	28
Cash flow from investing activities		**(438)**	**(1 048)**
New long-term borrowings		**3 635**	3 545
Repayments of borrowings		**(3 420)**	(2 904)
Dividends and other equity transactions		**(487)**	(484)
Cash flow from financing activities		**(272)**	**156**
Change in cash and cash equivalents		**914**	(656)
Cash and cash equivalents as of 1 January		**223**	870
Currency gains/(losses) cash and cash equivalents		**6**	9

Cash and cash equivalents as of 31 December	10, 13	**1 143**	**223**

Notes 1 to 27 are an integral part of the consolidated accounts.

Consolidated statement of changes in equity

NOK million	Share capital	Share premium account	Other paid-in equity	Estimate deviations pensions	Translation differences	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total earnings
Equity as of 31 December 2011	**195**	**4 080**	**76**		**15**	**3 741**	**8 107**	**23**	**8 131**
Implementation effect for pensions 1 January 2012						(795)	(795)		(795)
Adjusted equity as of 1 January 2012	**195**	**4 080**	**76**		**15**	**2 946**	**7 312**	**23**	**7 336**
Result for the year						(10)	(10)	(2)	(12)
Other comprehensive income				469	(13)	(1)	455		455
Total comprehensive income for the year				**469**	**(13)**	**(11)**	**445**	**(2)**	**443**
Transactions with owners:									
Change in non-controlling interests								(1)	(1)
Dividend for 2011						(487)	(487)		(487)
Other equity effects						(2)	(2)		(2)
Equity as of 31 December 2012	**195**	**4 080**	**76**	**469**	**2**	**2 446**	**7 268**	**20**	**7 289**
Result for the year						747	747		747
Other comprehensive income				(14)	14	26	26		26
Total comprehensive income for the year				**(14)**	**14**	**773**	**773**		**773**

year				**(14)**	**14**	**773**	**773**		**773**
Transactions with owners:									
Change in non-controlling interests								(2)	(2)
Dividend for 2012						(487)	(487)		(487)
Change in treasury shares						10	10		10
Equity as of 31 December 2013	**195**	**4 080**	**76**	**455**	**16**	**2 742**	**7 564**	**18**	**7 583**

The Board has proposed a dividend of NOK 2.50 per share for the 2013 financial year. The corresponding figure for 2012 was NOK 2.50 per share.

Notes 1 to 27 are an integral part of the consolidated accounts

Notes

Note 1: General information

Hafslund ASA ("the company") and its subsidiaries (hereinafter referred to as Hafslund) is one of the largest listed power groups in the Nordic region. Hafslund is Norway's largest grid, power sales and district heating company, and a medium-sized Norwegian power producer.

The Hafslund Group operates its business through subsidiaries and associates and is primarily active within the Norwegian market. The company is headquartered in Oslo and is listed on the Oslo Stock Exchange. The consolidated financial statements were adopted by the company's board on 24 March 2014.

Note 2: Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Unless otherwise stated, these policies are applied in the same way for all accounting periods.

2.1 Framework for presentation of financial statements

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

The consolidated financial statements are based on the modified historical cost principle. Exceptions to the above primarily relate to financial assets and liabilities (including derivatives) measured at fair value through profit or loss.

The preparation of financial statements in accordance with IFRSs requires the use of estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are material to the consolidated financial statements are disclosed in Note 4.

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

a) New and amended standards adopted by the Group

Since 1 January 2013 the following standards have been adopted that affect the financial statements:

- Amendments to *IAS 1 Presentation of Financial Statements* concerning other comprehensive income. Following the amendment, items in other comprehensive income are classified in accordance with how they could later be reclassified in the in the traditional income statement.
- *IAS 19 Employee Benefits* was amended in June 2011. Following the amendments, all estimate deviations are recognised in other comprehensive income as they arise (no corridor), all costs relating to previous periods' pension entitlements on a change in the schemes are immediately recognised in income, and interest expense on the liability and the expected yield on pension assets have been replaced by the net interest amount calculated using the discount rate on the net pension liability/asset. See description under Change in Accounting Policy and Note 18 for a breakdown of the monetary effects in the financial statements.
- The amendment to *IFRS 7 Financial Instruments – Disclosures* concerning net presentation of assets and liabilities. The amendment introduces new notes disclosure requirements in order to facilitate comparisons between IFRS and USGAAP reporters.
- *IFRS 13 Fair Value Measurement* is intended to improve consistency and reduce complexity by providing a clear definition of fair value, along with a common source for requirements for measurement of fair value and note disclosures to be used for all standards in which fair value is applied. The standard does not extend the application of fair value, but provides guidance on how fair value is to be established when this is required, or is permitted, by other standards.

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

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

- *IFRS 9 Financial Instruments* regulates the classification, measurement and recognition of financial assets and financial liabilities in addition to hedge accounting. The standard was issued in November 2009, October 2010 and November 2013. It replaces those sections of IAS 39 that regulate similar issues. In accordance with IFRS 9 financial assets are divided into two categories: those measured at fair value and those measured at amortised cost. On first-time recognition assets are classified in line with the Group's business model for managing its financial instruments and the nature of the contractually agreed cash flows from the instrument. The requirements for financial liabilities are essentially the same as under IAS 39. The

greatest change is that in cases where the fair value option has been applied for a financial asset, the change in fair value that is attributable to the change in the entity's own credit risk is now included in other comprehensive income and not the traditional income statement, unless this gives rise to an accounting mismatch. IFRS 9 implies a number of changes and simplifications that will lead to opportunities for increased hedge accounting. The Group has still not reviewed the full impact of IFRS 9. The Group will examine the consequences of the remaining sections of IFRS 9 once they have been finalised.

- *IFRS 10 Consolidated Financial Statements* is based on current principles which involve applying the control concept as the decisive criterion in determining whether a company should be included in the consolidated financial statements of a parent company. The standard is not expected to impact the consolidated financial statements. The standard enters into force for accounting periods beginning on or after 1 January 2014.
- *IFRS 11 Joint Arrangements* focuses on the rights and obligations of parties covered by such arrangements other than with regard to the legal structure. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise when the participants have rights over the asset and are liable for the liabilities under the arrangement. A participant in a joint operation recognises its share of assets, liabilities, income and expenses. Joint ventures arise when the participants have rights in connection with the net assets under the arrangement. These types of schemes are recognised in accordance with the equity method. The “gross” or “proportional consolidation” method is no longer applied. The standard is not expected to impact the consolidated financial statements. The standard enters into force for accounting periods beginning on or after 1 January 2014.
- *IFRS 12 Disclosures of Interests in Other Entities* contains all disclosures concerning interests in other entities including joint arrangements, associates, structured entities and other non-consolidated companies. Hafslund has not reviewed the full impact of IFRS 12. The company is planning to apply the standard for accounting periods beginning on or after 1 January 2014.
- Amendments to *IAS 36 Impairment of Assets* apply to disclosures on recoverable amounts for non-financial assets. The amendments abolish some note disclosure requirements for recoverable amounts for cash-generating units that were introduced on the publication of IFRS 13. The amendments enter into force for accounting periods beginning on or after 1 January 2014.
- *IFRIC 21 Levies* regulates accounting recognition of liabilities for levies. The interpretation does not apply to tax on income. The interpretation details which types of events give rise to an accounting liability. As the Group does not pay any material levies, the effect on the financial statements will be immaterial.

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

Change in accounting policy

Since 1 January 2013 Hafslund has adopted a new accounting policy for accounting for pensions in accordance with the amendments to IAS 19. Following the changes, the “corridor method” is no longer applied to recognise actuarial gains and losses and estimate deviations, adjusted for deferred tax liabilities/assets, are recognised in other comprehensive income.

The change in accounting policy also means that interest expenses and the forecast yield on pension assets will be replaced by a net interest amount calculated by applying the discount rate to the net pension obligation (asset). Consequently, the Group will recognise lower yields on pension assets earlier than in the past. The difference between the actual yield on assets and the yield calculated by applying the discount rate will be recognised as an estimate deviation in other comprehensive income. Hafslund recognises the pension expense including the interest element in its entirety as part of the operating profit.

In accordance with IAS 19 the changes have been applied retrospectively and the comparative figures for 2012 have been amended accordingly. The effect of the change in policy can be seen in the Statement of Change in Consolidated Equity, Note 17 Income tax, Note 18 Pension costs, liabilities and assets and Note 21 Employee benefit expenses. The tables below show the effect on the income statement and balance sheet of the amended accounting policy for the accounting year 2012:

NOK million	**2012 Restated**

Income statement:	
Reduction in payroll costs	57
Change in profit before tax	**57**
Increased tax expense	17
Change in profit for the year	**40**

Other comprehensive income:	
Changes in consolidated statement of other comprehensive income	469
Change in total comprehensive income for the year	**509**

Balance sheet:	
Assets:	
Reduction in long-term receivables	(243)
Change in assets	**(243)**

Equity and liabilities:	
Reduction in equity	(286)
Reduction in deferred tax liabilities	(112)
Increase in pensions and similar obligations	155
Change in equity and liabilities	**(243)**

The change in pensions has no cash effect; however, individual lines in the cash flow statement have been changed to reflect changes made to the consolidated income statement and consolidated balance sheet.

2.2 Consolidation principles

a) Subsidiaries

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

Hafslund also evaluates whether control exists with less than 50 percent of voting rights, when, in practice, the Group is able to exercise control over financial and operating policies (“de facto control”). De facto control can arise in situations where other voting rights are distributed among a large number of owners who are not realistically in a

position to organise their voting. In the assessment of de facto control, the determining factor is whether the Group can select the board members it wants.

The purchase method is applied for business acquisitions. Issued consideration is measured as the fair value of transferred assets, incurred liabilities and issued equity instruments. Identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Non-controlling interests in the acquired company are measured from time to time either at fair value, or at the share of the acquired company's net assets. Expenses relating to business mergers are recognised as expenses when they are incurred.

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

If the consideration transferred (including any non-controlling interests and the fair value of previous assets) exceeds the fair value of identifiable net assets acquired, this is recognised as goodwill. If the consideration transferred (including any non-controlling interests and the fair value of previous assets) is less than the fair value of net assets in the subsidiary due to the fact that the purchase has been concluded on favourable terms, the difference is recognised as a gain in the income statement.

Intragroup transactions, intragroup balances and unrealised intragroup profits are eliminated. Unrealised losses are also eliminated. Reported figures from the subsidiaries are restated when this is necessary to achieve consistency with the Group's accounting policies.

Transactions with non-controlling owners of subsidiaries that do not involve loss of control are treated as equity transactions. When shares are purchased from non-controlling owners, the difference between the consideration and the proportionate percentage of net assets recognised in the subsidiary's balance sheet relating to such shares is recognised in the parent company's owners' equity. Gains or losses on disposals of non-controlling owners are similarly recognised in equity.

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

b) Associates

Associates are all entities over which Hafslund exerts significant influence but not control. Significant influence will generally exist when the Group has a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are recognised in accordance with the equity method. Investments are recognised at cost at the time of acquisition, and the Group's share of the results in subsequent periods is recognised in income or expenses. Amounts recognised in the balance sheet include any implicit goodwill identified at the time of acquisition. On the reduction of a shareholding in an associate where the Group maintains significant influence, only a pro rata share of amounts previously recognised in other comprehensive income is reclassified through profit or loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement and added to the book value of the investment. The Group's share of other comprehensive income of the associate is recognised in consolidated comprehensive income and the value of the investment recognised in the balance sheet is adjusted accordingly. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables for the entity, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

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

Dilution gains and losses arising on investments in associates are recognised in the income statement.

2.3 Segment information

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

2.4 Translation of foreign currency

a) Functional currency and presentation currency

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

b) Transactions and balance sheet items

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

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

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

c) Group companies

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

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

2.5 Property, plant and equipment

Property, plant and equipment is recognised in the balance sheet at cost less cumulative depreciation and impairments. Cost includes expenses directly connected to the acquisition of the operating asset, including directly attributable borrowing costs. Subsequent costs are included in the asset's book value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the

Group and the cost of the item can be measured reliably. The book value of the replaced part is de-recognised. Other repairs and maintenance expenses are recognised in the income statement in the period in which the expenses are incurred.

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

Power facilities	20 – 50 years
Heating facilities	10 – 50 years
Grid facilities	10 – 50 years
Technical equipment and chattels	3 – 30 years
Other property	20 – 50 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. If an asset's book value is greater than its estimated recoverable amount, it is written down to the recoverable amount. (Note 2.7).

Gains and losses on the disposal of operating assets are recognised in the income statement under Other (losses) gains – net, and comprise the difference between the cost to sell and book value.

2.6 Intangible assets

a) Waterfalls

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

b) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill in connection with the acquisition of subsidiaries is classified as an intangible asset in the balance sheet at cost less deductions for impairments. In subsequent evaluation of the need to recognise an impairment, goodwill is allocated to those cash-generating units that are expected to benefit from the acquisition. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the book value of goodwill relating to the entity sold.

c) Customer portfolios

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

d) Customer purchase orders

Customer purchase orders relating to the acquisition of new customers are recognised in the balance sheet at cost less amortisation. Customer purchase orders have a limited useful economic life and are recognised based on the estimated lifetime of the customer relationship. Hafslund has opted to amortise customer purchase orders on a straight-line basis over five years based on the expected average agreement period. Acquisition costs include direct costs to sell only, and each customer portfolio is considered on an individual basis.

2.7 Impairment of non-financial assets

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

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

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

2.9 Financial assets

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Available-for-sale financial assets

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

d) Impairment of financial assets

The Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired at the end of each reporting period. Any significant or long-term fall in fair value below the cost of shares classified as available for sale will be deemed to indicate of an impairment in the value of the shares in question. Where such objective indicators exist, and impairments have previously been recognised in other comprehensive income, the cumulative loss that has been included in other comprehensive income is transferred to the consolidated income statement. The amount is measured as the difference between cost and the current fair value, less deductions for any impairment losses previously recognised in income. Impairment losses on shares and

similar instruments classified as available for sale recognised in the income statement are not reversed through the income statement. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified in the income statement.

2.10 Derivatives and hedging

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

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

At the inception of the hedging arrangement, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. Hafslund documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged items. Such assessments are documented both at hedge inception and on an ongoing basis during the hedge period.

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

a) Cash flow hedging

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

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

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

Licensed power

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

El certificates

El certificates are recognised as a financial asset in accordance with IAS 32 and measured in accordance with IAS 39 and the rules for foreign currency in IAS 21. This means that both holdings of certificates, receivables certificates, forward contracts and the cancellation liability with Statnett are measured at fair value through profit or loss. The

effects of changes in fair value are recognised as Other (losses)/gains – net in the income statement. In the balance sheet spot contracts are recognised as Cash and cash equivalents and forward contracts are recognised as Derivatives. The cancellation liability with Statnett is recognised under Current liabilities.

2.11 Inventories

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

2.12 Trade receivables

Trade receivables are initially recognised at fair value. Trade receivables are subsequently recognised at amortised cost using the effective interest method less provision for any bad debts.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits, holdings of el certificates, and other short-term, highly liquid investments with original maturities of three months or less.

2.14 Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are reported in equity as a deduction from the proceeds. Where any Group company purchases the company's equity share capital (treasury shares), the consideration paid, including any transaction costs, net of taxes, is deducted from equity attributable to the parent company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable transaction costs and the related tax effects, is included in equity attributable to the parent company's equity holders.

2.15 Trade payables

Trade payables are valued at fair value on first-time recognition in the balance sheet. Subsequently trade payables are recognised at amortised cost calculated using the effective interest rate method.

2.16 Borrowings

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

2.17 Tax

The tax expense comprises taxes payable and changes in deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In such cases the tax is also recognised in other comprehensive income or directly in equity, respectively. The current tax charge is calculated on the basis of tax rates, legislation are rules enacted at the balance sheet date. Management

evaluates the tax positions on an ongoing basis, taking into account situations where the applicable tax legislation is subject to interpretation. Provisions are recognised for expected tax payments based on management assessments where such is deemed necessary. Deferred tax is calculated on all temporary differences between the tax-written-down and consolidated financial values of assets and liabilities. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary tax-reducing differences can be utilised.

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

Taxation of power production business

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

Natural resource tax is a profit-independent tax that is calculated on the basis of individual power plants' average power production over the last seven years. The tax rate is established as NOK 0.013 per kWh. Any amount of natural resource tax can be set off against general income tax, while non-settled natural resource tax is classified as an interest-bearing receivable.

Resource rent tax comprises 30 percent in 2013 (increases to 31 percent in 2014) of the power stations' normalised result in excess of the tax-free allowance. Negative resource rent income can be recognised forward against subsequent positive resource rent income including interest. Negative resource rent income is included in the basis used to calculate deferred tax liabilities and assets connected to resource rent taxation together with deferred tax assets/liabilities relating to temporary differences connected to operating assets used in power production.

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

2.18 Pension liabilities, bonus schemes and other employee remuneration schemes

a) Pension liabilities

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

Defined benefit scheme

A defined benefit scheme is a pension scheme that defines the pension benefit that an employee will receive on retirement, and which is financed through payments to insurance companies or pension funds. The pension benefit is usually dependent on one or more factors such as age, years of service and compensation.

