

Annual report 2023





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2023

Important events



The extreme weather event “Hans” demonstrated the need for climate change adaption

2023 was a year in which Hafslund clearly felt the effects of climate change. During the extreme weather event “Hans” in August, Hafslund experienced an extraordinary situation involving enormous amounts of rainfall in almost all of Hafslund’s waterways. It created a flood that very rapidly increased in both strength and intensity. On 9 August, the floodgates at the Braskereidfoss power plant were unable to open as the water level increased. This led to water entering the power plant and eventually to the dam at the power plant bursting under stress from the extreme mass of water. The incident caused major damage to the facility, but no harm to life or health.

In addition to an internal investigation into how Hafslund dealt with the extreme weather event “Hans”, DNV was engaged in the autumn of 2023 to conduct an external investigation into the incident at Braskereidfoss. The investigation revealed that the company did not have adequate procedures and systems for handling the type of extraordinary situation created by “Hans”. Hafslund takes the lessons learnt from the incident very seriously and has initiated several measures to prevent something similar from happening again.



Eastern Norway power grid at full capacity and need for different framework conditions

2023 was the year in which there was a particular focus on the serious grid and power situation in Eastern Norway when Statnett and Elvia announced that the transmission grid is at full capacity and that there will be no further scope for major increases in consumption in the region until 2030-2035.

It had previously been known that Oslo and Akershus are the areas in Norway with the greatest power supply deficit. The grid and power situation is of major importance to Hafslund due to the Group's extensive activities in this electricity price area. The situation in the transmission grid highlights the need for holistic thinking. Hafslund's diversified portfolio makes the Group well-positioned to identify solutions across the energy system.

Finding opportunities to relieve the grid, especially during winter when the strain on the grid is at its highest, is critical to prevent electrification from coming to a halt. Increased use of district heating is an example of a very effective measure for relieving the grid and saving energy. Recognising district heating as being an important source of energy and emergency preparedness could be a good strategy for the energy situation in Eastern Norway. The framework conditions for district heating have become worse in recent years and if the potential of district heating is to be fully utilised it will be essential to improve key framework conditions and profitability.

Hafslund will continue to look for opportunities that can remedy the situation around NO1 and wishes to have dialogue with politicians, regulatory authorities and other parties who are keen to find the solutions.

In the 2024 national budget, the decision was made to discontinue the high-price contribution that was introduced in September 2022, effective from 1 October 2023. This tax had adversely impacted investments in renewable power and financial hedging and risk management. Scrapping the high-cost contribution will mean a more rational allocation of hydropower and greater predictability for Hafslund's investments.

Near the end of 2023, an agreement was reached on a new resource rent tax for onshore wind power. Broad-based agreement on the tax changes provides greater predictability for Hafslund's activities and investments in onshore wind power.

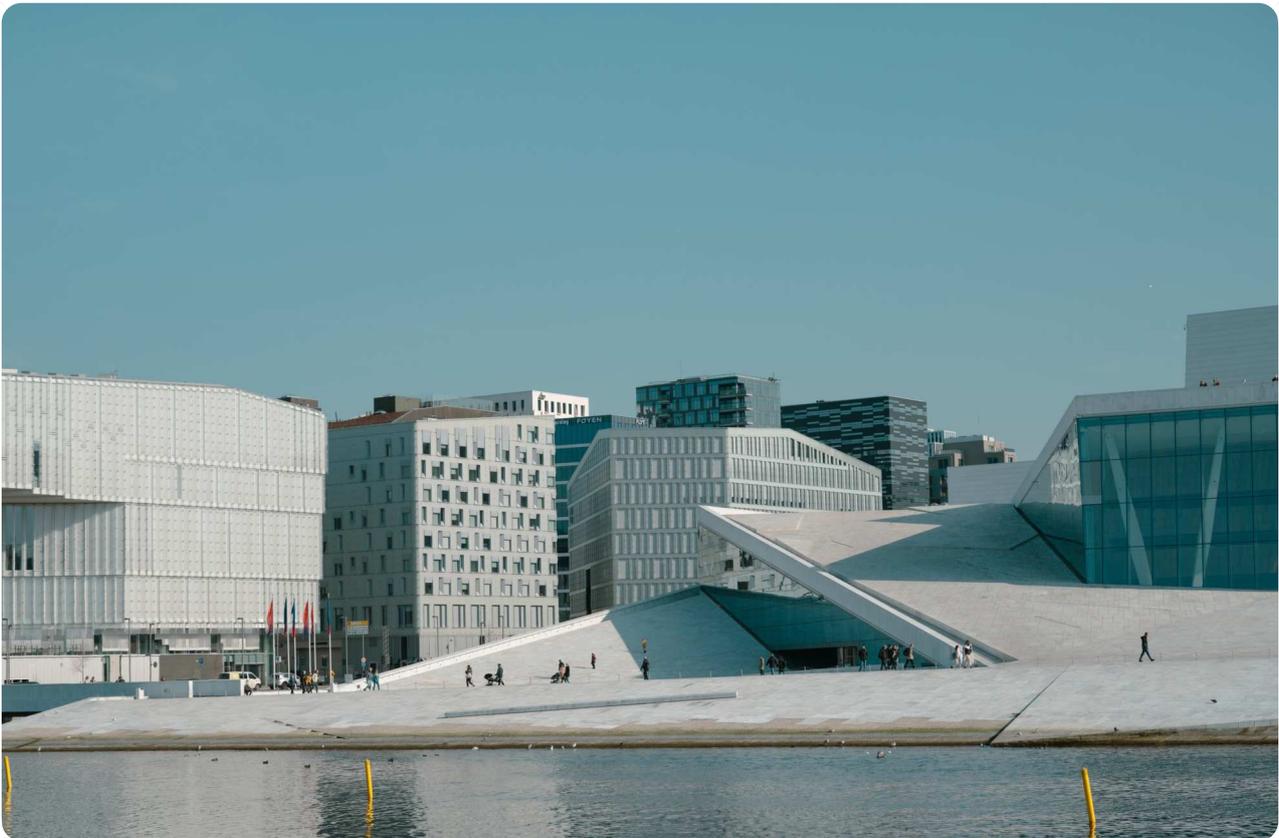
Good framework conditions for the power industry are of vital importance if Norway is to succeed in increasing production of renewable energy, ensuring a good level of capacity on the power grid and facilitating the emergence of new green industry in the country. The measures initiated by government authorities in recent years to ensure the green transition are important. At the same time, a great deal of work remains to be done if Norway is to meet the climate targets and ensure there is enough renewable energy in the years to come. Hafslund must be a clear stakeholder in the public debate and have good dialogue with government authorities on a number of matters that relate to framework conditions.