The accounting liability for the defined benefit schemes is the present value of the liability at the balance sheet date, less the fair value of the pension assets. The gross liability is calculated by an independent actuary applying the unit credit method. The gross liability is discounted to present value applying the interest rate on bonds issued by a company with a high credit rating (covered bonds rate) in the same currency in which the benefits will be paid, and with a term that is approximately the same as the term of the related pension liability.

Hafslund believes that it is appropriate to use the covered bonds rate as the discount rate as there is a deep and liquid market for these types of bonds. The Norwegian market has become more advanced following the financial crisis and has a high credit rating, which also indicates that the bonds have a high credit worthiness. The alternative to applying the covered bonds interest rate would be to apply the government bond rate. See Note 18 for calculations and sensitivity to changes in the discount rate.

Gains and losses arising on the recalculation of the liability due to pension deviations and changes in actuarial assumptions are recognised in equity via other comprehensive income in the period in which they arise. The effects of changes in benefits under the scheme are immediately recognised in income.

Defined contribution schemes

A defined contribution scheme is a pension scheme where the Group pays a fixed contribution to a separate legal entity. The Group has no legal or other obligation to pay further contributions should the entity have insufficient funds to pay all employees their benefits in line with their entitlements for the current and for previous periods. The contributions are recognised as an employee benefit expense when they are due.

b) Bonus schemes

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

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

c) Termination benefits

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

2.19 Provisions

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

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

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

2.20 Revenue recognition

a) Revenue recognition – general

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

b) Sales of power and district heating

Sales of power are recognised in the income statement at the time of delivery to the customer. Realised revenues from physical and financial trading in power contracts are recognised as sales revenues. Sales of district heating is recognized according to the customer's estimated consumption of district heating. District heating is calculated by energy delivery to customer multiplied by the district heating tariffs.

c) Grid rental

The Networks business is subject to a revenue ceiling established the Norwegian Water Resources and Energy Directorate (NVE). Permitted income comprises the revenue ceiling established by the regulator (the Norwegian Water Resources and Energy Directorate – NVE) plus transmission costs, Enova mark-ups and property tax less interruption costs. Income surpluses/shortfalls, which represent the difference between recognised grid rental and permitted income defined as regulatory liabilities/assets that do not qualify for recognition in the balance sheet. The amount recognised in income in individual years corresponds to the volume delivered in the period, settled at the established tariff in force at any one time. The result for 2013 was impacted by an income shortfall of NOK 120 million. In 2012 there was an income surplus of NOK 268 million. Cumulative surplus income of NOK 312 million at the end of 2013 does not satisfy the definition of a liability under the conceptual framework and has therefore not been recognised in the balance sheet.

d) Dividend income

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

2.21 Leases

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

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group bears substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance costs in order to achieve a constant periodic interest rate on the outstanding balance. The corresponding lease liability (less financing costs) is included in other long-term liabilities. The interest element in the financing cost is expensed over the lease term so as to achieve a constant periodic interest rate on the outstanding balance each period. Property, plant and equipment recognised as finance leases is amortised over the shorter of the asset's useful life and the lease term.

2.22 Dividends

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

Note 3: Financial risk management

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

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

a) Power price and volume risk

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

Power price fluctuations, together with factors (primarily weather conditions) that affect production volumes, are thus of significant importance for the profitability of Hafslund's power generation activities. Hafslund hedges some of its hydropower production volume, as well as enters into hedging contracts in its district heating business within a time horizon of 36 months in order to reduce the power price risk. In line with the Group's hedging policy, the extent of hedging is expected to be significantly higher in the upcoming six months than in the ensuing period. The extent of hedging may vary significantly, based on an overall assessment of market prices and outlook; the purpose is achieving satisfactory prices and reducing fluctuations in Hafslund's earnings. The extent of hedging is regulated by a risk mandate adopted by the Board of Hafslund ASA. Exposure should be kept within the limits set by the Board and monitored by the Group's risk management function and through reporting to management and the Board of Hafslund ASA.

Hafslund uses Value at Risk as an operational risk management target for the power price risk. Exposure reports are distributed daily to the Group's management, among others, and a summary of the reports is included in the Group's monthly management reporting. As of 31 December 2013, the Hafslund Group's aggregate power portfolio had a daily VaR within a 95 percent confidence interval of NOK 42 million (2012: NOK 35 million). Most of the risk is attributable to the open exposure in the business areas Production and Heat. Standardised power market derivative products, such as futures, forwards, CFDs and options, are used to achieve the desired risk-reducing effect in respect of power portfolios. Hedging instruments are mainly traded at and cleared with the Nordic Power Exchange, Nasdaq OMX Commodities.

b) Foreign exchange risk

Hafslund has liabilities denominated in foreign currency. In addition, Group businesses conduct transactions that are exposed to currency fluctuations. Currently this applies in particular to EUR- and SEK-denominated trades in power and power derivatives. The Group's central finance department is responsible for managing the Group's overall foreign exchange exposure on behalf of the individual operating units, and performs all transactions with the market. Primarily forward exchange contracts, and in some cases foreign exchange options, are used to reduce foreign currency risk. Currency options have not been used in 2013, and the Group has no currency option contracts at the end of the year. In the case of foreign currency borrowings, principal amounts and basis interest

rates are hedged using basis swaps when borrowings are taken out. All derivatives have been entered into for hedging purposes and are recognised at fair value. Certain derivatives are also recognised as hedging contracts pursuant to the rules in IAS 39.

All other factors remaining constant, a 10 percent change in the EUR/NOK and SEK/NOK rates would have an effect on post-tax profits of +/- NOK 2 million as a result of changes in the value of Hafslund's portfolio of currency derivatives as of 31 December 2013 (2012: +/- NOK 21 million).

EUR- and SEK-denominated derivative contracts are entered into to secure future currency positions associated with power derivatives which the power sales business holds for hedging purposes, as well as to reduce the foreign exchange risk associated with future EUR cash flows from sales of power production and revenues from heat production.

c) Interest rate risk

Hafslund's operating revenues and cash flow from operations are largely independent of interest rate fluctuations. The Group's network activities are an exception, since there is a significant interest-related component to determination of the revenue ceiling. Determination of the NVE interest rate in the revenue ceiling model for network activities has changed from 2013. The link to government bond interest rates no longer applies, and revenues from the network activities will fluctuate to a greater extent in the coming years in step with the borrowing costs and inflation. The Group is nevertheless exposed to interest rate risk in relation to interest-bearing liabilities. The company's cash flow will be affected by interest rate fluctuations on variable-interest loans. The fair value of all the borrowings taken out before 31 December 2009 will be affected by changes in interest rates, including changes in credit spreads. In the course of 2013, the change in credit spread, viewed in isolation, resulted in a NOK 34 million increase in the fair value of the loan portfolio (2012: minus NOK 5 million). Credit spreads are affected by terms, liquidity and risk. The major banks publish estimates for Hafslund's credit spreads with differing terms based on observable prices on the bond market. In calculating changes in the fair value of the loan portfolio due to changes in Hafslund's credit spreads, an interpolated average change in credit spreads is applied for a duration corresponding to the duration of Hafslund's borrowings and interest rate derivatives.

Hafslund's loan portfolio comprises a mixture of fixed-interest and variable-interest loans. Interest rate derivatives are used to reduce fluctuations in cash flow associated with finance costs. By applying frameworks adopted to manage interest rate risk, the board has determined that the proportion of fixed-interest rate loans in the loan portfolio should lie between 30 and 60 percent. As of 31 December 2013, approximately 51 percent of the Group's borrowings were subject to variable interest rates (2012: 52 percent). In a simulation test of sensitivity to major interest rate fluctuations, the portfolio of loans and interest rate derivatives as of 31 December 2013 was tested against a change of +/- 1.5 percent across the total yield curve. Based on historical data, there is approximately 90 percent certainty that interest rate fluctuations will not exceed this spread during any one year. However, such a change in interest rates would increase/decrease the Group's annual finance cost (adjusted for tax effect) by NOK 103 million (2012: +/- NOK 120 million). This takes into account changes in interest expenses as a result of fluctuations in the variable interest rate, changes in the fair value of fixed-rate loans and changes in the fair value of interest rate derivatives. Because regulated revenue ceiling for the network activities also varies with interest rate fluctuations, the overall effect of interest rate fluctuations on pre-tax profits would in fact be less marked.

d) Liquidity risk

Liquidity risk arises to the extent that cash flows from the business do not correspond with financial obligations. The cash flow from the business areas will vary according to a number of factors including spot-market price levels. Accordingly the Group has established long-term, committed drawdown facilities in order to secure availability of liquidity, including in periods when it may be difficult to obtain financing in the markets. Unused drawdown facilities as of 31 December 2013 totalled NOK 3.7 billion (2012: NOK 3.9 billion). See also Note 16.

Maturity profile for borrowings:

NOK million	**0-6 months**	**6-12 months**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
2013	(1 526)	(1 242)	(4 400)	(3 256)	(3 064)	(13 488)

2012	(1 846)	(1 447)	(4 239)	(2 255)	(3 008)	(12 795)

e) Credit risk

Most of the Group's debtors are private individuals who purchase electricity and/or district heating. A vendor loan note with a par value corresponding to NOK 310 million over 7 years was issued in 2010 in connection with the sale of Hafslund Fibernett to the PE fund EQT. This apart, Hafslund has no significant concentration of credit risk. Follow-up and collection of trade receivables in the Group are centralised in a separate unit, Hafslund Fakturaservice (billing). Counterparty risk relating to power trading activities is minimised through primarily clearing the contracts via Nasdaq OMX Commodities, as well as entering into bilateral agreements with municipal or state-owned companies. Interest and foreign currency risk mandates, which are determined by the board, contain guidelines as to the creditworthiness of institutional counterparties.

The majority of overdue trade receivables as of 31 December 2013 relate to the Markets business unit, and primarily to trade receivables from private electricity customers. A provision of NOK 24 million has been recognised to cover potential bad debts on these receivables (2012: NOK 28 million). Trade receivables that were unpaid from 30 days past due amounted to NOK 90 million (2012: NOK 103 million).

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

NOK million	**Not yet due**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**	**Total**
2013	874	75	23	14	71	1 057
2012	657	95	25	20	79	876

Maturity profile for financial items:

NOK million						
2013	**0-6 months**	**6-12 months**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Interest rate derivatives	(2)		(24)	(25)	39	(12)
Currency derivatives	(6)	(5)	9			(2)
Power derivatives	102	(1)	(36)	(4)		61
El-certificates	(7)		(7)			(13)
Trade payables	(502)					(502)
Net financial items	**(415)**	**(6)**	**(57)**	**(29)**	**39**	**(468)**
2012	**0-6 months**	**6-12 months**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Interest rate derivatives		(7)	(17)	(48)	44	(28)
Currency derivatives	(1)	9	(1)	(1)		6
Power derivatives	7	3	15			25
El-certificates	10		1			11

Trade payables	(454)					(454)
Net financial items	**(438)**	**5**	**(2)**	**(49)**	**44**	**(440)**

Capital management

The Group's capital management shall ensure the Group's financial room to manoeuvre in the short and long term. The aim is to have a financial structure that ensures good long-term creditworthiness and a good return to the shareholders through equity and cash flow.

The available liquidity shall cover the maturing loans for the coming 12 months and a certain reserve beyond this at all times. In addition to cash and cash equivalents, the Group's liquidity reserve consists of an unused long-term committed syndicated credit facility. Hafslund uses primarily banks and the bond market as borrowing sources. Hafslund has long-term financing that ensures financial room to manoeuvre even when it is difficult to gain financing in the markets. At the end of 2013 the Group had unused credit facilities deemed sufficient to cover the Group’s refinancing requirements over the next 12 months. External borrowing has been centralised at the parent company level, and the capital needs of subsidiaries are normally covered through internal loans, primarily through corporate cash pooling systems, in combination with equity. The capital structure in the subsidiaries is adapted to commercial considerations, as well as legal and tax-related considerations.

Hafslund does not have an official credit rating, but the quantitative and qualitative factors that affect the Group's creditworthiness are monitored actively. The Group aims to maintain its unofficial credit rating of BBB+ from the major Norwegian banks. Hafslund monitors its capital management by following the development of its equity ratio, not interest-bearing liabilities and cash flow from operations. The Group's capital consists of net interest-bearing liabilities and equity:

NOK million	2013	2012
		Restated
Total interest-bearing liabilities	**11 483**	11 268
Total interest-bearing receivables	**1 551**	619
Net interest-bearing liabilities	**9 932**	**10 649**
Equity	**7 583**	7 289
Equity ratio %	**30 %**	30 %
Unused credit lines	**3 700**	3 900

Fair value estimates

Financial instruments

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

1. Listed price in an active market for an identical asset or liability (level 1).
2. Valuation based on observable factors other than listed prices (level 1) either directly (prices) or indirectly (derived from prices) for the asset or liability (level 2).
3. In cases where it is not appropriate to employ the quoted share price or the transaction value, shares are valued on the basis of discounted future cash flows, as well as the Group's own estimates.

The following table presents the group's assets and liabilities measured at fair value as at:

NOK million				
2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Currency derivatives		19		19
Power derivatives		139	9	148
Total investments at fair value through profit or loss		**158**	**9**	**167**
Borrowings		4 742		4 742
El-certificates	13			13
Power derivatives	122	21		143
Interest rate derivatives		12		12
Financial liabilities at fair value through profit or loss	**135**	**4 775**		**4 910**

NOK million				
2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Shares and units		1		1
Derivatives			86	86
Total investments at fair value through profit or loss		**1**	**86**	**87**
Borrowings		6 774		6 774
Derivatives			72	72
Financial liabilities at fair value through profit or loss		**6 774**	**72**	**6 846**

There have been no transfers between level 1 and 2 during the year. The holdings of forward contracts related to el-certificates have been included in level 1 from the 2013 financial year. The reason for this is the fact that there is a liquid market for el-certificates on the Nordic power exchange Nasdaq OMX Commodities, and there is a listed price for the certificates. In 2012 the el-certificate holdings were included at level 3.

After a thorough review of the fair value hierarchy, the interest rate, currency and power derivatives (OTC) were transferred from level 3 to level 2 in 2013. The reason for this is the fact that all the significant data that is used in the valuation is based on observable data and to a limited extent on the Group's own estimates. In addition, power contracts on Nasdaq OMX Commodities have been transferred from level 3 to level 1, since the valuation is based on the market/exchange price.

a) Financial instruments at level 1

The fair value of financial instruments that are traded in active markets is the market price on the date of the balance sheet. A market is regarded as active if quoted prices are readily and regularly available from an exchange, broker, industry group, pricing service, or regulatory agency, and these prices represent actual and regularly occurring

market transactions on an arm's length basis. The market price that is used for financial assets is the current bid price, and as mentioned above, the holdings of forward contracts related to el-certificates and power contracts on Nasdaq have been included at level 1 from 2013. The same applies to power derivatives traded on the Nordic power exchange Nasdaq OMX Commodities that are valued based on the current prices on Nasdaq OMX Commodities on the date of the balance sheet.

b) Financial instruments at level 2

The fair value of financial instruments that are not traded in an active market is determined by means of various valuation methods. These valuation methods maximise the use of observable data where available and to the least possible extent on the Group's own estimates. If all the significant data inputs that are required to determine the fair value of an instrument are observable data, then the instrument will be included at level 2.

Borrowings

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

Interest rate, foreign exchange and power derivatives

The fair value of interest rate swap agreements is calculated as the present value of estimated, future cash flows, based on effective swap rates at the balance sheet date. The fair value of foreign currency contracts is calculated by using effective rates in the forward market at the balance sheet date. The fair value of currency options is calculated by applying option pricing models based on the listed rates in the forward market at the balance sheet date. The value of power derivatives traded outside an exchange is estimated as the present value of future cash flows, based on forward prices from Nasdaq OMX Commodities at the balance sheet date. In the case of material long-term contracts, the cash flows are discounted.

Financial instruments at level 3

Asian options are valued by means of the underlying Nasdaq prices and the expected future volatility, as well as an estimated mark.up.

Movement at level 3:

NOK million	**2013**
Financial assets:	
Opening balance 1 January	**86**
Forward foreign exchange contracts transferred to level 2	(11)
Forward el-certificate contracts transferred to level 1	(40)
Power contracts transferred to level 2	(27)
Unrealised change in Asian options	1
Closing balance 31 December	**9**

NOK million	**2013**
Financial liabilities:	
Opening balance 1 January	**72**
Interest rate derivatives transferred to level 2	(28)

Forward foreign exchange contracts transferred to level 2	(5)
Forward el-certificate contracts transferred to level 1	(30)
Power contracts transferred to level 2	(9)
Closing balance December	**0**

Net presentation of financial assets and liabilities

The following assets and liabilities have been recognised on a net basis in 2013:

			Amounts not presented on a net basis in the balance sheet		
NOK million	**Gross financial assets**	**Financial liabilities recognised on a net basis**	**Net financial assets in the balance sheet**	**Financial instruments**	**Net**
Forward exchange contracts	27	(8)	19		19
Power contracts	148	(9)	139		139
Hedging derivatives	57	(23)	35		35
Asian options	9		9		9
Total financial assets	**242**	**(39)**	**202**		**202**

			Amounts not presented on a net basis in the balance sheet		
NOK million	**Gross financial liabilities**	**Financial assets recognised on a net basis**	**Net financial liabilities in the balance sheet**	**Financial instruments**	**Net**
El-certificates	34	(21)	13		13
Power contracts	151	(7)	143	(11)	132
Interest rate derivatives	54	(42)	12		12
Total financial liabilities	**239**	**(71)**	**168**	**(11)**	**157**

Note 4: Accounting estimates and judgements

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

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

Power sales and network activities

Final settlement of power consumption for the year for a large proportion of the Group's electricity and network customers is made after the Group has finalised its annual financial statements. The above revenues are estimated based on the power volumes that have been physically delivered during the period. The physically delivered volume is apportioned in accordance with consumption forecasts for each customer group and price plan. Some uncertainty attaches to the volume apportioned to the various price segments. Accrued revenues recognised in the balance sheet at the end of 2013 amounted to NOK 1,057 million. Total revenues from the sale and distribution of electricity for the 2013 came in at NOK 12,130 million.

Estimated impairments of goodwill and property, plant and equipment

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

Fair value borrowings

Borrowings that are valued at fair value are measured by discounting the borrowings' cash flows. The discount rate applied is the Norwegian swap interest rate, adjusted upwards for Hafslund's credit spreads. Seen in isolation, the change in credit spreads during 2013 results in a reduction in the loan portfolio's fair value of NOK 34 million.

Pensions

The present value of pension liabilities depends on several different factors that are determined by a number of actuarial assumptions. The assumptions employed for the calculation of the net pension cost (income) include a discount rate. Changes in these assumptions will affect the balance sheet value of pension liabilities. Hafslund determines the applicable discount rate at the start of each financial year. This is the rate that must be used to calculate the present value of future estimated out-going cash flows that will be required to settle pension liabilities. When setting this discount rate, Hafslund takes into account interest rates on high quality corporate bonds that will mature at approximately the same time as the relevant pension liability, see also Note 2.18. A number of other pension-related assumptions are partly based on market conditions. Were the discount rate applied to differ by 0.5 percent, the carrying amount of pension obligations would change by an estimated 7–9 percent. Additional information is provided in Note 18.

Contingencies

When evaluating contingencies, management must exercise its judgement in order to determine the extent to which, on the balance of probabilities, an event would be likely impose a financial liability on the Group. Management must also use its best estimates to assess the likely amount of future payments. See Note 24 for a more detailed description of contingencies.

Note 5: Segment information

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

Group management evaluates the performance and profitability of the operating segments based on operating results and return on capital employed. The operating result in the segment information is the same as that presented in the consolidated income statement. Financial costs are also allocated to the segments, but not interest income, since this is an activity that is controlled by the central finance department as part of the Group's overall liquidity situation. Intersegment sales are made in accordance with the arm's length principle.

	Production		**Heat**		**Networks**		**Markets**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
NOK million		**Restated**		**Restated**		**Restated**		**Restated**
Gross segment sales	**859**	755	**1 153**	1 107	**4 052**	3 992	**6 850**	5 537
Intersegmental sales	**15**	(102)	**3**	3	**2**	3	**262**	267
Sales revenues	**844**	**857**	**1 150**	**1 104**	**4 050**	**3 989**	**6 588**	**5 270**
Operating profit/(loss)	**568**	443	**156**	(82)	**619**	541	**301**	370
Financial costs	**(71)**	(62)	**(77)**	(58)	**(73)**	(101)	**64**	34
Income tax expense	**(290)**	(221)	**(8)**	36	**(108)**	(306)	**(97)**	(114)
Profit/(loss) for the year	**208**	**159**	**71**	**(105)**	**439**	**135**	**268**	**291**
Depreciation of operating assets	**(46)**	(45)	**(168)**	(155)	**(488)**	(504)	**(30)**	(12)
Impairment of operating assets			**(5)**	(240)				
Amortisation of intangible assets							**(8)**	(1)
Losses on receivables				(1)	**(11)**	(12)	**(29)**	(32)
Capital employed	**4 270**	**4 782**	**5 464**	**5 562**	**9 325**	**8 949**	**1 987**	**1 730**
Investments (excluding acquisitions)	**26**	24	**61**	326	**532**	497	**120**	180

	Other business		**Eliminations**		**Group**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
NOK million		**Restated**		**Restated**		**Restated**
Gross segment sales	**383**	438	**(479)**	(362)	**12 818**	11 466
Intersegmental sales	**197**	192	**(479)**	(362)		
Sales revenues	**186**	**246**			**12 818**	**11 466**

Operating profit/(loss)	**9**	(361)			**1 652**	911
Financial costs	**(347)**	(371)			**(503)**	(557)
Income tax expense	**100**	240			**(402)**	(366)
Profit/(loss) for the year	**(238)**	**(493)**			**747**	**(12)**
Depreciation of operating assets	**(45)**	(59)			**(777)**	(775)
Impairment of operating assets		(242)			**(5)**	(482)
Amortisation of intangible assets	**(5)**	(1)			**(13)**	(2)
Losses on receivables	**(1)**	(1)			**(41)**	(46)
Capital employed	**(144)**	**246**			**20 902**	**21 269**
Investments (excluding acquisitions)	**47**	52			**786**	1 079

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

Reconciliation of capital employed with equity:

	2013	**2012**
NOK million		**Restated**
Capital employed	**20 902**	**21 269**
Income tax payable	**(299)**	(338)
Deferred income tax liability	**(3 098)**	(2 992)
Borrowings	**(11 764)**	(11 541)
Cash and cash equivalents	**1 143**	223
Interest-bearing receivables	**408**	396
Other	**291**	272
Equity	**7 583**	**7 289**

Revenue analysed by category:

NOK million	**2013**	**2012**
Power sales	**6 397**	5 124
Power production	**797**	708
District heating sales	**1 089**	1 042
Distribution revenue	**3 709**	3 658
Other revenue	**825**	934
Total	**12 818**	**11 466**

The majority of revenue derives from energy customers localised in and around Oslo, Akershus and Østfold, where a significant number of Hafslund's assets are located. Revenue from the Group's power sales companies in Sweden amounted to NOK 894 million, while capital employed in the Swedish companies totalled NOK 272 million.

Note 6: Property, plant and equipment

NOK million	Technical equipment and chattels	Power facilities	District heating facilities	Networks	Facilities under con-struction	Other property	Total
Book value as of 31 December 2011	**376**	**4 053**	**4 177**	**8 328**	**1 539**	**160**	**18 632**
2012 financial year							
Book value as of 1 January 2012	376	4 053	4 177	8 328	1 539	160	18 632
Operating investments	39	24			956	1	1 020
Capitalised borrowing costs					14		14
Transferred from facilities under construction	55		647	390	(1 163)	71	
Disposals (cost)	(209)						(209)
Disposals cumulative depreciation	31						31
Disposals cumulative impairments	135			(1)			134
Depreciation 2012	(109)	(47)	(158)	(452)	(4)	(5)	(775)
Impairments 2012	(18)		(309)		(85)	(70)	(482)
Book value as of 31 December 2012	**300**	**4 030**	**4 357**	**8 265**	**1 257**	**157**	**18 365**
Balance as of 31 December 2012							
Cost	1 738	7 235	5 577	13 813	1 659	270	30 292
Cumulative amortisation	(1 412)	(3 205)	(912)	(5 548)	(17)	(43)	(11 137)
Cumulative impairments	(26)		(309)	(1)	(385)	(70)	(791)
Book value as of 31 December 2012	**300**	**4 030**	**4 356**	**8 265**	**1 257**	**157**	**18 365**
2013 financial year							
Book value as of 1 January 2013	300	4 030	4 356	8 265	1 257	157	18 365
Operating investments	70	3	13		627	6	719
Capitalised borrowing costs					13		13
Transferred from facilities under construction	267		188	387	(865)	23	
Disposals (cost)	(13)		(74)	(19)	(385)	(138)	(629)
Disposals cumulative depreciation	5		5	18		8	36
Disposals cumulative impairments	5		69		385	70	529

Depreciation 2013	(108)	(46)	(168)	(452)	(1)	(2)	(777)
Impairments 2013			(5)				(5)
Book value as of 31 December 2013	**526**	**3 987**	**4 384**	**8 199**	**1 031**	**124**	**18 251**
Balance as of 31 December 2013							
Cost	2 062	7 238	5 704	14 182	1 049	161	30 396
Cumulative amortisation	(1 515)	(3 251)	(1 075)	(5 982)	(18)	(37)	(11 878)
Cumulative impairments	(21)		(245)	(1)			(267)
Book value as of 31 December 2013	**526**	**3 987**	**4 384**	**8 199**	**1 031**	**124**	**18 251**
Capitalisation rate borrowing costs					4 %		
Depreciation percentage	3-33	2-5	2-10	2-7		0-5	

"Hafslund has recognised borrowing costs of NOK 13 million for assets that qualify in 2013. The Group's average-weighted interest rate has been applied. Future investment obligations are estimated at NOK 441 million. Reference is made to Note 8 for details of the impairment assessments.

As of 31 December 2013 's total future lease commitments associated with office premises and transformer substations recognised at nominal value amounted to NOK 1,129 million:

NOK million	
2014	124
2015	127
2016	130
2017	133
2018	128
2019 and later	487
Total lease commitments	**1 129**

The leases are operating leases and have varying payment dates, price-regulating clauses, and lease prolongation rights. In 2013 rent amounting to NOK 122 million was recognised in the income statement for leases of office premises and transformer substations.

Note 7: Intangible assets

NOK million	Customer portfolios	Waterfall rights	Customer purchase orders (CPO)	Total	Goodwill	Total intangible assets
Book value as of 31 December 2011	**24**	**253**		**277**	**2 104**	**2 381**
2012 financial year						
Operating investments			45	45	14	59
Disposals (cost)	(2)			(2)	(99)	(101)
Disposals cumulative impairments					98	98
Amortisation	(2)			(2)		(2)
Translation differences					(3)	(3)
Book value as of 31 December 2012	**20**	**253**	**45**	**318**	**2 114**	**2 432**
Balance as of 31 December 2012						
Cost	90	356	45	491	2 632	3 123
Cumulative amortisation	(70)	(103)		(173)	(518)	(691)
Book value as of 31 December 2012	**20**	**253**	**45**	**318**	**2 114**	**2 432**
2013 financial year						
Operating investments	7		54	61	8	69
Expansion investments					95	95
Disposals (cost)					(3)	(3)
Amortisation 1)	(8)		(19)	(27)		(27)
Impairments					(5)	(5)
Translation differences					14	14
Book value as of 31 December 2013	**19**	**253**	**80**	**352**	**2 223**	**2 575**
Balance as of 31 December 2013						
Cost	97	356	99	552	2 746	3 298
Cumulative amortisation	(78)	(103)	(19)	(200)	(518)	(718)
Cumulative impairments					(5)	(5)
Book value as of 31 December 2013	**19**	**253**	**80**	**352**	**2 223**	**2 575**
Depreciation period	10 years		3-5 years			

1) CPO amortisation is presented as a sales and marketing cost in the income statement, see Note 20.

See Note 8 for information on impairment testing.

Note 8: Impairment assessments

The Hafslund Group holds significant long-term assets, both tangible (property, plant and equipment) and intangible assets. The development of these assets is presented in Notes 6 and 7. Both property, plant and equipment and intangible assets are subject to estimate uncertainty. Both the valuation and estimated useful life are based on forward-looking information that is encumbered by a high level of uncertainty. Intangible assets are regarded as representing the greatest uncertainty. The intangible assets do not have any direct "cost price" and the values are derived essentially from the Group's own valuations and are generally recognised in the balance sheet in connection with the Group's acquisition of new business. Goodwill is to be regarded as residual in the same acquisition. The sum total of all excess value from acquisitions, including goodwill, is deemed to represent the market value (fair value) of the total assets and the allocation to different types of assets is derived from this. Tangible assets (property, plant and equipment) are essentially recognised in the balance sheet at cost, and if they have a limited useful life they are systematically depreciated over their useful life. The disposal value is taken into account. The useful life and disposal value are based on estimates of the future developments.

Book value of intangible assets with an undefined useful life and goodwill is tested annually for impairment. Hafslund constantly monitors any indications of potential impairment. In case of indications of a possible impairment in value, impairment tests will be performed immediately, and they are performed at least once a year in any case. If the valuation tests indicate that the book values are no longer recoverable, assets are written down to their recoverable amounts. Impairment tests are carried out by identifying and discounting the cash flows linked to the cash-generating units. The recoverable amount of a cash-generating unit is calculated based on the value the asset is expected to generate for the business. The impairment tests performed in 2013 have confirmed that the values recognised in the balance sheet are justifiable.

The table below shows the book values allocated to the Group's business areas at the end of 2013:

					Impairments			
NOK million	**Operating assets**	**Intangible assets**	**Goodwill**	**Total book value 2013**	**2013**	**Cumulative**	**Terminal year**	**Growth in terminal year**
Production	4 069	253	7	**4 329**			2019	2,0 %
Networks	8 944		266	**9 210**			2044	2,0 %
Heat	4 754		582	**5 336**	5	245	2029	2,0 %
Markets	209	99	1 320	**1 628**			2019	2,0 %
Other business	275		48	**323**	5	27	2019	2,5 %
Group	**18 251**	**352**	**2 223**	**20 826**	**10**	**272**		

Budget and forecast assumptions

The impairment tests performed for 2013 are based on the budget for 2014 and forecasts for the four following years before the terminal value is established. For the network and district heating operations, cash flows for a longer period are used before the terminal value is established. This is due to a gradual change in the profile for el-certificates for the district heating operations and the long-term development of efficiency and the NVE interest rate in the revenue ceiling model for the network operations. Future cash flows are based on a number of assumptions. The level and development of the power prices are key to the profitability of the business areas Production and Heat. It is the system forward price for power listed on Nasdaq OMX on 31 October 2013 that has been used for the impairment tests performed, and the system price for 2018 was NOK 0.30 per kWh. This assumes normal production for power and the district heating operations (included in Heat). The assumption of normal power production of 3,100 GWh is based on ten years' hydropower data adjusted for efficiency improvements. The normal

production for the district heating operations (included in Heat) of 1,776 GWh in 2014 is based on the average temperatures for the last 10 years, adjusted for the existing and planned customer connections. For power sales (included in Markets), the customer numbers for power sales are expected to remain flat after 2017, and there are not expected to be any changes in consumption patterns, while margins are expected to decrease slightly The current revenue ceiling model for network activities is expected to continue until the terminal year.

Discount rate

The discount rate that is used is based on the Group's cost of capital and uses a weighted average required rate of return for equity and loan capital (WACC) for the Group. The required return on equity capital is estimated using the capital asset pricing model (CAPM). The required return on loan capital is estimated based on the long-term risk-free interest rate plus a credit margin derived from Hafslund's marginal long-term borrowing rate. The discount rate is adjusted for the assumed debt ratio and business risk for the individual cash-generating units. A discount rate before tax is used for the various cash-generating units for the interval from 7.0 percent to 12.1 percent.

Sensitivity

The sensitivity tests performed reveal the robustness of the Hafslund Group’s capital-intensive units. Estimation of recoverable amounts is based on assumptions regarding future developments in a number of areas. These include, for example, the development of framework conditions, power prices, temperature, economic growth and consumption patterns. The Hafslund Group has performed sensitivity analyses on the consequences of various changes in assumptions relating to the recoverable amount. This applies, for example, to a 20 percent reduction in the power prices, lower energy production, a 20 percent reduction in the cash flow in the terminal year or an increase of 20 percent in the discount rate. The Group’s recoverable amount is most sensitive to changes in the power price and regulatory changes within the Networks business. A permanent reduction of 20 percent in the power prices may entail a need to recognise an impairment for portions of the heating operations, all else being equal.

The impairment test for the waste-to-energy plant Bio-El Fredrikstad (included in Heat) shows a low level of robustness, which means that the discounted value is just marginally higher than the book value of NOK 99 million at the end of 2013. The plant was written down NOK 240 million in 2012 as a result of a significant and long-term fall in the waste prices, as the waste prices represent revenue for Bio-El Fredrikstad. Today, the waste market is deemed to be on par with what was assumed in connection with the write-down in 2012. A waste price of NOK 305/tonne has been assumed for 2018, a gradual increase from the NOK 236/tonne achieved in 2013. The plant's profitability is sensitive to the future waste prices as well as gradually higher steam sales to industrial customers in Øra in order to justify the book value. The Agreement for the sale of steam to major industrial customers expired in 2013 and a new one-year agreement has been entered into for 2014, which is based on the former agreement. The parties intend to enter into a long-term industrial steam agreement in 2014.