Cost-reducing phase for the Klemetsrud carbon capture project

In April 2023, the Group made the decision to initiate a cost-reduction phase at the Klemetsrud carbon capture project because updated forecasts revealed that the project could be significantly more costly than originally planned.

Updated estimates showed sharp price increases for equipment deliveries due to inflation, geopolitical instability and the exchange rate. A smaller team with project resources was assembled and tasked with conducting a full review of the budget and possible cost reductions. Since April 2023, the project team has been working on optimising the project. In autumn 2023, an agreement was entered into to conduct a new FEED study with Aker Carbon Capture and Aker Solutions. This is a significant milestone in the efforts to reduce the costs of the carbon capture project. The goal is now to make a new investment decision and restart the project in mid-2024.



Hafslund investing in solar in Sweden

In the summer of 2023, Hafslund signed an agreement with Helios Nordic Energy AB to acquire seven solar park projects in southern Sweden. Southern Sweden is connected with southern Norway via the power grid and both of these areas are deficit areas that will require power in the future.

Once construction is completed, the solar parks will have an annual production of approximately 250 GWh. The agreement marks an important milestone in Hafslund's strategy of developing and constructing 1 TWh of new renewable energy by 2030. Hafslund will take over the projects when they are ready for construction.



Hafslund contributes to smart, green cities

According to the Intergovernmental Panel on Climate Change (IPCC), cities account for up to two-thirds of the world's total greenhouse gas emissions. Hafslund has ambitions of being a driving force behind the energy transition in Oslo and other cities. In 2023, the company partnered with climate investment manager Obligo and charging company Fastcharge to build one hundred charging points for heavy transport in Southern Norway over the next few years. At the end of last year, Fastcharge received support from Enova to build five charging stations for heavy transport with a minimum of 2 MW charging capacity per location. The first charging station will come online at Alnabru in Oslo in 2024. In Oslo, heavy transport accounts for 13 per cent of total emissions, and electrification is therefore critical for achieving the zero-emission target in the capital.

Norway's electric vehicle initiative has been a success and Hafslund is proud to also contribute to the same success outside of Norway's borders. In 2023, Elaway AS, one of Norway's largest and fastest growing operators within electric vehicle charging for housing cooperatives and condominiums, entered into an investment agreement with SUSI Partners' Energy Transition Fund. The agreement has secured a significant supply of capital for Elaway AS to continue its growth in Europe.

In line with Hafslund's strategic focus on smart and green urban development, the Group has partnered with Telenor to build Norway's most secure and energy-efficient commercial data centres for national data storage. The company's ambition is to design data centres with effective solutions for recycling the excess

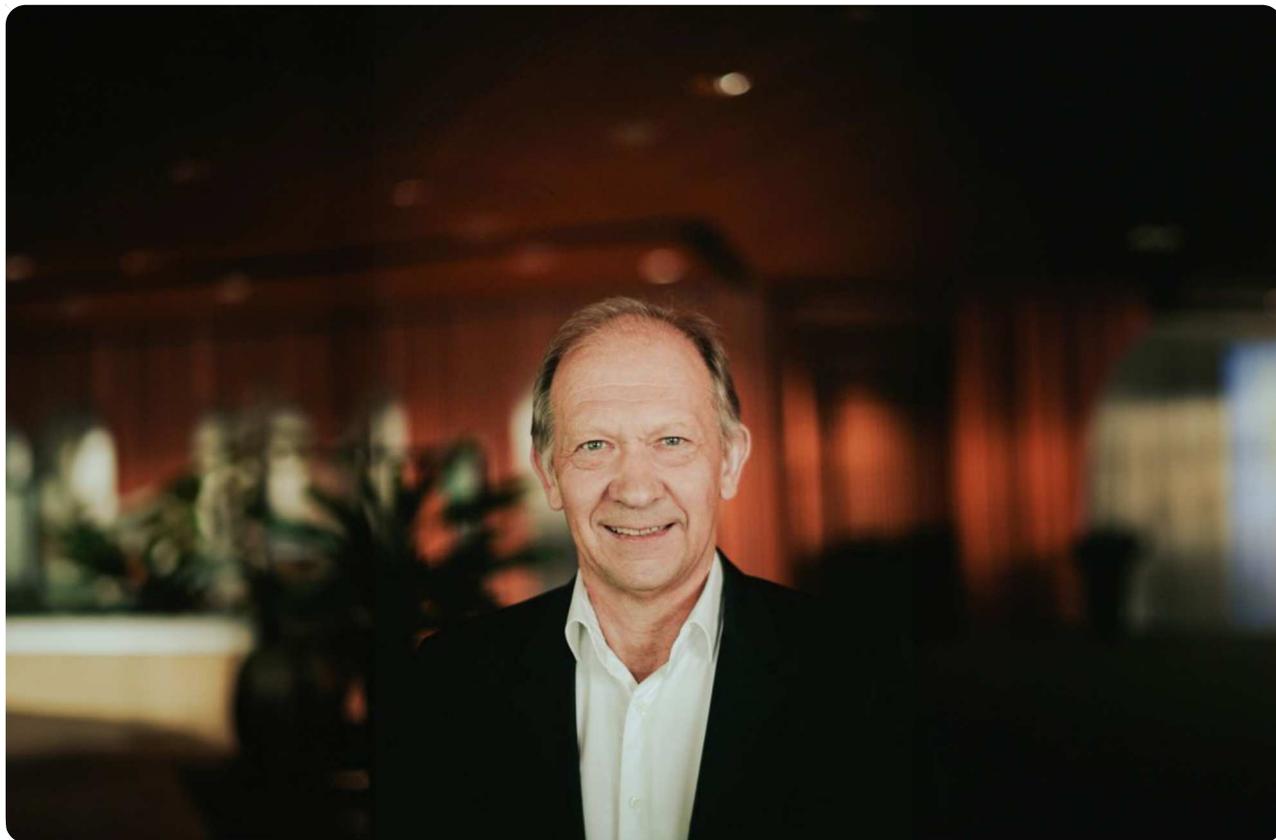
heat that the data centres produce for use in the district heating network. The data centres are therefore a valuable contributor to the circular economy in the City of Oslo. The goal in the first stage is to build three data centres in the Oslo region with a total capacity of 40 MW.