Note 9: Investments in associates and joint ventures

NOK million	Year of acquisition	Cost	Book value	Registered office	Shareholding	Voting share
Rakkestad Energiverk AS	2001	43	33	Rakkestad	33 %	33 %
Glommens og Laagens Brukseierforening	1903		50	Lillehammer	22,3 %	22,3 %
Energy Future Invest AS	2012	157	122	Gjøvik	49,5 %	49,5 %

NOK million	2013	2012
Book value as of 1 January	**560**	**426**
Additions/disposals	**(381)**	157
Share of profit/loss	**68**	20
Dividends	**(43)**	(43)
Book value as of 31 December	**204**	**560**
Amortisation of goodwill for the year	1	1
Excess value as of 31 December	5	6

Shares in Infratek ASA were sold in 2013 for NOK 387 million. The gain of NOK 90 million is included on the line Share of profit/(loss) from associates.

Hafslund exercised its purchase option from the shareholders of Energibolaget i Sverige Holding AS (EBS) and acquired the remaining 51 percent of shares in the company in October 2013. Following this, Hafslund owns 100 percent of the shares in the company Reference is made to Note 26 for further information on the acquisition.

Group's share of results, assets and liabilities in associates:

	Registered in	Assets	Liabilities	Sales revenues	Result for the year
Rakkestad Energiverk AS	Rakkestad	38	15	28	2
Glommens og Laagens Brukseierforening	Lillehammer	50	6	17	(2)
Energy Future Invest AS	Gjøvik	143	19	67	(16)
Infratek ASA (sold in July 2013)	Oslo				84
Total		**88**	**21**	**45**	**68**

Note 10: Financial instruments by category

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

NOK million	Derivatives utilised for hedging purposes	Assets at fair value through profit or loss	Loans and receivables	Total
Assets as of 31 December 2013				
Long-term receivables			327	327
Derivatives	35	167		202
Trade and other receivables			2 428	2 428
Cash and cash equivalents			1 143	1 143
Total financial assets as of 31 December 2013	**35**	**167**	**3 898**	**4 100**
Assets as of 31 December 2012				
Long-term receivables			312	312
Shares and units		1		1
Derivatives	1	86		87
Trade and other receivables			2 333	2 333
Cash and cash equivalents			223	223
Total financial assets as of 31 December 2012	**1**	**87**	**2 868**	**2 956**

NOK million	Derivatives utilised for hedging purposes	Liabilities at fair value through profit or loss	Other financial liabilities	Total
Liabilities as of 31 December 2013				
Borrowings		4 742	7 226	11 968
Derivatives		168		168
Trade and other current payables			1 406	1 406
Total financial liabilities as of 31 December 2013		**4 910**	**8 632**	**13 542**
Liabilities as of 31 December 2012				
Borrowings		6 774	4 767	11 541
Derivatives	2	72		74

Trade and other current payables			1 532	1 532
Total financial liabilities as of 31 December 2012	**2**	**6 846**	**6 299**	**13 147**

Changes in financial assets at fair value through profit or loss are recognised in the income statement as Other (losses)/gains, see also Note 19.

Hafslund hedges some of its hydropower production volume, as well as enters into hedging contracts in the district heating operations, for the next 36 months on an ongoing basis to reduce the power price risk. Hedging arrangements are recognised as cash flow hedging in accordance with IAS 39, while changes in value in hedging instruments are recognised in other comprehensive income. As of 31 December 2013, however, the remaining term of the hedging item is less than 24 months.

Derivatives held for trading purposes are classified as current assets or liabilities. The entire fair value of hedging instruments is classified as a current asset or liability. No amount has been recognised for 2013 due to the ineffective portion of the Group's cash flow hedges. The following derivatives included in the cash flow hedges:

a) Forward currency contracts

The nominal total of outstanding forward foreign currency contracts as of 31 December 2013 was NOK -22.1 million.

The hedged, highly probable transactions denominated in a foreign currency are expected to occur at various dates over the next 24 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 December 2013, will be recognised in the same period or the same periods in which the hedged transaction affects profit or loss.

b) Power contracts

The nominal total of outstanding power contracts as of 31 December 2013 was NOK 56.9 million.

The hedged, highly probable transactions denominated in a foreign currency are expected to occur at various dates over the next 24 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 December 2013, will be recognised in the same period or the same periods in which the hedged transaction affects profit or loss.

Note 11: Long-term receivables

	2013-12-31	2012-12-31
NOK million		**Restated**
Interest-bearing loans and receivables	**291**	275
Contributions to pension funds	**116**	116
Net pension assets	**48**	41
Other	**36**	37
Total long-term receivables	**491**	**469**

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

Note 12: Trade and other receivables

NOK million	2013-12-31	2012-12-31
Trade receivables	**1 057**	876
Bad debt provision	**(41)**	(46)
Net trade receivables	**1 017**	**830**
Accrued, non-invoiced income	**1 057**	1 068
Interest-bearing receivables	**2**	6
Other receivables	**353**	429
Total trade and other receivables	**2 428**	**2 333**

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

Note 13: Cash and cash equivalents

NOK million	2013-12-31	2012-12-31
Cash and cash equivalents Group account	**414**	67
Cash and cash equivalents non-Group account	**542**	156
El-certificate holdings	**187**	
Total cash and cash equivalents	**1 143**	**223**

Of the Group's total bank deposits of NOK 956 million, NOK 7 million is pledged as security for Group power trading activities. Hafslund has a corporate cash pooling system with Nordea. A corporate cash pooling system entails joint and several liability among the participating companies. Hafslund ASA's accounts constitute single, direct accounts for transactions with its banks, while deposits into and withdrawals from subsidiaries' accounts are treated as intercompany balances with Hafslund ASA. Companies participating in the group account schemes have joint and several unconditional liability for total drawdowns on the two group account schemes up to a limit of NOK 100 million, which is the overall limit on bank drawdown facilities.

Spot contract holdings related to el-certificates are classified as cash and cash equivalents from 2013 in accordance with the accounting policy, as described in Note 2.10.

Note 14: Share capital and share premium account

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

NOK million	A shares	B shares	Total shares	Premium account	Total
Balance as of 31 December 2012	115	80	195	4 080	4 275
Balance as of 31 December 2013	**115**	**80**	**195**	**4 080**	**4 275**

The shares have a par value of NOK 1. There are no outstanding share options. The B shares do not confer any voting rights. In all other respects each share grants the same rights in the company. As of 31 December 2013, Hafslund held 170,411 treasury B shares (2012: 397,361 B shares).

The largest shareholders of Hafslund ASA as of 31 December 2013 comprised the following:

In thousands	A shares	B shares	Total	Shareholding	Voting share
City of Oslo	67 525	37 343	104 868	53.7 %	58.5 %
Fortum Forvaltning AS	37 853	28 706	66 559	34.1 %	32.8 %
Østfold Energi AS	5 201	4	5 205	2.7 %	4.5 %
Odin Norge		3 801	3 801	1.9 %	
Total > 1 % ownership interest	**110 579**	**69 854**	**180 433**	**92.4 %**	**95.8 %**
Total other	4 849	9 904	14 753	7.6 %	4.2 %
Total number of shares	**115 428**	**79 758**	**195 186**	**100.0 %**	**100.0 %**

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

In thousands	A shares	B shares	Total	Shareholding	Voting share
City of Oslo	67 525	37 343	104 868	53.7 %	58.5 %
Fortum Forvaltning AS	37 853	28 706	66 559	34.1 %	32.8 %
Østfold Energi AS	5 201	4	5 205	2.7 %	4.5 %
Odin Norge		3 735	3 735	1.9 %	
Total > 1 % ownership interest	**110 579**	**69 788**	**180 367**	**92.4 %**	**95.8 %**
Total other	4 849	9 970	14 819	7.6 %	4.2 %
Total number of shares	**115 428**	**79 758**	**195 186**	**100.0 %**	**100.0 %**

Note 15: Trade and other current payables

NOK million	2013-12-31	2012-12-31
Trade payables	**502**	454
Public taxes due	**554**	473
Accrued interest expenses 1)		190
Accrued costs	**596**	462
Other liabilities	**351**	415
Total trade and other current payables	**2 002**	**1 994**

1) Accrued interest expenses are disclosed in Note 16 from 2013.

Note 16: Borrowings

NOK million	2013-12-31	2012-12-31
Long-term borrowings		
Fixed-interest bonds	**4 636**	4 274
Floating interest bonds	**2 327**	1 577
Other loans	**2 469**	2 571
Total long-term borrowings	**9 432**	**8 422**
Current borrowings		
Fixed-interest bonds	**372**	345
Floating interest bonds	**400**	403
Commercial papers	**1 000**	950
Accrued interest	**204**	
Other loans	**560**	1 421
Total current borrowings	**2 536**	**3 119**
Total borrowings	**11 968**	**11 541**

The nominal amount as of 31 December 2013 was NOK 11,483 million. The corresponding amount as of 31 December 2012 was NOK 11,268 million.

All borrowings taken out before 1 January 2010 are recognised at fair value, which is calculated by applying a discount factor to the borrowings' cash flows. The fair value includes accrued interest. The discount rate applied is the Norwegian swap interest rate, adjusted upwards for Hafslund's credit spreads. From 1 January 2010 new borrowings are measured at amortised cost, which amounted to NOK 7,022 million at the year end. The fair value of the borrowings measured at amortised cost is estimated at NOK 7,108 million as of 31 December 2013.

The following credit spreads have been applied:

		Credit spread (basis points)
Term (years)	**2013-12-31**	**2012-12-31**
0,25	**45**	50
0,5	**45**	50
1	**48**	40
2	**57**	90
3	**73**	117
4	**83**	134
5	**93**	150
6	**101**	155
7	**108**	160

8	**113**	163
9	**118**	166
10	**123**	170

Seen in isolation, the change in credit spreads during 2013 results in a increase in the loan portfolio's fair value estimated at NOK 34 million. The corresponding change in 2012 was a reduction of NOK 5 million.

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

NOK million	**2013-12-31**	**2012-12-31**
0-6 months	**6 411**	6 757
6-12 months	**1 005**	593
1-3 years	**842**	1 015
More than 3 years	**3 710**	3 176
Total borrowings	**11 968**	**11 541**

Hafslund has entered into a syndicated NOK 3,600 million drawdown facility maturing on 17 June 2018. The lender is a banking syndicate comprising six Nordic banks. The drawdown facility is used as a back-stop for current commercial papers and as a general liquidity reserve. At the end of the year the entire facility remained unused. In addition, Hafslund also has a NOK 100 million overdraft facility with Nordea that was unused at the end of the reporting period.

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

Maturity profile interest-bearing loans:

NOK million	**2013-12-31**	**2012-12-31**
0-6 months	**1 424**	1 545
6-12 months	**1 112**	1 574
1-3 years	**3 776**	3 019
4-5 years	**2 920**	1 946
More than 5 years	**2 736**	3 457
Total borrowings	**11 968**	**11 541**

Loan movements in 2013:	**2013-12-31**
Borrowings as of 31 December 2012	**11 541**
New borrowings	**3 635**
Matured loans	**(2 671)**

Buyback of loans	**(749)**
Accrued interest	**204**
Change in fair value	**8**
Total borrowings as of 31 December 2013	**11 968**

Note 17: Income tax

Income tax

	2013	2012
NOK million		Restated
Income tax payable	**297**	430
Deferred income tax liability	**105**	(64)
Total tax expense	**402**	**366**

Tax payable in the balance sheet

	2013	2012
NOK million		Restated
Payable tax expense	**297**	430
Translation differences	**2**	
Payment of tax related to amendment decision for Hatros II		(92)
Tax payable in the balance sheet	**299**	**338**

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

	2013	2012
NOK million		Restated
Profit/(loss) before tax	**1 149**	**354**
Tax calculated at nominal tax rate (28%)	**(322)**	(99)
Resource rent tax	**(145)**	(111)
Profit/(loss) from sale or change in value of shares	**30**	6
Reduced deferred tax liability at changed tax rate from 2014	**45**	
Permanent differences	**(4)**	(10)
Change in value of deferred income tax assets	**9**	10
Provision for current tax disputes		(183)
Over/underprovision relating to previous years	**(5)**	10
Share of profit/(loss) from associates	**(6)**	6
Effect of deferred tax recognised in equity	**(5)**	
Other matters	**1**	6
Total tax expense	**(402)**	**(366)**

Effective tax rate	**35 %**	103 %

The change in the effective tax rate with regard to general company tax is primarily attributable to the resource rent tax for hydro production activities, as well as the lower deferred income tax liability as of 31 December 2013, as a result of a change in the tax rate from 28 to 27 percent in 2014 and the effect of the sale of shares in Infratek and EBS, see Note 26.

Deferred income tax liability

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

The following items have been recognised on a net basis:

	2013	**2012**
NOK million		**Restated**
Deferred income tax assets that reverse after more than 12 months	248	320
Deferred income tax assets that reverse within 12 months	**50**	85
Total deferred income tax assets	**298**	**405**
Deferred income tax liabilities that reverse after more than 12 months	**3 216**	3 202
Deferred income tax liabilities that reverse within 12 months	**180**	195
Total deferred income tax liabilities	**3 396**	**3 397**
Total deferred income tax - net	**3 098**	**2 992**

	2013	**2012**
Change in recognised deferred tax:		**Restated**
Book value as of 1 January		**3 186**
Effect of change in accounting policy for pensions		(309)
Book value as of 1 January restated	**2 992**	**2 877**
Recognised in income in the period	**105**	(64)
Recognised in other comprehensive income in the period	**10**	182
Reclassification	**(9)**	(2)
Book value as of 31 December	**3 098**	**2 992**

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

NOK million	**Operating assets**	**Temporary differences**	**Other**	**Total**
Deferred income tax liability as of 31 December 2011	**3 203**	**140**	**(50)**	**3 293**
Recognised in income in the period	(105)	56	154	105

Recognised in other comprehensive income in the period		(1)		(1)
Deferred income tax liability as of 31 December 2012	**3 098**	**195**	**104**	**3 397**
Recognised in income in the period	76	(19)	(59)	(2)
Recognised in other comprehensive income in the period		10		10
Reclassification		(6)	(3)	(9)
Deferred income tax liability as of 31 December 2013	**3 174**	**180**	**42**	**3 396**

NOK million	**Pensions**	**Borrowings and liabilities**	**Tax loss carryforwards**	**Total**
Deferred income tax assets as of 31 December 2011	**10**	**(117)**		**(107)**
Effect of change in accounting policy for pensions	(309)			(309)
Deferred tax assets as of 1 January 2012 restated	**(299)**	**(117)**		**(416)**
Recognised in income in the period	34	(137)	(66)	(169)
Recognised in other comprehensive income in the period	182			182
Reclassification	(2)			(2)
Deferred income tax assets as of 31 December 2012	**(85)**	**(254)**	**(66)**	**(405)**
Recognised in income in the period	35	40	32	107
Deferred income tax assets as of 31 December 2013	**(50)**	**(214)**	**(34)**	**(298)**

Change in deferred tax by using the same OB and CB tax rate (28 percent)	150
Effect of change in tax rate to 27 percent	(45)
Change in deferred income tax	**105**

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

Note 18: Pension costs, liabilities and assets

Group companies operate different pension schemes organised through pension funds and insurance companies. The pension schemes are generally funded through contributions made by the companies at levels largely determined on the basis of actuarial calculations. The Group operates both defined contribution and defined benefit schemes. In accordance with the Norwegian Act on Mandatory Occupational Pension Schemes, effective from 1 July 2006, agreements have been entered into concerning defined contribution schemes for all companies that had not previously operated occupational pension schemes for their employees. From 1 January 2010 most of the companies had taken out disability pension insurance for employees with defined contribution pensions. As of 31 December 2013 a total of 347 employees were covered by defined benefit schemes through Hafslund's two pension funds. The pension funds also paid pensions to 1,106 individuals. In addition to the above, the Group has defined contribution schemes with various insurance companies. Hafslund reorganised its pension schemes with effect from 1 January 2007. As a consequence, the existing pension funds were closed to new members. At the same time, defined contribution schemes were introduced for all new employees.

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

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

	2013-12-31	**2012-12-31**
NOK million		**Restated**
Liability recognised in the balance sheet:		
Present value of accrued pension liabilities for funded defined benefit schemes	**2 237**	2 063
Fair value of pension assets	**(2 220)**	(1 950)
Actual net pension liabilities for funded defined benefit schemes	**17**	**113**
Present value of pension obligations for unfunded schemes	**171**	169
Net pension liabilities in balance sheet (incl. Employers' National Insurance contributions)	**188**	**282**
Net pension liabilities in balance sheet	**(235)**	(323)
Net pension assets in balance sheet	**48**	41
Fluctuations in the defined benefit pension liabilities over the year:		
Pension liabilities as of 1 January	**2 232**	2 734
Employer's National Insurance contributions	**3**	118
Present value of current year's pension benefits earned	**26**	47

Interest expenses	**87**	66
Estimate changes	**189**	(606)
Benefits paid	**(117)**	(120)
Liabilities from plan changes and acquisitions	**(12)**	(7)
Pension liabilities as of 31 December	**2 408**	**2 232**
Change in fair value of pension assets over the year:		
Fair value of pension assets as of 1 January	**1 950**	1 775
Expected return on plan assets	**78**	47
Estimate changes	**178**	44
Total contributions	**116**	117
Total payments from fund	**(88)**	(91)
Pension assets on settlement	**(14)**	58
Fair value of pension assets as of 31 December	**2 220**	**1 950**

The minimum pension liability, which is the net present value of pension liabilities based on the current income from which pension earnings are derived at the balance sheet date, amounted to NOK 2,207 million as of 31 December 2013 and NOK 2,021 million as of 31 December 2012. Expected contributions in 2014 total NOK 119 million.