Record number of students wanting to work with renewable energy

In a changing labour market, with low unemployment and competition for talented people, Hafslund needs to ensure that the Group is an attractive and developing workplace for the recruitment and retention of employees.

The best people are the key if Hafslund is to succeed in achieving the Group's ambitious goals. The Group must therefore be the workplace where the talent comes knocking on our door. Hafslund worked actively and strategically on recruitment during the year, and is experiencing significant growth in the number of qualified applicants for the company's various positions. An example of this is that in 2023 the Group received a record number of applicants for the 2024 summer student positions. This was an increase of 85 per cent compared to the number of applicants in 2022.



New Board Chair

Hafslund's Board Chair for the past five years, Alexandra Beck Gjørnv, was appointed as the new Board Chair of Statkraft at the end of 2023. Hafslund experienced strong growth during the years in which Alexandra Beck Gjørnv chaired the Board, and the company is proud of the fact that she has been appointed Board Chair of Statkraft, Europe's largest provider of renewable energy.

The Hafslund Board of Directors appointed Bård Vegar Solhjell as Acting Chair after Bech Gjørnv's departure. Solhjell chaired the Board until 1 March 2024, when the City of Oslo elected Jarle Roth as Board Chair at an extraordinary general meeting.

2023

Key figures

Profit after tax

5,153 NOK million

Greenhouse gas emissions

546,859 tCO₂e

Sorting rate

91 %

Hydropower production

18.5 TWh

Number of employees

812

Number of injuries

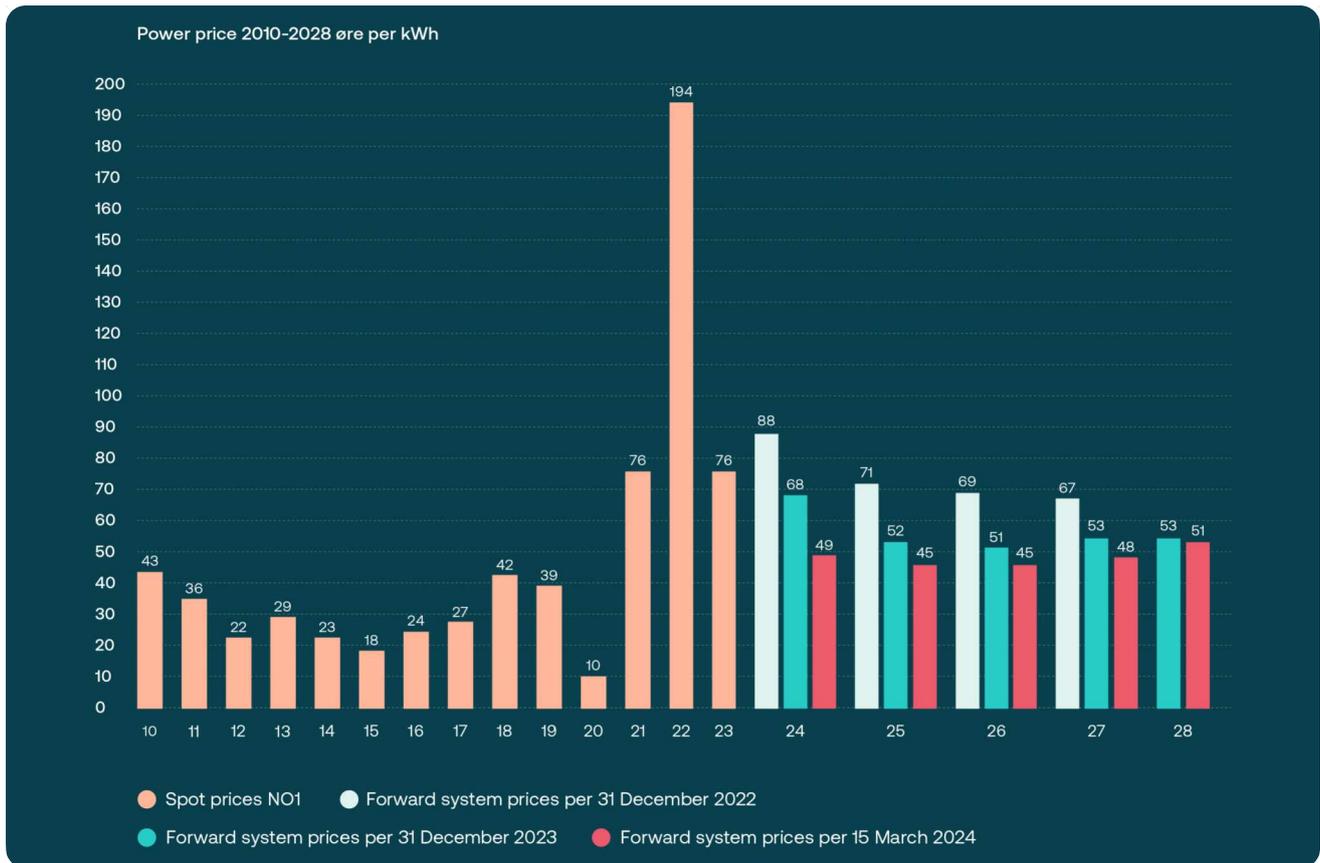
7.4 per million hours
worked

FINANCIAL KEY FIGURES

NOK million	2023	2022
Revenues and other income	18,698	22,028
EBITDA	15,130	20,087
Operating profit (EBIT)	13,862	19,340
Underlying operating profit	12,492	19,914
Profit before tax	13,631	18,879
Profit after tax	5,153	4,344
Net interest-bearing debt	9,608	9,523
-of which subordinated debt	5,421	7,338
Total assets	91,048	97,265
Capital employed	63,679	65,609
Investments in operating assets	1,217	870
ROE (%)*	11.0 %	10.2 %
ROCE (%)*	21.8 %	29.5 %
Net interest-bearing debt/EBITDA (x)*	0.6	0.5
FFO/Net interest-bearing debt (%)*	2 %	155 %
Equity ratio (%)	51 %	44 %

*We have changed the calculations of the key figures in the annual report to better reflect the Group’s financial situation by focusing exclusively on balance sheet values at the end of the period, in contrast to previously when we used average values. We believe this gives a more accurate and relevant indication of the Group’s performance and financial situation. The comparative figures have been changed accordingly.

Power price 2010–2028



OTHER KEY FIGURES

	2023	2022
Number of employees	812	686
Turnover (voluntary termination)	3.4 %	3.6 %
Number of injuries per million hours worked (H2) last 12 months	7.4	2.9
Greenhouse gas emissions (Scope 1, 2 and 3) (tCO ₂ e) *	546,859	410,274
Hydropower produced (TWh)	18.5	13.8
Achieved power price (øre/kWh)	73	150
Nordic system price (øre/kWh)	64	137
Heat sales (GWh)	1,833	761

*The carbon emissions include market-based emissions in scope 2. As a result of improved data quality and calculation methodology, the carbon emission figure for 2022 has been revised from the reported figure in 2022.



2023

A word from the CEO

2023 was yet another eventful and challenging year. We are witnessing a world around us that is constantly changing, and the previous year was significantly impacted by war, geopolitical unrest and economic uncertainty. These are developments that played a major role in security and energy policy being merged together, and energy preparedness is higher on the political agenda than ever before.

Hafslund has delivered its highest ever profit. Despite strong results for the Group as a whole, we face challenges with the profitability of district heating. These challenges are primarily due to major changes in framework conditions that have adversely impacted the profitability of the district heating industry in different ways. This is happening at the same time as Statnett and Elvia announced that the transmission grid is at full capacity and that there will be no further scope for significant new consumption in the region until 2030 at the earliest. District heating is one of the most important measures for improving the grid and power situation in the short term, and we will continue to work in a targeted manner to contribute to alleviating the capacity situation in Eastern Norway through measures such as better profitability for district heating.

The extreme weather event “Hans” provided us with first-hand experience of climate change in 2023. The incident at Braskereidfoss made it clear that climate change requires adaptations to be made to the operation and management of our power plants. The extreme weather event also demonstrated how important regulated hydropower is for emergency preparedness and flood mitigation. In the Hallingdal watercourse, we succeeded in reducing the flood from being a 1,000-year flood to a 200-year flood.

For Hafslund, 2023 was a year marked by further internal improvements. The Group has undergone dramatic change in recent years, and over the course of last year we established a clearer structure in the Group. The business activities are now divided into three major business areas:

1. Hydropower, which consists of Hafslund’s ownership in several power generation companies, as well as the power trading business.
2. District Heating and Cooling, which consists of Hafslund Oslo Celsio, a company in which Hafslund owns 60 per cent of the shares.
3. Growth and investments, which is a business area made up of growth activities and ownership in Eidsiva and other ownership interests outside of the other two business areas.

District Heating and Cooling and Growth and investments had their first full operating year in 2023, and the year was devoted to clarifying and further developing these three business areas. The Group functions were also strengthened in order to equip the Group for new growth and further quality control of existing activities. This is especially the case in areas such as risk management, compliance, sustainability, framework conditions and organisational development.

To achieve our goals, we require even more capacity and expertise across the Group. We took major steps towards this in 2023 through recruitment and organisational development. This will also continue into the future and I am proud of the improvements our employees are constantly achieving.

At the same time, the Group experienced an unacceptably high number of injuries in 2023. Safety work at all levels will have the highest priority going forward. The number of injuries needs to be reduced, and we will strengthen emergency preparedness work and preventive measures throughout the entire Group.

We have many growth opportunities and plans at Hafslund, and over the course of last year we worked on growth in hydropower, district heating, onshore wind, offshore wind, solar power, charging and urban

solutions. Examples of transactions are the purchase of seven solar park projects in Sweden and investment in fast charging for heavy transport in Southern Norway. The Group as a whole has achieved strong results and this makes it possible to continue to focus on growth within the entire Group. We have ambitious goals for growth, sustainability and value creation throughout all of Hafslund. In addition to focusing on growth in renewable energy, improving profitability for the district heating business, and making a successful investment decision in the carbon capture project, during 2024 we will continue to do what we can to contribute towards achieving society's climate and natural goals.

We have significant and important tasks ahead of us to support our vision: "For a world in balance, with renewables". I look forward to yet another exciting year with my talented, committed, ambitious and inspiring colleagues.

Finn Bjørn Ruyter





Strategy and sustainability

Strategy and sustainability

Strategy 2035

Hafslund’s strategy towards 2035 is based on five strategic focus areas. The Group shall use its core expertise to contribute to strong renewable growth, balancing the energy system of the future, creating greener and smarter cities and contribute to nature positivity. None of this is possible without the best people, and Hafslund therefore has “The best people are the key” as its fifth strategic focus area.



Climate- and nature-positivity

Hafslund recognises that climate change and loss of biodiversity are inextricably linked. The Group uses the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework as the basis for its business activities. More renewable energy will be essential for achieving national and international targets to limit greenhouse gas emissions in all sectors, while energy production also requires the use of land and impacts biodiversity. To achieve the climate targets, nature needs to be protected, and preserving natural diversity requires climate change adaptation and a rapid transition to the use of more renewable energy. By working

to make positive contributions to biodiversity in the development and management of renewable energy and infrastructure, Hafslund will be a driving force for the transition to the zero-emission society being realised in a manner that protects biodiversity.