Following financial assumptions were made:	**2013**	**2012**
Discount rate	**4.00 %**	4.00 %
Expected yield on pension assets	**4.00 %**	4.00 %
Annual salary increase	**3.00 %**	3.25 %
Expected adjustment in the National Insurance Scheme's Basic Amount (G)	**3.50 %**	3.25 %
Adjustment of pensions in payment	**0.60 % / 2.75 %**	0.50 % / 2.50 %

The discount rate is calculated on the basis of a comprehensive interest rate curve that takes into account that pension payments will fall due at different times in the future. The curve is calculated based on prices from the Norwegian Covered Bonds market as of 31 December 2013, as calculated by the Norwegian Accounting Standards Board. The annual salary increase is calculated based on a curve by reference to historical data. The salary increase is set to an average of 3.5 percent over the period of service for the population in the pension funds.

Demographic assumptions that form the basis of the calculations are based on the IR73 disability rate table (restated using the intensity method) and the K2013FT mortality rate table developed by the Financial Supervisory Authority of Norway. This table was used for the first time on 31 December 2013 and replaced mortality rate table GAP07 developed by the Group's actuary Gable AS. Hafslund considers the Financial Supervisory Authority of Norway's K2013FT to be unbiased and take into account the development of the life expectancy of the Group's employees. The assumptions for K2013FT will be followed up systemically every year. The table is unbiased and dynamic so that the life expectancy is improved every year.

The expected long-term return on pension assets has been set at the same level as the discount rate. The actual return on pension assets amounted to NOK 230 million in 2013 (NOK 191 million in 2012).

	2013	2012
NOK million		Restated
Current year's pension benefits earned	**26**	43
Interest expenses	**87**	66
Expected return on plan assets	**(78)**	(47)
Net obligation on settlement recognised in income statement		(34)
Employer's National Insurance contributions	**4**	6
Member contributions	**(1)**	
Pension costs defined benefit schemes	**38**	**34**
Pension costs defined contribution schemes	**31**	**22**
Total pension costs	**69**	**56**

Sensitivity of pension liabilities for changes in the weighted financial assumptions are:

Impact on pension liabilities

	Change	Increase in assumption	Reduction in assumption
Discount rate	0.5 %	(7 %)	9 %
Salary increase	0.5 %	2 %	(1 %)
Expected adjustment in the National Insurance Scheme's Basic Amount (G)	0.5 %	6 %	(6 %)
Life expectancy	1 år	3 %	(3 %)

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

Pension assets comprise:

NOK million	2013-12-31		2012-12-31	
Equity instruments	**799**	**36 %**	663	34 %
Interest-bearing instruments	**1 354**	**61 %**	1 248	64 %
Other	**67**	**3 %**	39	2 %
Fair value pension assets	**2 220**	**100 %**	**1 950**	**100 %**

The plan's contributions are invested as follows:

NOK million	Level 1 Exchange listed prices	Level 2 Observable prices	Level 3 Non-observable prices	Totalt

Equity instruments	555	178	67	799
Interest-bearing instruments		1 354		1 354
Other		67		67
Totalt	**555**	**1 598**	**67**	**2 220**

Risk

The measurement of pension obligations is based on IAS 19 and on assumptions for discount rates, real wage developments, inflation, age-based career development, adjustment of retirement benefits, development of the National Insurance Scheme's basic amount (G), expected retirement of employees, retirement age and disability. Estimation of the obligation is performed by an independent actuary.

The pension assets are measured at fair value and invested in two pension funds, Hafslund Public Pension Fund and Hafslund Private Pension Fund. The pension funds also encompass a business that is not part of the Group (Infratek ASA). In addition, the pension fund includes paid-up policies. The Group's pension assets are managed as a collective portfolio, which entails that the board of the pension funds determine who the pension assets will be invested.

The Group is exposed to several types of risk through the defined benefit pension plans, the most significant of which are as follows:

Interest rate exposure

Pension assets exposure to interest rate risk is deemed to be moderate due to the fact that the market value weighted duration is approximately 2 years. The portfolio value will fall by approximately NOK 20 million in the event of a parallel shift in the yield curve (rise in interest rates) of +1 percentage point. The value will rise correspondingly in the event of a fall in the interest rates. The pension obligations are exposed to an interest rate risk. The discount rate is made up of market interest rates for 10 years, from year 20 equilibrium interest rates are used, and between year 10 and year 20 there is a linear interpolation between the market interest rates and long-term equilibrium interest rates. A shift in the market interest rates will thus directly affect the value of the cash flows up until year 10 and thereafter have a falling effect for the next 10 years. From year 20 the market interest rates will only have a marginal effect. The pension obligations will rise approximately NOK 210 million in the event of a parallel shift in the entire yield curve (fall in interest rates) of -0.5 percentage points. The value will fall by approximately NOK 164 million in the event of a 0.5 percentage point rise in the interest rates. See also the sensitivity table above.

Credit risk

The pension assets exposure to credit risk is considered moderate. The credit risk is managed through limits for the largest commitment and rating for individual investments. The majority of the pension fund's fixed income investments shall be investment grade. The pension obligations are exposed to credit risk, since the covered bond interest rate is used as the basis for determining the discount rate. The credit markup for covered bond exposure is made up of a market markup for 10 years, from year 20 a long-term equilibrium markup is used, and between year 10 and year 20 there is a linear interpolation between the market markup and long-term equilibrium markup. A shift in the credit markups will thus directly affect the value of the cash flows up until year 10 and thereafter have a falling effect for the next 10 years. From year 20 the market interest rates will only have a marginal effect.

Equity price risk

The pension assets are invested in various Norwegian and foreign equity funds. Four of the equity funds have market exposure to Norway, while certain other equity funds are exposed to foreign equity markets. The pension assets also include 11 investments in the private equity asset category. The overall equity exposure has varied from 25 to 30 percent throughout the year. The sum total of the equity funds, private equity and hedge funds accounted for 28 percent of the total portfolio at the end of 2013. Most of the equity exposure is to the global equity market. The pension fund's equity investments are broadly diversified.

Foreign exchange risk

All the investments in foreign fixed income funds are hedged. Investments are made in currency-hedged funds. Foreign equity investments shall in general not be currency hedged. The pension asset balance in Norwegian kroner shall correspond at least to 70 percent of the technical insurance reserves. The pension assets are exposed to foreign exchange risk through portions of the investments in foreign equities and one of the real estate funds, which represents 13.6 percent of the assets under management as of 31 December 2013. The pension obligations are only exposed to Norwegian kroner.

Liquidity risk

The liquidity risk of the pension assets is considered low, since the current investments exceed the current liabilities at all times. The investments are considered adequately liquid.

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

NOK million	**2013**	**2012**	**2011**	**2010**
Present value of defined benefit pension obligations	**2 408**	2 232	2 734	2 423
Fair value of pension assets	**2 220**	1 950	1 775	1 563
Undercoverage	**188**	**282**	**959**	**860**

Expected maturity for the defined benefit plans:

NOK million	**< 1 year**	**1-2 years**	**2-5 years**	**> 5 years**	**Total**
Defined-benefit pension	104	106	394	1 803	2 408

Note 19: Other (losses)/gains – net

NOK million	Notes	2013	2012
Other financial assets and liabilities at fair value through profit or loss			
Other financial income		**37**	36
Unrealised gains/(losses) on derivatives			
Interest rate derivatives		**16**	7
Currency derivatives		**18**	1
Power derivatives and el-certificates		**(15)**	51
Sale of financial assets			
Accounting gains on shares from step acquisitions	26	**18**	
Gains on the sale of shares			21
Total other (losses)/gains - net		**75**	**117**

Note 20: Other operating expenses

NOK million	2013	2012
Maintenance costs	**649**	617
Purchase of services	**130**	153
Rent, power, etc.	**167**	176
Sales and marketing costs	**179**	151
Other	**622**	655
Total other operating expenses	**1 747**	**1 752**

In 2013, auditors' fees were recognised totalling NOK 8.0 million (NOK 7.8 million in 2012). The fees break down as follows: NOK 5.6 million (NOK 5.3 million) for statutory auditing, NOK 0.2 million (NOK 0.6 million) for other certification services, NOK 1.7 million (NOK 1.3 million) for tax consultancy services and NOK 0.5 million (NOK 0.6 million) for non-auditing services.

Note 21: Employee benefit expenses

	2013	2012
NOK million		Restated
Salaries	**659**	620
Employer's National Insurance contributions	**108**	111
Pension costs - defined benefit plans	**38**	34
Pension cost - defined contribution plans	**31**	22
Other benefits	**65**	64
Total salaries and other personnel expenses	**901**	**851**

At the end of 2013, there was a total of 1,178 FTEs (1,174) and 1,220 employees (1,216) in Hafslund.

Note 22: Remuneration to senior executives and board members

Name	Position	Salary, holiday pay & fees	Bonus (2)	Benefits in kind	Pension costs	Loans 31 December 2013	Number of shares 31 December 2013
Finn Bjørn Ruyter	President and CEO	3 299 283	886 146	197 584	434 570	430 020	10 600
Kari Ekelund Thørud	Executive Vice President	2 535 267	381 840	188 327	213 716	600 020	1 027
Heidi Ulmo	Executive Vice President	2 094 006	469 114	198 004	278 594	540 020	6 600
Jan Presttun	Executive Vice President	2 121 437	331 613	161 259	88 682	365 020	3 656
Anders Østby	Executive Vice President	1 640 790	274 731	115 521	166 073	505 020	4 037
Kristin Lian	Executive Vice President (from March 2013)	1 502 338	365 069	140 249	191 714	580 020	1 293
Johan Hovland	Executive Vice President	1 581 700	357 845	171 895	187 650	550 020	4 600
Jens Auset	Executive Vice President (up to an including February 2013)	1 669 295		162 021	228 140	475 000	
Birger Magnus (3)	Chairman of the Board	521 900					
Per Langer (1,3)	Director (from May)	114 800					
Maria Moræus Hanssen (3)	Director	249 250					
Odd Håkon Hoelsæter (3)	Director	266 450					
Ellen Christine Christiansen	Director	228 300					
Per Orfjell (3)	Director (employee representative)	1 102 789		87 534	150 353	317 520	852
Per Luneborg (3)	Director (employee representative)	710 985		9 187			277
Jane Koppang	Director (employee representative)	934 615		13 147	72 368	20 020	862
	Director (up to						

Hans Kristian Rød (3)	and including April 2013)	135 300					

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

2) Applies to bonuses earned in 2013 and paid in 2014.

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

Terms and conditions to the CEO

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

Terms and conditions relating to other members of Group management

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

The Board's compensation committee

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

The board's declaration regarding determination of salaries and other remuneration for senior executives

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

Remuneration paid to the CEO

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

Remuneration paid to senior executives and other executives

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

Fixed salary

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

Benefits in kind inclusive borrowings

Benefits in kind must mainly be in connection with expenses for broadband/ADSL connection (home office), mobile telephones and newspapers. Interest-free loans that are written down over 10 years in accordance with adopted guidelines can be given for car purchases. In addition, an annual operating subsidy can be awarded, as determined by the administration. Should the senior executive not have need for a car, the loan can still be taken out on the same terms against satisfactory surety.

Vacation

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

Annual bonus

An annual bonus system has been established to create an incentive for additional effort and value creation. Bonuses will be paid based on the added value which the employee or group of employees has generated. The bonus scheme is limited upwards to 50 percent of fixed salary depending on the level of the position. The main rule is a ceiling of 30 percent of basic salary for the Group management (level 1) and a ceiling of 20 percent of basic salary for level 2. Any exception from the main rule shall be specifically agreed with the CEO or Board. The bonus is established annually and Group targets are determined by the Board. The measurement criteria in addition to the Group targets for the individual employee, as well as weighting of targets are set by the employee's immediate supervisor based on:

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

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

Share schemes

The CEO and Group management are covered by the Group's share schemes for all employees. To promote employee loyalty to the Group, the company should annually consider giving all employees the opportunity to buy shares in Hafslund. The share offer should be viewed in the context of the total salary settlement for the Group. There was share offer for employees in 2013.

Option schemes

The Group does not use option schemes.

Pension

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

Period of notice and severance pay

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

Note 23: Finance costs

NOK million	2013	2012
Interest expense borrowings	**(464)**	(503)
Change in borrowings recognised at fair value	**(8)**	(48)
Capitalised construction loan interest	**13**	14
Foreign exchange gains/(losses)	**(22)**	2
Other finance costs	**(22)**	(22)
Total finance costs	**(503)**	**(557)**

Note 24: Contingencies

Tax on profit on sale of shares

As part of the Group's strategy to professionalise property operations, and further streamline the grid owner function, in 2006 and 2007 the Hafslund Group spun off a series of properties from Hafslund Nett AS. A total of 58 properties were transferred to 11 different property companies organised as part of the Group's property business. The shares in two of the companies were sold in 2006 and 2007 (Hatros I and Hatros II). Hafslund deemed the sale of the shares to be non-taxable in accordance with the exemption method. Nevertheless, the Central Tax Office for Large Enterprises (SfS) claimed that the sales were covered by the principle of assigning appropriate financial responsibility and that the profits on the sales are thus taxable. The Central Tax Office for Large Enterprises has amended the assessments due to this. Hafslund initiated proceedings and the Oslo District Court has upheld the assessment in both cases. Hafslund appealed to the Borgarting Court of Appeal and the cases were heard in February 2014. The Borgarting Court of Appeal has not pronounced judgment as of 24 March 2014. In prior years Hafslund has set aside provisions for tax of NOK 278 million in the accounts, which is in accordance with the judgments from the Oslo District Court.

Note 25: Related party transactions

As of 31 December 2013, the City of Oslo owned 53.7 per cent of the shares in Hafslund ASA. Hafslund buys and sells goods and services with the City of Oslo and all transactions between the parties are carried out on market terms. Receivables from related parties primarily arise from the sale of goods and services. Trade payables to related parties mainly arise from the purchase of goods and services. Hafslund sold its shares in Infratek ASA in 2013 and therefore no longer reports transactions with Infratek as transactions with related parties.

NOK million	City of Oslo		Infratek	
Profit and loss:	**2013**	**2012**	**2013**	**2012**
Sale of goods and services	**202**	158		6
Purchase of goods and services	**204**	171		311
Balance sheet:	**2013-12-31**	**2012-12-31**	**2013-12-31**	**2012-12-31**
Receivables	**19**	26		
Purchases recognised as investments	**9**			
Trade payables	**27**	28		54

Borrowings

Hafslund has two bond loans of NOK 500 million and NOK 740 million with Oslo Pensjonsforsikring AS, established in 2007 and 2008, respectively. The loans have ten-year terms. Both loans were taken out on market terms and conditions, and they are listed. Norsk Tillitsmann is the counterparty to the agreement. Oslo Pensjonsforsikring AS is a life insurance company that is wholly owned by the City of Oslo. The loans are included in non-current loans, fixed-interest-rate bonds, in Note 16.

Note 26: Purchase and sale of companies

Purchase of Energibolaget i Sweden Holding AB

Hafslund exercised its purchase option from the shareholders of Energibolaget i Sverige Holding AB (EBS) and acquired the remaining 51 percent of shares in the company in October 2013. Hafslund owns accordingly all the shares in EBS. The previous (49 percent) shareholding in EBS has been measured at fair value at the time of acquisition, and an accounting profit/loss has been calculated for the shareholding. Additionally, translation differences related to the shareholding have been recognised in the income statement. This represents a net gain of NOK 18 million, which has been recognised in the income statement under Other (losses)/gains - net (see Note 19).

Preliminary acquisition analysis related to the acquisition of the remaining shares in EBS is as follows:

NOK million	**2013**
Purchase price for 51 percent of the shares	227
Fair value of 49 percent of the shares	217
Total value of the company	**444**
Book value of net assets acquired	255
Intangible values	**189**

Assets and liabilities at the acquisitions is determined as follows:

NOK million	**Booked value for the aquired company**
Property, plant and equipment	10
Trade and other receivables	202
Cash and cash equivalents	223
Trade payables and other current payables	(181)
Net carrying amount of acquired assets	**255**

Intangibles linked to the acquisition:

After the fair value of all the identifiable assets and liabilities has been assessed, the Group is left with a net item that is capitalised as goodwill. The goodwill calculated has been capitalised in the Group's balance sheet based on an expectation that the synergy effects with the existing business will give the Group opportunities for increased earnings growth in the future. The acquisition analysis is not final at year end 2013.