Moving towards 2035 Hafslund will:

- Develop energy projects that shall have net zero loss of biodiversity from and including 2030.
- Hafslund will quantifiably improve the conditions for biological diversity from the 2023 level in the existing portfolio of facilities.
- Hafslund will use its position as customer, partner and investor to create positive ripple effects beyond our own business activities.
- Define an ambition associated with reducing the ecological footprint from own upstream and downstream supply chain by 2025.
- Reduce greenhouse gas emissions in Scope 1 and 2 by 90 per cent and Scope 3 by 50 per cent by 2030 compared to 2019.
- Construct carbon capture facilities at Oslo's largest point emissions.

Government authorities are currently engaged in important work in developing framework conditions and measures relating to climate and nature policy in order to ensure renewable energy production while also protecting the natural environment. National goals directly and indirectly establish the framework for Hafslund's activities. In light of the Group's ambitious strategic goals within energy and nature towards 2035, the company will be a constructive and proactive contributor to the government's work on the framework conditions in this area, where Hafslund demonstrates, in practice, how the Group's common challenges can be solved. Hafslund has provided input to political processes involving energy, climate and nature, and will continue this work in 2024.



Strong growth in renewable energy

The green transition has created an enormous need for new renewable energy and more grid capacity, particularly in Eastern Norway, and the increasing scarcity of renewable energy is leading to rising energy prices.

Without increased energy production and lower price levels, Norway will not succeed in being an attractive location for new green industries and important workplaces. Hafslund will be part of the solution to achieving this and has plans to develop new renewable energy within hydropower, wind and solar in Norway and the Nordic region and contribute to more capacity on the grid.

Moving towards 2035 Hafslund will:

- Expand existing and build new hydropower
- Become a leader in the development and expansion of renewables projects within solar, wind and offshore wind in Norway and the Nordic Region
- Work to have framework conditions in place which ensure energy development that contributes to achieving climate targets



Balance for the energy system of the future

All flexible fossil energy sources in Europe's energy mix need to be replaced with renewable energy sources to achieve the target of net zero emissions. Most of the current production technologies within renewable energy are not possible to regulate. However, the energy system needs to be in balance and this balance has to involve flexible sources or means of storage.

Hydropower acts like an enormous battery with flexible reservoir capacity. There is an increasing need for flexible power, and Hafslund will strengthen the Group's ability to contribute to balance in the energy system.

Moving towards 2035 Hafslund will:

- Increase the ability to regulate hydropower.
- Develop solutions for aggregation and management of production, consumption and storage.
- Relieve pressure on the power grid by converting electricity to heat in buildings.
- Act faster in existing and new physical markets by using the strongest algorithms and systems system in the industry.



Smart, green urban development

Society needs to be electrified. Access to renewable energy is increasing, however consumption is increasing even faster. Hafslund's objective is to facilitate electrification that contributes to greener and smarter cities.

Hafslund is a renewable energy company that, in addition to being a major producer of renewable energy, is contributing towards providing the towns and cities of the future with central thermal energy systems and solutions that contribute to electrification and energy efficiency. Hafslund is working to establish smart digital energy solutions that contribute to efficient and simple energy consumption, as well as stable and predictable energy prices.

Moving towards 2035 Hafslund will:

- Develop the thermal energy system in Oslo and the surrounding area.
- Develop solutions within electrification and energy efficiency that create value for industry and energy efficiency.
- Focus on business concepts at the intersection between a smart city and the energy system.
- Be an active driving force for green industries and jobs in Norway.



The best people are the key

Without the best people, Hafslund will not succeed in any of the other ambitious initiatives and targets that the Group has set for 2035. That is why Hafslund will work towards being the workplace where the talent comes knocking on our door.

Hafslund takes an interest in its employees and strives to facilitate a working day in which individuals achieve their potential, are strongly motivated and feel that they are developing. It should be meaningful and enjoyable to work at Hafslund, and the Group shall be a place where employees envisage having a long, exciting and developing career.

Moving towards 2035 Hafslund will:

- Ensure an open, safe and secure working environment.
- Strengthen diversity and create an inclusive culture to maximize value creation.
- Focus on long-term and targeted development of managers and employees.
- Focus on being seen as an attractive workplace.

Sustainability

Strategy and sustainability / Sustainability

Sustainability at Hafslund



Material impact, risks and opportunities

Hafslund's business strategy is closely linked to how the Group works with sustainability. The transition from fossil energy to renewable energy is definitively one of the most important measures for slowing global warming. Hafslund wants to prevent the negative impact on the climate by developing more renewable power. The Group will do this in such a way that the Group's activities capture more carbon than they emit and that the Group's positive impact on biodiversity compensates for the areas of land required for developing more renewable energy. To achieve this, Hafslund is reliant on good people with extensive knowledge and expertise relating to the topics that fall under the category of "Social conditions". As a responsible stakeholder and owner of critical infrastructure, the Group must manage its activities in a professional manner. This means having good safety and emergency preparedness procedures, as well as conducting activities in a manner that is ethical and fair.

The topics that are important to Hafslund are shown in the table below:

Based on the materiality analysis, these are the topics for which Hafslund:

1. Has a significant negative and/or positive impact on people and the environment; and/or
2. Has identified significant risks and/or opportunities related to the impact of people and the environment on Hafslund.

The sustainability part of the annual report is structured according to the important topics. Identified impact, risks and opportunities are described in the chapters for each respective topic.

The basis for Hafslund’s important topics

Environment	Social conditions	Governance
Climate change	Health and safety	Ethical business operations
Biodiversity and ecosystems	Expertise and culture	Emergency preparedness and cybersecurity
Resource use and circular economy	Human rights	
	Contribution to society and local value creation	

Management of Hafslund’s impact, risks and opportunities

The basis for Hafslund’s important topic of sustainability is a double-materiality analysis that was conducted in autumn 2022. Hafslund’s materiality analysis was updated during the first half of 2023 and was based on the analysis from 2022. The new version in 2023 was simplified by combining some of the important topics that were identified in 2022. The designations and content that the updated topics now have are in accordance with the requirements stipulated in the EU Corporate Sustainability Reporting Directive (CSRD), which Hafslund will be obligated to comply with from and including the 2024 report. This makes it easier for users of sustainability reporting to read and understand Hafslund’s sustainability work, as well as simplifying the comparison of content with sustainability reporting from other companies. The updated important topics were adopted by Group management in May 2023.

A new materiality analysis is being conducted during the first quarter of 2024 that takes into account the requirements in the CSRD and the recommendations of the European Financial Reporting Advisory Group (EFRAG).

The impact analysis

The impact analysis was a desktop analysis where a list of potential topics of importance to sustainability was compiled based on available advisory literature and established practices from comparable companies. A value chain analysis was then conducted, whereby the impact of each topic was assessed based on three criteria: size, severity and irreversibility. Based on this, for each part of the value chain we considered whether there is a small, medium or large impact and whether the impact is positive, negative or both positive and negative.

The risk analysis

The risk analysis was based on two streams of information obtained through a stakeholder analysis and a megatrend analysis. The purpose was to identify how the outside world (people and the environment) impact Hafslund, and what risks and opportunities this poses for the Group. An assessment was carried out of what Hafslund's stakeholders currently expect (stakeholder analysis) and what major drivers (megatrends) determine what stakeholders will care about in the future.



Several of the Group's high-priority risks are closely linked to the material sustainability topics and the most important sustainability risks are followed up by the Group's risk management function in the same manner as the other top risks.

The materiality analysis is the starting point for how Hafslund manages the work on sustainability in the Group. Goals, measures, action plans and KPIs shall be defined for each important topic. Hafslund has established good goals, measures, plans and KPIs for some topics, while this work is still ongoing for other topics.

Several of the Group's high-priority risks are closely linked to the material sustainability topics and the most important sustainability risks are followed up by the Group's risk management function in the same manner as the other top risks. The work on incorporating risks and opportunities for all important topics started in 2023 and will be expanded during 2024. This is already well integrated for several of the important topics, and the impact, risks and opportunities are followed up on an ongoing basis. This particularly applies to the important topics of "Health and safety" and "Emergency preparedness and cybersecurity".

In 2023, a climate risk analysis was conducted in accordance with the Task Force on Climate Related Financial Disclosures (TCFD) framework. The results of the analysis are described in the chapter covering the important topic of "Climate change". Some of the defined risks in the climate risk analysis are part of the Group's top risks. The risks that are not top risks for the Group but are the most important climate risks are incorporated into the Group's risk management system.

Risks of violations of human rights and decent working conditions are other topics that were actively addressed during 2023 through the work on the Transparency Act. This work will be further developed in 2024. Reference is made to the chapter entitled "Human rights".

Sustainability management (Governance)

The roles of the Board, the Risk and Audit Committee and management

In Hafslund, sustainability is integrated into the business strategy and is high on the agenda of group management, the Risk and Audit Committee and the Board. When CSRD is introduced in Norwegian law, the Risk and Audit Committee will be given responsibility for sustainability reporting on the same level as financial reporting. Hafslund has serious ambitions related to climate and nature. In connection with this, "Deep dive into climate" and "Deep dive into nature" were two issues that were addressed in 2023. In addition, the updating of the materiality analysis and important topics, updating of the Group sustainability policy, work on and report for the Transparency Act, dilemma training related to human rights, climate risk and risk management, information about the Corporate Sustainability Reporting Directive (CSRD) and the implementation project of the CSRD and involvement in the annual reporting were considered by the Group management team and Board. Health and Safety (HSE) is at the top of the agenda of all management groups. In addition, diversity, tax and local impact, emergency preparedness, and safety, was among the topics that management was involved in throughout the year.

The Head of Sustainability at Hafslund reports to the Executive Vice President Corporate Development and is responsible for proposing content to be included in the Group's goals and procedures, and for assisting the business areas in establishing measures to comply with goals and guidelines. The Head of Sustainability is also responsible for formulating the Group's sustainability reporting.

Hafslund's Group sustainability policy is prepared based on the materiality analysis. General information about the policy is described in the "Policy/Guidelines" section of this chapter and relevant information for each important topic is described in the corresponding chapter. There are also a number of other governing documents that are relevant to sustainability, such as the HSE policy, ethical guidelines for employees and ethical guidelines and requirements for suppliers. More information concerning this can be found in the chapter on the relevant important topic. In 2023, Hafslund commenced major work on updating governing documents adapted to the Group's size and new requirements and expectations that these include guidelines related to the Group's important topic of sustainability.



Risk management and internal control

Sustainability is a natural part of the Group's risk management, and several of the Group's high-priority risks, both operational and strategic, are risks related to the climate and nature crisis or the transition to a fair, net zero-emission society. More information about the Group's risk management is described in the Board's annual report and the consolidated accounts. For sustainability specifically, Hafslund has reported significant risks and opportunities associated with each important sustainability topic.