Net cash outlays related to the cost price:

NOK million	**2013**
Fair value of liquid assets acquired at the time of acquisition (51 percent of cash and cash equivalents)	114
Cash consideration 51 percent	(227)
Net cash consideration	**(113)**

Sale of shares in Infratek ASA:

In the third quarter of 2013 Hafslund ASA sold its entire shareholding of 27.6 million shares in Infratek ASA, equating to 43.3 percent of all outstanding shares in the company, at a price of NOK 14 per share. The sale generated an accounting gain of NOK 90 million and is included in the item Profit/(loss) attributable to associates in the income statement and reported as part of the Other business segment. The recognised result from the investment until the time of sale has also been recognised under the item Profit/(loss) attributable to associates.

Note 27: Consolidated companies

Company	Country/registered office	Ownership/Voting share %
Hafslund ASA	Oslo	100
Hafslund Produksjon AS	Sarpsborg	100
Sarp Kraftstasjon AS	Sarpsborg	100
BioWood Norway AS	Averøya	100
Hafslund Nett AS	Oslo	100
Hafslund Driftsentral AS	Oslo	100
Hafslund Varme AS	Oslo	100
Hafslund Strøm AS	Oslo	100
NorgesEnergi AS	Kristiansand	100
Hallingkraft AS	Ål	100
Røyken Kraft AS	Røyken	51
Fredrikstad Energisalg AS	Fredrikstad	100
Mitt Hjem Norge AS	Vestby	100
Gøta Energi AB	Kungälv - Sweden	100
SverigesEnergi AB	Solna - Sweden	100
Energibolaget i Sverige Holding AB	Haninge - Sweden	100
Hafslund Fakturaservice AS	Oslo	100
Hafslund Kundesenter AS	Oslo	100
Hafslund Handel AS	Oslo	100
Embriq AS	Oslo	89
Embriq Metering Services AS	Oslo	89
Embriq AB	Gothenburg - Sweden	89
Policom AB	Karlstad - Sweden	89
Hafslund Hedging AS	Oslo	100
Balder Energy AS	Oslo	100
RåEl Kraft AS	Oslo	78
Vestfjorden Kraft AS	Oslo	80
Hornnes Kraft AS	Oslo	75
Oslo Energi AS	Oslo	100
Hafslund Eiendom AS	Oslo	100
Ulven 1 AS	Oslo	100
Slemdalsveien 105 AS	Oslo	100
Sinsenveien 86 AS	Oslo	100

Rosenkrantzgate 14 AS	Oslo	100
Hafslund USA Inc	USA	100
Hafslund Energy LLC	USA	100
Hafslund Energy Trading LLC	USA	100

Income statement Hafslund ASA

		1 January - 31 December	
	Notes	**2013**	**2012**
NOK million			**Restated**
Operating revenues		**196**	**238**
Salaries and other personnel expenses	3, 4	**114**	134
Depreciation, amortisation and impairments	8	**28**	25
Other operating expenses	5	**121**	196
Operating loss		**(67)**	**(117)**
Result of share investments	6	**295**	41
Net financial items	6	**95**	154
Total financial items		**391**	195
Profit before tax		**324**	**78**
Tax on profit	7	**(8)**	(21)
Profit for the year		**316**	**57**
Allocations:			
Dividends	18	**488**	487
Transferred (from)/to equity		**(172)**	(430)

Balance sheet Hafslund ASA

			31 December
	Notes	**2013**	**2012**
NOK million			**Restated**
Assets			
Total intangible assets	7	**18**	**21**
Total property, plant and equipment	8	**177**	**176**
Shares in subsidiaries	9	**14 000**	15 184
Other long-term receivables	4, 10	**3 101**	3 090
Total financial assets		**17 100**	**18 274**
Total non-current assets		**17 295**	**18 471**
Trade and other receivables	11	**422**	443
Derivatives			22
Cash and cash equivalents	17	**1 360**	109
Total current assets		**1 782**	**574**
Total assets		**19 077**	**19 045**
Equity and liabilities			
Paid-in equity		**4 334**	4 347
Retained earnings		**2 437**	2 584
Total equity	18, 19	**6 771**	**6 931**
Provisions	4	**105**	138
Long-term interest-bearing liabilities	14, 15	**10 483**	9 918
Total long-term liabilities and provisions		**10 588**	**10 056**
Current interest-bearing liabilities	12	**1 000**	1 350
Other current liabilities and trade payables	13	**230**	221
Proposed dividend	18	**488**	487
Total current liabilities		**1 718**	**2 058**
Total equity and liabilities		**19 077**	**19 045**

Oslo, 24 March 2014

Birger Magnus
Board Chairman

Maria Moræus Hanssen
Deputy Chairman

Ellen Christine Christiansen

Odd Håkon Hoelsæter

Per Langer

Jane Koppang

Per Luneborg

Per Orfjell

Finn Bjørn Ruyter
President and CEO

Statement of cash flow Hafslund ASA

		1 January - 31 December	
	Notes	**2013**	**2012**
NOK million			**Restated**
Profit before tax		**324**	78
Depreciation, amortisation and impairments		**28**	25
Other result items adjusted for liquidity effects		**(232)**	(10)
Change in working capital etc.		**(11)**	(4)
Change in receivables due from Group companies			(1 481)
Net cash flow from operating activities		**109**	**(1 392)**
Purchases of property, plant and equipment	8	**(31)**	(26)
Investments in subsidiaries		**(225)**	(2)
Capital reduction subsidiaries		**1 280**	
Accrued Group contributions		**(372)**	(416)
Group contributions received		**416**	1 192
Sale of operating assets or subsidiaries		**1**	8
Change in other share investments		**382**	7
Change in long-term receivables		**(4)**	
Net cash flow from investing activities		**1 447**	**763**
New long-term borrowings		**3 635**	3 545
Repayments of borrowings		**(3 420)**	(2 959)
Change in other long-term liabilities		**(33)**	(25)
Dividends paid		**(487)**	(487)
Net cash flow from financing activities		**(305)**	**74**
Net change in cash and cash equivalents		**1 251**	(556)
Cash and cash equivalents as of 1 January		**109**	665
Cash and cash equivalents as of 31 December		**1 360**	**109**

Notes Hafslund ASA

Note 1: Accounting policies

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

Operating revenues

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

Classification

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

Valuation principles

Assets and liabilities denominated in foreign currency

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

Trade and other receivables

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

Treasury shares

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

Investments in subsidiaries, associates and joint ventures

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

Investments in long-term shareholdings

Long-term investments in companies in which Hafslund controls more than 20 percent of equity rights, but does not exercise significant influence or long-term ownership, are recognised at cost less any permanent diminutions in value. Individual investments are valued on a case-by-case basis. Dividends and other distributions received from

subsidiaries are recognised as financial income. Realised gains and losses and any impairments attributable to permanent diminutions in value are recognised in the income statement under financial items.

Property, plant and equipment

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

Retirement benefit obligations

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

Change in accounting policy

In 2013 Hafslund changed its accounting policy for accounting for pensions in accordance with changes in IAS 19, Employee Benefits. Following the change, the "corridor method" is no longer applied to recognise actuarial gains and losses and estimates deviations, adjusted for deferred tax liabilities/assets, are recognised directly in retained earnings.

The change in accounting policy also means that interest expenses and the forecast yield on pension assets will be replaced by a net interest amount calculated by applying the discount rate to the net pension obligation (asset). Consequently, the company will recognise lower yields on pension assets in the income statement earlier than in the past, with a corresponding reduction in results. The difference between the actual yield on assets and the yield calculated by applying the discount rate will be recognised in equity as an estimate deviation after adjusting for deferred tax liabilities/assets. The company will recognise the pension expense including the interest element in its entirety under operations.

In accordance with the Norwegian Accounting Act § 7-3, cf. § 6-6, the company has applied the change in policy retrospectively and the comparative figures have been restated accordingly. Cumulative estimate deviations and non-amortised plan changes as of 31 December 2011 are recognised in retained earnings in the opening balance for 2012 after adjusting for deferred tax liabilities/assets. In accordance with the new accounting policy the change in actuarial estimate deviations for 2012 and 2013 has also been recognised in retained earnings after adjusting for deferred tax liabilities/assets.

The effect of the change in policy is stated in Note 3 Salaries and other personnel expenses, Note 4 Pension expenses, assets and liabilities, Note 7 Tax expense and Note 18 Equity. The change in policy has no effect on the net cash flow from operating activities.

Tax expense, deferred tax liabilities and deferred tax assets

The tax expense is based on the result before tax. The tax expense comprises taxes payable and changes in deferred tax liabilities/deferred tax assets. Tax payable is calculated based on the taxable result for the year. Deferred tax recognised in the balance sheet is calculated in accordance with the offset method, with full provision for net tax-increasing temporary differences based on tax rates and nominal amounts at the balance sheet date. Recognition of deferred tax assets relating to net tax-reducing temporary differences and tax loss carryforwards is based on an assessment of the probability of there being sufficient future earnings or ability to utilise tax positions that can be offset through Group contributions.

Financial derivatives

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

Borrowings

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

Contingencies

Contingencies are recognised if, on the balance of probabilities, it is more likely that these will be settled than not settled. Best estimates are used to calculate settlement values for the contingencies. Provisions are recognised in the event that decisions are taken to implement measures (such as restructuring measures) that materially change the scope of the business or way in which it is operated, and when such measures result in termination benefits. Provisions are calculated based on best estimates of the expenses that are expected to accrue.

Basis of preparation of statement of cash flow

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

Note 2: Significant transactions

On 3 June 2013 Hafslund ASA entered into an agreement to sell its entire shareholding of 27.6 million shares in Infratek ASA, equating to 43.3 percent of all outstanding shares in the company, at a price of NOK 14 per share. The sale generated an accounting profit of NOK 254 million, which has been recognised in the single-entity financial statements under the item Result of share investments.

In October Hafslund exercised its purchase option to acquire the remaining 51 percent of shares in Energibolaget i Sverige Holding AB (EBS), Following the above transaction Hafslund owns all the shares in EBS.

Note 3: Salaries and other personnel expenses

NOK million	2013	2012 Restated	2012 Before restatement
Salaries	**82**	74	74
Employer's national insurance contributions	**11**	16	16
Pension expenses	**10**	36	57
Other benefits	**11**	8	8
Total salaries and other personnel expenses	**114**	**134**	**155**
Number of employees as of 31 December 2013	**88**	96	96

Information on remuneration paid to the Board of Directors and senior executives can be found in Note 22 to the consolidated financial statements.

Note 4: Pension expenses, assets and liabilities

Hafslund ASA is obliged to operate pension schemes for its employees in accordance with the Norwegian Act on Occupational Pension Schemes. The company operates pension schemes that satisfy the requirements of this Act and the schemes cover both defined benefit and defined contribution schemes. As of 31 December 2013 the company's pension schemes covered a total of 88 employees, of whom 25 were in a public scheme, 32 were in a private scheme and 31 were in a defined contribution scheme. The defined benefit schemes provide the right to defined future benefits. These are mainly dependent on the number of years of service and salary level upon reaching retirement age. The pension schemes are funded either through Hafslund's own pension funds, through insurance companies or directly by the companies.

	2013	2012	2012
NOK million		Restated	Before restatement
Pension expenses			
Present value of accrued pension entitlements for the year	**5**	10	10
Interest expense on pension liabilities	**28**	22	22
Yield on pension assets	**(25)**	(15)	(24)
Net amortisation			22
Net obligation on settlement recognised in income statement		8	16
Employer's national insurance contributions		2	2
Pension expense defined benefit plans	**8**	**26**	**47**
Defined contribution plans:			
Employer contributions	**2**	10	10
Total pension expenses	**10**	**36**	**57**
Pension assets and liabilities			
Gross pension liabilities	**750**	705	719
Pension fund assets	**(682)**	(607)	(607)
Actual net pension liabilities	**68**	**98**	**112**
Non-amortised deviations from plan/assumption			(89)
Net pension liabilities (pension assets)	**68**	**98**	**23**
Net pension liabilities in balance sheet	**(105)**	(138)	(63)
Net pension assets in balance sheet	**37**	40	40
Net pension liabilities as of 1 January	**98**	12	12
Change in opening balance of estimate deviations on pensions recognised in equity		314	

Pension expense for the year	**8**	26	47
Pension payments and payment of pension premiums	**(34)**	(36)	(36)
Estimate deviations on pensions recognised in equity for the period	**(4)**	(218)	
Net pension liabilities as of 31 December	**68**	**98**	**23**
Assumptions			
Discount rate	**4,00 %**	4,00 %	4,00 %
Expected yield on pension assets	**4,00 %**	4,00 %	4,00 %
Annual salary increase	**3,50 %**	3,25 %	3,25 %
Expected adjustment in the National Insurance Scheme's Basic Amount (G)	**3,50 %**	3,25 %	3,25 %

The discount rate is calculated on the basis of a comprehensive interest rate curve that takes into account that pension payments will fall due at different times in the future. The curve is calculated based on prices from the Norwegian Covered Bonds market as of 31 December 2013, as calculated by the Norwegian Accounting Standards Board.

The annual salary increase is calculated based on a curve by reference to historical data. The salary increase is set to an average of 3.5 percent over the period of service for the population in the different categories.

Further information can be found in Note 18 to the consolidated financial statements.

Note 5: Other operating expenses

NOK million	2013	2012
Purchases of services	**15**	25
Rent, power etc.	**8**	8
Sales and marketing costs	**13**	24
Operations and maintenance costs	**22**	28
Liquidation of Hafslund Pellets Holding AS		34
ICT Services	**40**	42
Other operating expenses	**24**	35
Total other operating expenses	**121**	**196**

Fees paid to auditors recognised in the income statement in 2013 for Hafslund ASA amounted to NOK 1.9 million (NOK 1 million). The fees relate to the following:
Statutory auditing NOK 1.1 million (NOK 0.7 million).
Tax consultancy NOK 0.6 million (NOK 0.1 million).
Other consultancy NOK 0.2 million (NOK 0.2 million).

Note 6: Result of share investments and net financial items

NOK million	2013	2012
Profit on the sale of Infratek ASA	**254**	
Dividends from Infratek ASA	**41**	41
Profit on share investments	**295**	**41**
Interest income 1)	**282**	302
Interest expenses	**(525)**	(569)
Group contributions	**372**	416
Other finance income/(finance costs)	**(34)**	5
Net financial items	**95**	**154**

1) Hafslund ASA's interest income includes intragroup interest for 2013 of NOK 269 million and for 2012 of NOK 295 million.

Note 7: Taxes

NOK million	2013	2012 Restated	2012 Before restatement
Profit before tax	**324**	**78**	**57**
Permanent differences	**(292)**	(4)	(4)
Estimate deviations on pensions recognised in equity	**2**	218	
Change in temporary differences	**(33)**	(292)	(53)
Tax basis, tax payable	**0**	**0**	**0**
The total tax expense comprises:			
Change in deferred tax liabilities	**4**	82	15
Effect of change in tax rate, opening balance	**(1)**		
Effect of change in tax value of interest swaptions, opening balance	**6**		
Deferred tax on estimate deviations on pensions recognised in equity	**(1)**	(61)	
Tax expense	**8**	**21**	**15**
Reconciliation of tax rate			
Profit on ordinary activities before tax	**324**	78	57
Expected tax expense at a nominal rate of 28 %	**91**	22	16
Tax effect of non-taxable income and non-deductible expenses	**(82)**	(1)	(1)
Effect of change in tax rate	**(1)**		
Tax expense	**8**	**21**	**15**
Effective tax rate	**2 %**	27 %	26 %

NOK million	2013-12-31	2012-12-31 Restated	2012-12-31 Before restatement
Basis deferred tax liabilities/assets			
Temporary differences	**36**	32	32
Operating assets	**(32)**	(43)	(43)
Accrued pension liabilities	**(69)**	(63)	10
Basis deferred tax liabilities/assets	**(65)**	**(74)**	**(1)**
Deferred tax assets recognised in the balance sheet	**(18)**	**(21)**	**0**

Change in deferred tax applying same tax rate for opening and closing balances	3		
Change in deferred tax as a result of new tax rate, closing balance	1		
Change in deferred tax	**4**		

Note 8: Property, plant and equipment

NOK million	Machinery, technical equipment, furniture etc.	Land and other property	Facilities under construction	Total
Book value as of 31 December 2011	**75**	**69**	**34**	**178**
2012 accounting year				
Investments	24		2	**26**
Transferred from facilities under construction	34		(34)	
Disposals	(3)			**(3)**
Depreciation for the year	(23)	(2)		**(25)**
Book value as of 31 December 2012	**107**	**67**	**2**	**176**
Cost	286	96	2	**384**
Cumulative depreciation and impairments	(179)	(29)		**(208)**
Book value as of 31 December 2012	**107**	**67**	**2**	**176**
2013 accounting year				
Investments	5		26	**31**
Transferred from facilities under construction	2		(2)	**0**
Disposals	(2)			**(2)**
Depreciation for the year	(26)	(2)		**(28)**
Book value as of 31 December 2013	**86**	**65**	**26**	**177**
Cost	287	96	28	**411**
Cumulative depreciation and impairments	(201)	(31)	(2)	**(234)**
Book value as of 31 December 2013	**86**	**65**	**26**	**177**
Depreciation rate	3-33 %	0-5 %		

Note 9: Shares in subsidiaries

NOK million	Year of acquisition	Registered office	Ownership/voting rights %	Recognised share-holding in company as of 2013-12-31	Book value 2013-12-31
Hafslund Handel AS	1986	Oslo	100	354	305
Sarp Kraftstasjoner AS	1987	Askim	100	98	61
Hafslund Nett AS	2009	Oslo	100	5 442	4 422
Biowood Norway AS		Averøya	100		
Hafslund Eiendom AS	2009	Oslo	100	178	162
Hafslund Strøm AS	2009	Oslo	100	1 573	1 348
Hafslund Fakturaservice AS	2009	Oslo	100	250	30
Hafslund Kundesenter AS	2009	Oslo	100	13	15
Hafslund Varme AS	2009	Oslo	100	1 792	3 408
Hafslund Produksjon AS	2009	Askim	100	878	3 076
Hafslund Driftssentral AS	2009	Oslo	100	173	722
Mitt Hjem Norge AS	2009	Vestby	100	14	12
Gøta Energi AB	2010	Kungälv	100	54	83
Energibolaget i Sverige Holding AB	2010/2013	Haninge	100	260	356
Total shares in subsidiaries				**11 079**	**14 000**

The shares in Infratek ASA were sold and Presencia AS was merged with Mitt Hjem Norge AS (previously Inforum AS) in 2013.