Reporting of sustainability-related information has historically not been subject to the same internal control

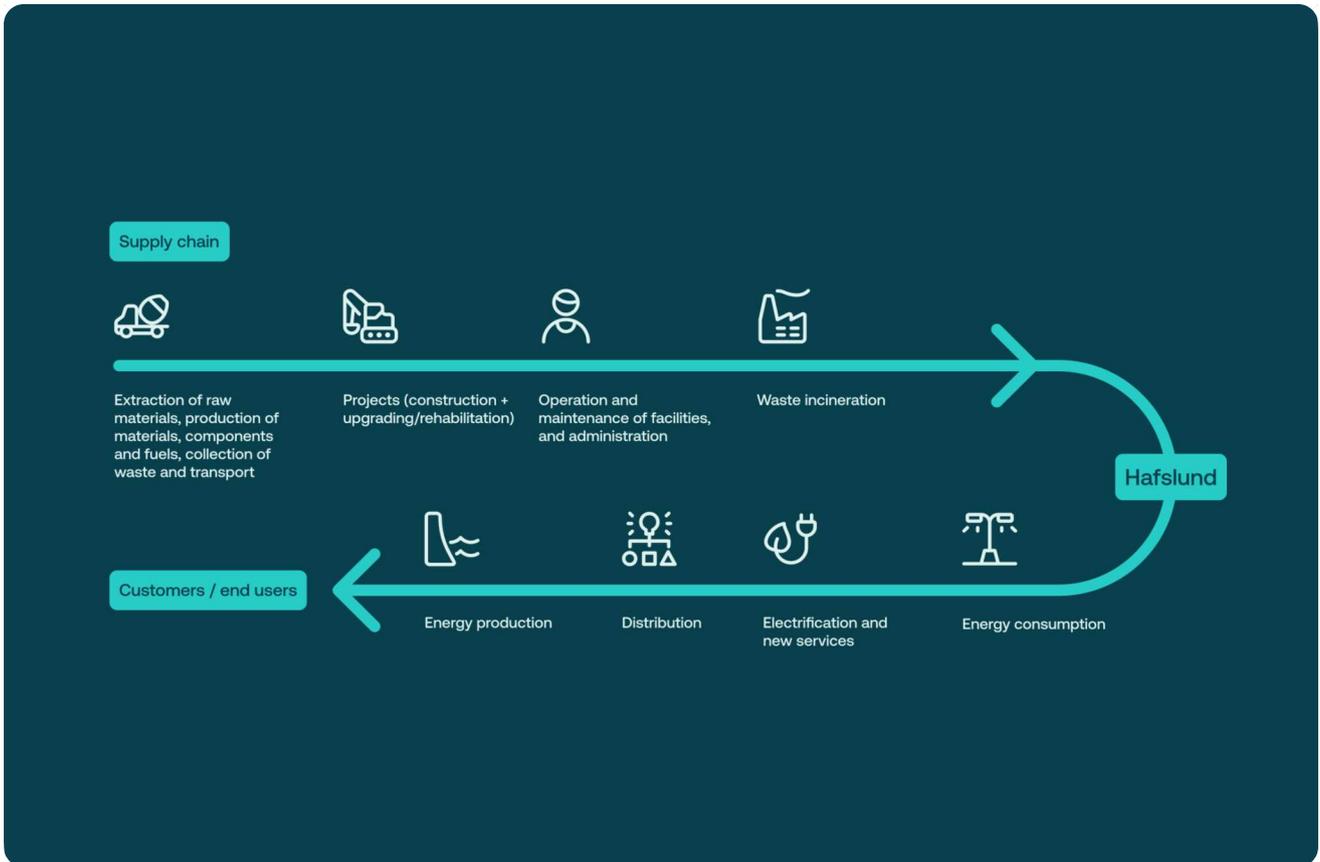
requirements as financial reporting. In 2023, Hafslund intensified cooperation between different specialist fields in the Group, including the sustainability department, the risk function and the finance department. This was to ensure more consistent content, structure and internal control when reporting qualitative and quantitative sustainability information. Among other things, Hafslund has begun work on improving quality when reporting sustainability information and utilises expertise, experience and processes from financial reporting where appropriate.

Sustainability in Hafslund’s strategy

Business strategy, business model and value chain

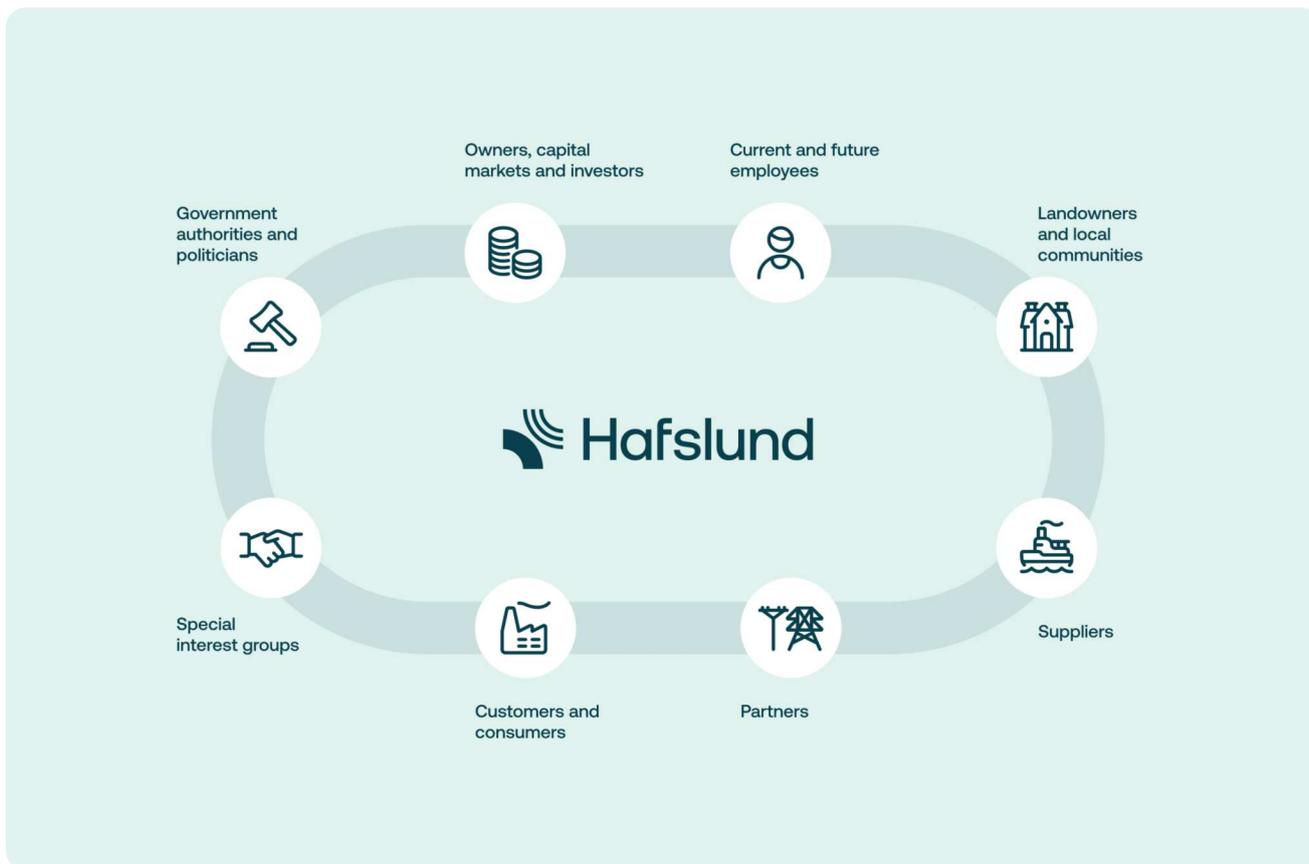
The link between the Group’s business strategy up to 2035 and Hafslund’s significant impact, risks and opportunities is described in the chapters for each respective important sustainability topic.