Note 10: Other long-term receivables

NOK million	2013-12-31	2012-12-31
Net pension assets in balance sheet (See Note 4)	**37**	40
Interest-bearing loans and receivables	**244**	230
Contributions to pension funds	**116**	116
Loans to Group companies	**2 704**	2 704
Total other long-term receivables	**3 101**	**3 090**

Note 11: Trade and other receivables

NOK million	2013-12-31	2012-12-31
Trade receivables	**22**	9
Receivable due from Group companies	**372**	416
Other receivables	**28**	18
Total trade and other receivables	**422**	**443**

Note 12: Current interest-bearing liabilities

NOK million	**Interest % as of 2013-12-31**	**Interest % as of 2012-12-31**	**Liabilities as of 2013-12-31**	**Liabilities as of 2012-12-31**
Miscellaneous certificates and current loans	**2.3-2.4**	2.5-3.4	**1 000**	1 350
Total current interest-bearing liabilities			**1 000**	**1 350**

Note 13: Other current liabilities and trade payables

NOK million	2013-12-31	2012-12-31
Trade payables	**19**	14
Public taxes due	**2**	5
Accrued interest	**184**	185
Other non-interest-bearing liabilities	**22**	14
Liabilities due to other Group companies	**3**	3
Total other current liabilities	**230**	**221**

Note 14: Long-term interest-bearing liabilities

NOK million	Interest % as of 2013-12-31	Interest % as of 2012-12-31	Liabilities as of 2013-12-31	Liabilities as of 2012-12-31
Fixed-interest bond loans	**3.7-6.3**	5.0-6.3	**4 642**	4 259
Variable-interest bond loans	**2.4-5.6**	2.8-3.6	**2 643**	1 895
Other loans	**2.0-4.1**	2.4-4.4	**3 198**	3 764
Total long-term interest-bearing liabilities			**10 483**	**9 918**

NOK million	2014	2015	2016	2017	2018	Later	Total
Maturity profile, long-term interest-bearing liabilities Hafslund ASA	1 331	2 086	1 650	1 310	1 460	2 646	**10 483**

Hafslund has entered into a syndicated NOK 3,600 million drawdown facility maturing on 17 June 2018.
The lender is a banking syndicate comprising six Nordic banks. The drawdown facility is used as a back-stop for current certificate loans and as a general liquidity reserve. At the end of the year the entire facility remained unused. The Group also has a NOK 100 million overdraft facility with Nordea that was unused at the end of the reporting period.

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

Note 15: Related parties

Hafslund has two bond loans of NOK 500 million and NOK 740 million with Oslo Pensjonsforsikring AS established in 2007 and 2008 respectively. The loans have ten-year terms. Both loans were taken out on market terms and conditions and are listed on the Oslo Stock Exchange. Norsk Tillitsmann is a counterparty to the agreement. Oslo Pensjonsforsikring AS is a life insurance company that is wholly owned by the City of Oslo. The loans are recognised under fixed-interest bond loans in long-term borrowings in Note 16 to the consolidated financial statements.

Note 16: Financial derivatives

NOK million

Currency	Amount	Hafslund pays		Hafslund receives		Start	Maturity
NOK	200	Variable	3M Nib + 120	Fixed/annual	6.2 %	01/09/2004	01/09/2014
NOK	200	Fixed/annual	4.9 %	Variable	3M Nib	01/09/2004	01/09/2014
NOK	200	Fixed/quarterly	3.8 %	Variable	3M Nib	03/09/2011	03/10/2014
NOK	200	Fixed/quarterly	3.7 %	Variable	3M Nib	04/29/2011	04/29/2014
NOK	100	Fixed/annual	2.4 %	Variable	3M Nib + 85	05/21/2013	02/17/2015
NOK	200	Fixed/quarterly	4 %	Variable	3M Nib	03/09/2011	03/09/2015
NOK	200	Fixed/quarterly	4 %	Variable	3M Nib	04/29/2011	04/29/2016
NOK	200	Fixed/quarterly	4.1 %	Variable	3M Nib	05/21/2013	05/21/2017
NOK	200	Fixed/quarterly	4 %	Variable	3M Nib	05/21/2012	05/22/2017
NOK	200	Fixed/semi-annual	3.8 %	Variable	6M Nib	08/26/2013	08/25/2016
NOK	500	Variable	6M Nib	Fixed/annual	6.3 %	01/21/2009	01/21/2019
NOK	300	Fixed/quarterly	3.2 %	Variable	3M Nib	03/14/2015	03/14/2020
NOK	200	Fixed/quarterly	3.4 %	Variable	3M Nib	08/30/2015	08/30/2020
NOK	200	Fixed/quarterly	3.2 %	Variable	3M Nib	06/19/2015	06/19/2022

As of 31 December 2013, the fair value of interest rate swaptions amounted to NOK -12 million.

Note 17: Guarantees

The Group purchases bank guarantees to secure some liabilities. As of 31 December 2013 these guarantees amounted to NOK 295 million for trading in the power market, NOK 55 million in tax deduction guarantees, NOK 38 million in rental guarantees and NOK 31 million in contract and payment guarantees.

Note 18: Equity

NOK million	Share capital	Premium	Other paid-in equity	Retained earnings	Total paid-in equity and retained earnings
Equity as of 31 December 2011	**195**	**4 080**	**72**	**3 082**	**7 430**
Restated opening equity				(226)	(226)
Restated equity as of 1 January 2012	**195**	**4 080**	**72**	**2 857**	**7 204**
Proposed dividend (NOK 2.50 per share)				(487)	(487)
Estimate deviations on pensions recognised in equity				157	157
Profit for the year 2012				57	57
Equity as of 31 December 2012	**195**	**4 080**	**72**	**2 584**	**6 931**
Profit for the year 2013				316	316
Estimate deviations on pensions recognised in equity				3	3
Change in treasury shares			(14)	24	10
Proposed dividend (NOK 2.50 per share)				(488)	(488)
Equity as of 31 December 2013	**195**	**4 080**	**59**	**2 437**	**6 771**

As of 31 December 2013 Hafslund held 170,411 treasury B shares. The average purchase price was NOK 105.27 per share, making the total cost price NOK 17,939,166.

Note 19: Share capital and shareholder information

Please refer to Note 14 to the consolidated financial statements.

Management declaration regarding the content of the annual report

We declare to the best of our knowledge that:

- the consolidated financial statements for 2013 have been prepared in accordance with IFRSs as adopted by the EU, including additional disclosures pursuant to the Norwegian Accounting Act.
- the parent company's financial statements for 2013 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway (NGAAP).
- the accounting information provides a true and fair view of the company's and the Group's assets, liabilities and financial position and performance as a whole.
- the report of the board of directors provides a true and fair view of the development, performance and position of the company and the Group, together with a description of the most important risk and uncertainty factors to which the business is exposed.

The Board of Directors of Hafslund ASA
Oslo, 24 March 2014

Birger Magnus
Chairman

Maria Moræus Hanssen
Deputy Chairman

Ellen Christine Christiansen

Odd Håkon Hoelsæter

Per Langer

Jane Koppang

Per Luneborg

Per Orfjell

Finn Bjørn Ruyter
President and CEO

Auditor's report

To the Annual Shareholders' Meeting of Hafslund ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Hafslund ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2013, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2013, income statement, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Hafslund ASA as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group present fairly, in all material respects, the financial position of the group Hafslund ASA as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statement on Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and in the statement on Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

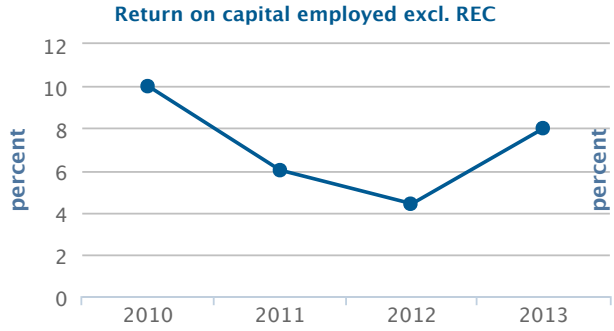
Oslo, 24 March 2014
PricewaterhouseCoppers AS

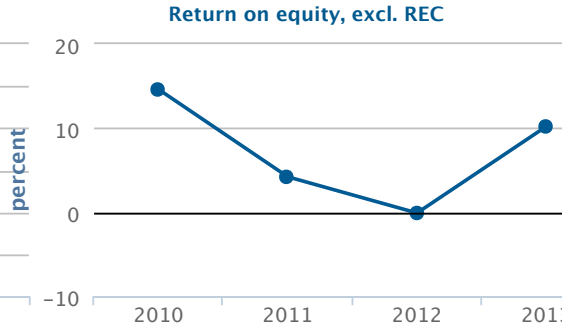
Erling Elsrud
State Authorised Public Accountant (Norway)

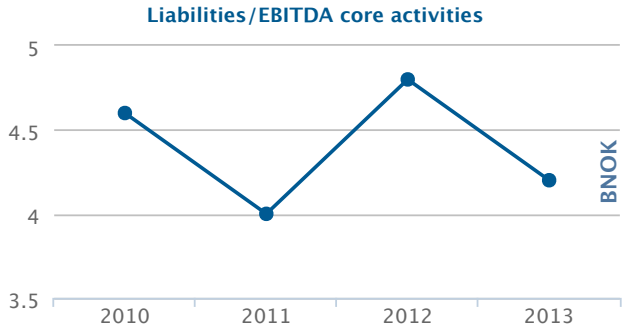
Note: This translation from Norwegian has been prepared for information purposes only.

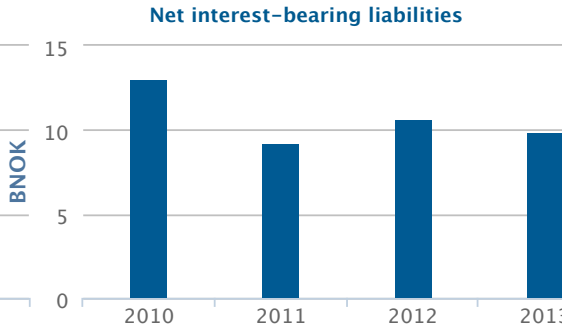
Analytic information

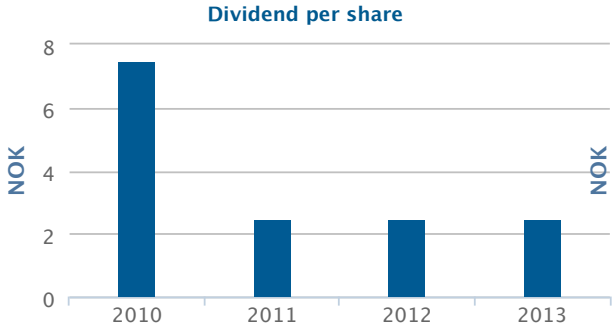
Group

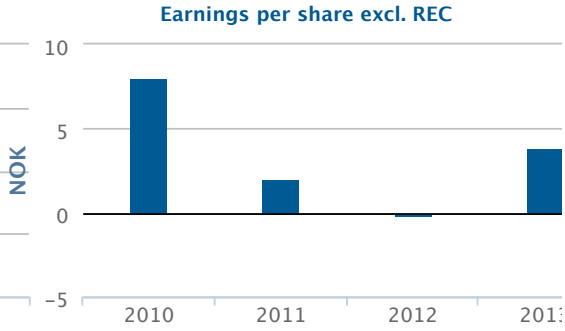


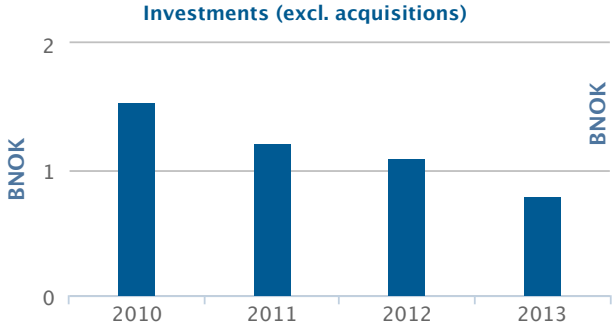


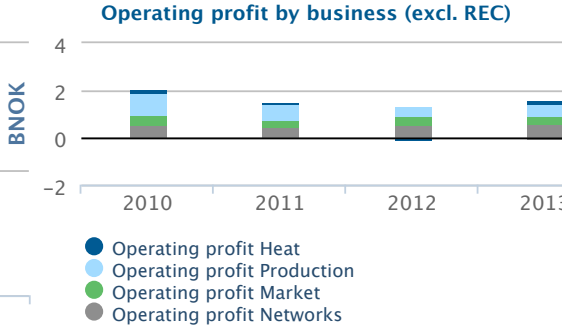








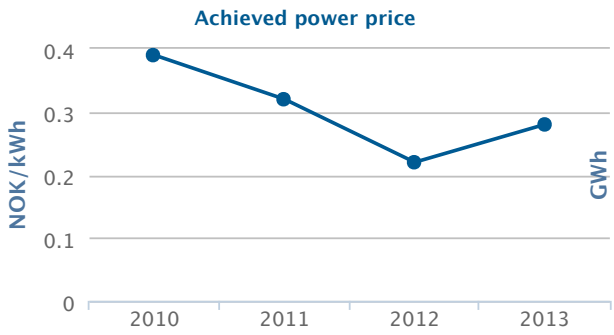


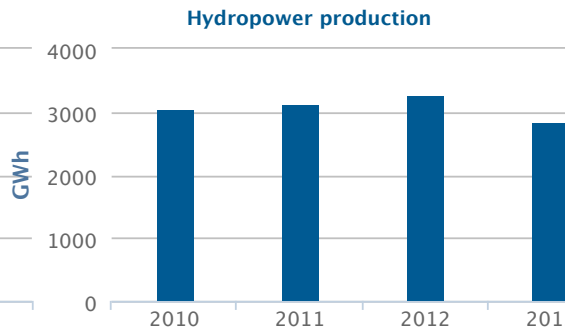


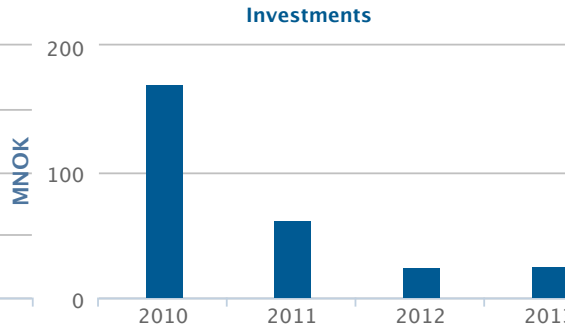
MNOK	Definition	2013	2012	2011	2010	2009	2008
INCOME STATEMENT							
Sales revenue		**12 818**	11 466	13 704	15 829	10 670	11 056
Other (losses)/gains – net		**143**	137	(1 050)	(883)	(40)	(15 721)
Purchases of goods and energy		**(7 867)**	(6 830)	(9 015)	(10 871)	(6 364)	(6 809)
Personnel expenses		**(901)**	(851)	(864)	(582)	(772)	(761)
Other operating expenses		**(1 747)**	(1 752)	(1 630)	(1 571)	(1 418)	(1 453)
EBITDA		**2 446**	2 170	1 145	1 923	2 076	-13 688
Depreciation, amortisation and impairments		**(794)**	(1 259)	(803)	(1 270)	(882)	(850)
Operating profit		**1 652**	911	343	653	1 194	(14 538)
Financial expenses		**(503)**	(557)	(584)	(471)	(661)	(684)
Profit before tax and discontinued operations		**1 150**	354	(241)	182	533	(15 223)
Tax expense		**(402)**	(366)	(456)	(574)	(336)	(902)
Profit/loss for the year		**747**	(12)	(698)	(392)	198	(15 900)
- of which operating profit/loss for prior ownership of REC				(1 090)	(1 991)	(137)	(15 912)
- of which profit/loss for the year for prior ownership of REC				(1 086)	(1 975)	(137)	(16 537)
RESULT AND RETURN, excl. prior ownership of REC							
Operating profit		**1 652**	911	1 433	2 644	1 331	1 374
Profit/loss for the year		**747**	(12)	388	1 583	335	637
Return on equity (ROE)	2	**10.2 %**	(0.1 %)	4.2 %	14.6 %	2.8 %	3.1 %
Return on capital employed (ROCE)	3	**8.0 %**	4.4 %	6.0 %	10.0 %	5.0 %	4.1 %
CASH FLOW							
Net cash flow from operating activities	1	**1 624**	236	3 513	565	1 879	1 085
Investments (excl. acquisitions)		**786**	1 088	1 215	1 533	1 663	1 757
CAPITAL AND EQUITY							
Total assets		**25 353**	24 549	24 710	29 613	28 918	30 520

Capital employed	4	**20 902**	21 269	20 919	27 028	25 870	27 067
- of which working capital		**453**	587	(248)	3 505	636	930
Equity		**7 583**	7 289	8 131	10 464	11 154	12 530
Equity ratio	5	**30 %**	30 %	33 %	35 %	39 %	41 %
Market capitalisation		**9 042**	8 877	11 321	13 603	13 537	13 293
Net interest-bearing liabilities	6	**9 931**	10 648	9 321	13 067	11 601	11 442
Net interest-bearing liabilities/EBITDA	9	**4.2**	4.8	4.0	4.6	5.2	5.3
Unused overdraft facilities		**3 700**	3 900	4 400	3 692	4 558	4 531
Percentage of borrowings subject to variable interest rates		**51 %**	52 %	53 %	67 %	58 %	63 %
KEY EQUITY FIGURES							
Number of A shares ('000)		**115 428**	115 428	115 428	115 428	115 465	115 465
Number of B shares ('000)		**79 759**	79 759	79 759	79 759	79 759	79 759
Number of treasury B shares ('000)		**170**	397	397	451	451	451
Share price as of 31 Dec A shares		**46.20**	45.60	58.00	70.00	69.75	68.50
Share price as of 31 Dec B shares		**46.50**	45.30	58.00	69.25	68.75	67.50
Earnings per share (excl. REC)	7	**3.83**	(0.06)	1.99	8.11	1.71	3.26
Cash flow per share from operating activities		**8.32**	1.21	18.00	2.89	9.62	5.56
Dividend per share		**2.50**	2.50	2.50	7.50	2.25	2.25
Number of employees		**1 220**	1 216	1 207	1 123	979	1 086

Production



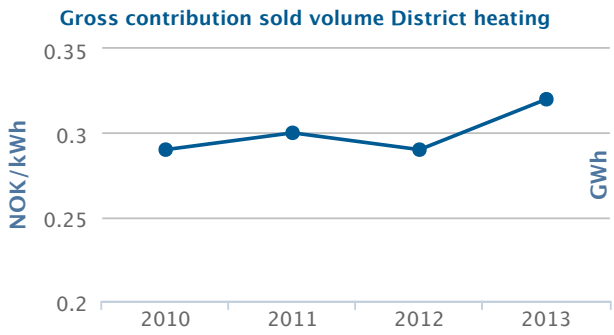


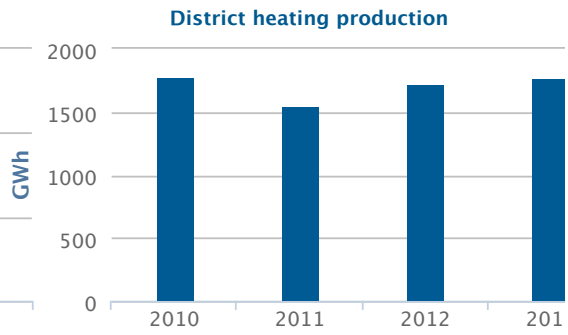


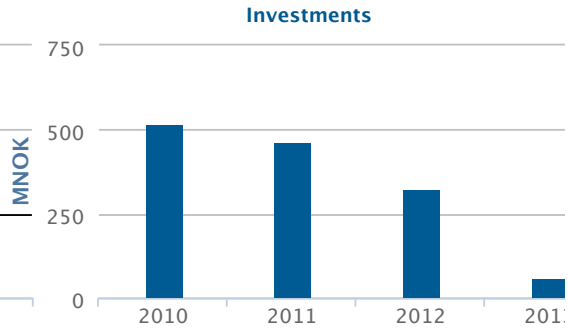
MNOK	Definition	2013	2012	2011	2010	2009	2008
INCOME STATEMENT							
Sales revenues		**859**	755	1 024	1 220	866	1 002
Other (losses)/gains – net		**9**	6	(24)	20	(4)	(44)
Purchases of goods and energy							40
Personnel expenses		**(51)**	(48)	(37)	(34)	(35)	(32)
Other operating expenses		**(203)**	(225)	(194)	(205)	(176)	(191)
EBITDA		**614**	488	769	1 001	651	776
Depreciation, amortisation and impairments		**(46)**	(45)	(45)	(43)	(43)	(45)
Operating profit		**568**	443	724	958	608	731
OTHER KEY FIGURES							
Investments (excl. acquisitions)		**26**	24	62	170	174	113
Capital employed		**4 270**	4 782	4 464	4 395	4 314	4 203
Achieved power price (NOK/kWh)		**0.28**	0.22	0.32	0.39	0.27	0.30
Production volume (GWh)		**2 845**	3 273	3 135	3 041	3 018	3 248
Production as a percentage of normal production	8	**92**	106	101	101	97	110
Distribution of operating profit/loss for:							

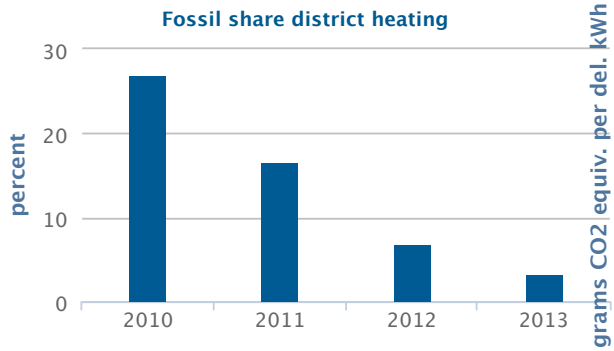
- Hydropower		**549**	435	743	929	618	746
- Power trading		**19**	8	(19)	29	(10)	(15)
Number of employees		**47**	46	42	40	37	36

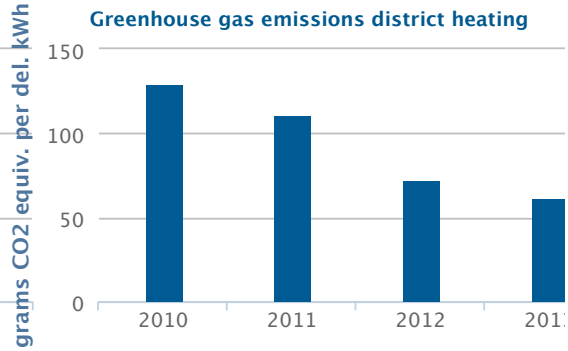
Heat







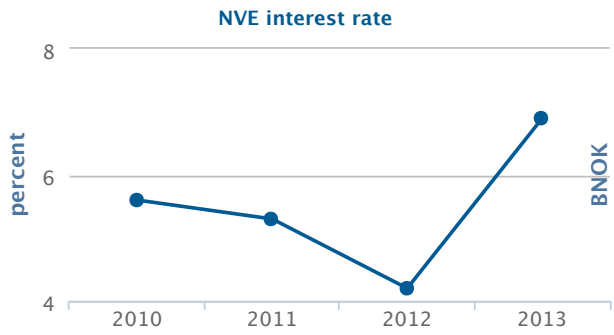


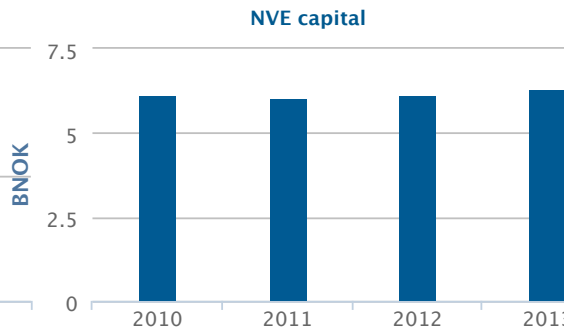


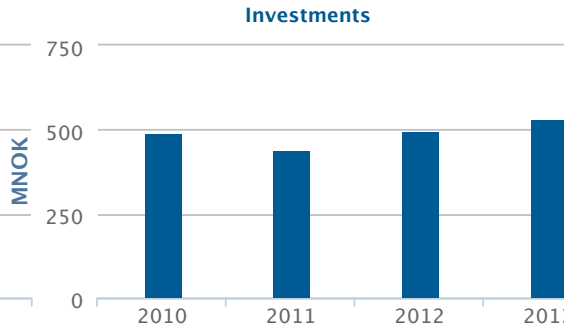
MNOK	Definiton	2013	2012	2011	2010	2009	2008
INCOME STATEMENT							
Sales revenues		**1 153**	1 107	1 120	1 259	796	713
Other (losses)/gains – net							
Purchases of goods and energy		**(545)**	(510)	(598)	(727)	(406)	(326)
Personnel expenses		**(66)**	(70)	(67)	(47)	(49)	(52)
Other operating expenses		**(213)**	(214)	(196)	(171)	(133)	(135)
EBITDA		**329**	313	259	314	208	200
Depreciation, amortisation and impairments		**(173)**	(395)	(157)	(151)	(136)	(142)
Operating profit		**156**	(82)	102	163	72	58

OTHER KEY FIGURES							
Investments (excl. acquisitions)		**61**	326	463	518	575	672
Capital employed		**5 464**	5 562	5 464	5 280	4 756	4 353
District heating business							
District heating price, incl. distribution (NOK/kWh)		**0.63**	0.59	0.71	0.72	0.61	0.65
Energy production (GWh)		**1 775**	1 720	1 548	1 782	1 382	1 192
Fuel costs (NOK/kWh)		**0.29**	0.27	0.36	0.39	0.28	0.26
Gross contribution sold volume (NOK/kWh)		**0.32**	0.29	0.30	0.29	0.30	0.36
Percentage renewable energy sources	12	**97%**	93%	84%	74%	86%	89%
Industrial heating							
Energy production (GWh)		**297**	274	280	246	93	29
Sales price (NOK/kWh)		**0.25**	0.27	0.28	0.25	0.25	0.24
Waste (thousand tonnes)		**131**	131	129	114	57	37
Gross contribution (NOK/kWh)		**0.28**	0.33				
Number of employees		**77**	77	71	72	67	59

Networks



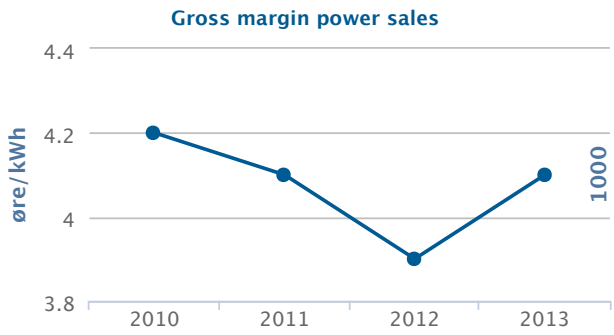


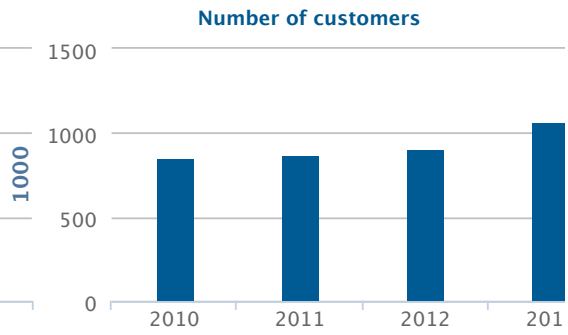


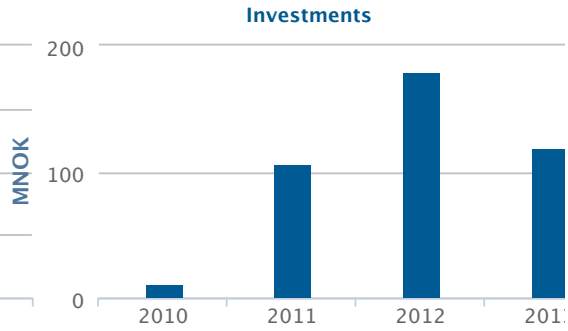
MNOK	Definition	2013	2012	2011	2010	2009	2008
INCOME STATEMENT							
Sales revenues		**4 052**	3 992	4 202	4 804	3 385	3 352
Other (losses)/gains – net							
Purchases of goods and energy		**(1 554)**	(1 577)	(1 909)	(2 608)	(1 217)	(1 463)
Personnel expenses		**(194)**	(174)	(166)	(64)	(177)	(129)
Other operating expenses		**(1 197)**	(1 195)	(1 143)	(1 054)	(956)	(893)
EBITDA		**1 107**	1 045	983	1 077	1 035	868
Depreciation, amortisation and impairments		**(488)**	(504)	(514)	(546)	(542)	(545)
Operating profit		**619**	541	469	532	493	322
OTHER KEY FIGURES							
Investments (excl. acquisitions)		**532**	497	444	489	528	554
Capital employed		**9 325**	8 949	9 257	9 668	9 396	9 663
NVE capital		**6 331**	6 149	6 063	6 160	6 045	5 936
NVE interest		**6.9%**	4.2%	5.3%	5.6%	6.2%	7.4%
Revenue ceiling, excl. transmission costs		**2 733**	2 170	2 312	2 891	2 461	1 989
Energy deliveries to end-customers (GWh)		**17 074**	17 069	16 457	17 785	16 942	16 493

Volume network losses (GWh)		**1 128**	990	1 019	1 249	1 141	1 148
CNES cost	10	**68**	61	90	67	62	34
Regulated contribution	13	**2 382**	1 926	1 916	2 287	2 106	1 616
Result effect income surpluses/(shortfalls)	11	**(120)**	268	212	(203)	(16)	205
Accumulated income surpluses/(shortfalls) as of 31 Dec	11	**312**	425	155	(57)	143	149
Number of customers ('000)		**571**	563	552	545	541	538
Number of employees		**248**	223	212	203	198	178

Markets







MNOK	Definition	2013	2012	2011	2010	2009	2008
INCOME STATEMENT							
Sales revenues		**6 850**	5 537	7 275	8 289	5 062	5 384
Other (losses)/gains – net		**14**	44	(85)	16	19	(24)
Purchases of goods and energy		**(5 693)**	(4 489)	(6 297)	(7 323)	(4 292)	(4 626)
Personnel expenses		**(311)**	(273)	(233)	(173)	(154)	(149)
Other operating expenses		**(517)**	(429)	(366)	(350)	(278)	(277)
EBITDA		**342**	390	293	460	356	308
Depreciation, amortisation and impairments		**(41)**	(20)	(16)	(17)	(12)	(10)
Operating profit		**301**	370	277	442	344	297
OTHER KEY FIGURES							
Investments (excl. acquisitions)		**120**	180	107	11	10	30
Capital employed		**1 987**	1 730	1 215	3 391	2 080	2 331
Sales volume power sales (GWh)		**17 388**	16 374	15 474	15 867	13 238	12 936
Number of wholly and partially owned customers ('000)		**1069**	905	878	850	656	638
Gross margin power sales (NOK/kWh)		**0.041**	0.039	0.041	0.042	0.037	0.038
Distribution of operating profit/loss:							

Power sales		**275**	301	201	348	240	216
- of which change in value of derivatives		**(4)**	44	(85)	16	19	(24)
Invoicing and customer services		**26**	70	76	95	103	81
Number of employees		**579**	560	492	447	293	302

Other

MNOK	Definition	2013	2012	2011	2010	2009	2008
INCOME STATEMENT							
Sales revenues		**(96)**	76	84	257	562	605
Other (losses)/gains – net		**120**	87	(940)	(920)	(55)	(15 653)
Purchases of goods and energy		**(75)**	(254)	(211)	(213)	(449)	(434)
Personnel expenses		**(278)**	(285)	(360)	(264)	(357)	(400)
Other operating expenses		**383**	312	269	210	126	43
EBITDA		**54**	(65)	(1 159)	(930)	(174)	(15 839)
Depreciation, amortisation and impairments		**(45)**	(295)	(70)	(513)	(149)	(107)
Operating profit/loss		**9**	(361)	(1 228)	(1 442)	(323)	(15 946)
OTHER KEY FIGURES							
Investments (excl. acquisitions)		**47**	59	139	345	375	389
Capital employed		**(144)**	246	519	4 294	5 324	6 518
Distribution of operating profit/loss for:							
- Staff and support services		**(55)**	(45)	(133)	(104)	(151)	(142)
- Embriq		**(18)**	(33)	(1)	(49)	(52)	
- REC, prior ownership				(1 090)	(1 991)	(137)	(15 912)
- Other		**81**	(282)	(4)	701	17	108
Number of employees		**269**	310	390	361	384	511

DEFINITIONS

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