Below is a simplified illustration of Hafslund’s value chain:



Hafslund’s key stakeholders

Eight key stakeholders have been identified that have different requirements for and expectations of Hafslund. The stakeholder analysis identified stakeholder expectations with subsequent risks and opportunities. The insight into the stakeholder expectations was used as an insight and basis for the materiality analysis.



Moving forward, Hafslund plans to implement a system to document and follow up on stakeholder dialogue.

Government authorities and politicians

Government authorities and politicians set framework conditions for the Group’s business activities. Hafslund meets this stakeholder group with knowledge and information and has a desire to provide insight into the consequences of different framework conditions for the management of and investments in renewable energy.

Government authorities are concerned about a wide range of sustainability topics, with a particular focus on the production and distribution of sustainable energy, waste incineration, security of supply and competitive prices.

From a national and international perspective, there are expectations related to climate adaptation and reducing greenhouse gas emissions, as well as protecting natural diversity and minimal destruction of ecosystems. To ensure that Hafslund, and other companies, are meeting these expectations, there is an increasingly strong need for transparency and reporting.

Owners, capital markets and investors

Hafslund has a good relationship with the Group's only owner, the City of Oslo, which sets clear expectations regarding several sustainability areas through, among other things, the Oslo Model and the ownership report. Hafslund works together with the City of Oslo on issues such as sustainability and urban development. Several of the Group's companies have other owners in addition to the parent company Hafslund AS, which are also committed to and have expectations for responsible and sustainable operations.

The owner's goal is to have predictable dividends over time. In addition, the owner has a focus on the Group actively contributing to solving the climate and nature crisis as a producer and distributor of clean energy. Loan investors and the capital market are increasingly concerned about sustainability. With ever stronger demands and expectations, transparency and good reporting are an important expectation from the owner, capital market and investors. In 2023, Hafslund updated its green financing framework to include the business activities of all the subsidiaries. The framework is based on relevant market standards, and the majority of the Group's financing qualifies as "green".

Owners of Hafslund and Hafslund's subsidiaries are focussed on local value creation, local jobs and revenues from dividends and taxes. The City of Oslo is also concerned about responsible procurement practices and that Hafslund contributes to the City of Oslo achieving its climate targets.

Current and future employees

Our employees are Hafslund's most important resource that will enable the Group to succeed with its vision and objectives. The Group's employees want a meaningful and rewarding workplace in a safe and responsible company that has sustainability on the agenda. Health, safety and the work environment is another important area, together with scope for employees to develop their own expertise. Both current and future employees are increasingly placing diversity and equality higher on the agenda of priorities.

Hafslund works continuously to have a visible and supportive management that maintains good dialogue across the entire Group. The Group works for a culture that is based on the Group's values and the maintenance of an open and inclusive working environment. More information about the dialogue with Hafslund's employees can be found in the chapters "Expertise and culture" and "Health and safety".

Landowners and local communities

With facilities and infrastructure that require significant land use, good dialogue with landowners and local communities is of vital importance to Hafslund. Hafslund maintains a close dialogue with this special interest group, particularly in connection with developments and upgrades of existing facilities. It is of particular importance to landowners and communities that the Group contributes to local value creation and jobs.

There is an expectation of responsible operations, conservation of nature, recreational opportunities, minimal pollution and adequate flood protection. Transparency and early involvement through good stakeholder

dialogue are important for Hafslund.

Special interest groups

Special interest groups not only have an increasingly powerful voice in local communities but also politically, and have clear expectations around protecting public interests, minimizing destruction of nature and ecosystems, recreation and reducing greenhouse gas emissions.

Hafslund has dialogue with various special interest organisations: fishing interests, nature and environmental organisations, welfare associations, landowner groups, tourist associations and others. The Group seeks to collaborate and conduct dialogue in order to exchange information about advantages and disadvantages relating to the business activities and to facilitate learning across the various stakeholders.

Customers and consumers

Hafslund shall ensure the reliable supply of energy and other products and services for end users and commercial customers. Hafslund looks to understand customer needs and to meet their expectations. Customers and consumers depend on energy from Hafslund and are concerned about fair prices and security of supply. Consumers are also increasingly focused on user-friendly solutions, and that the energy they purchase is sustainable and originates from producers who manage their impact on people and the environment in a responsible manner. Hafslund has dialogue with both current and potential customers, and regularly follows up reputational surveys.

Partners

Hafslund has several partnerships and has a policy of seeking partnerships where complementary expertise and collaboration can result in stronger value creation.

The Group's partners expect adaptation to and reduction of negative climate change. Many view collaboration with Hafslund as a good opportunity for development and expect the Group to strive for innovation and the development of green solutions. There is an expectation that Hafslund has a high level of expertise and also shares this expertise. Partners also expect the Group to have the resources and impetus to see initiatives through to the end.

Suppliers

With regard to suppliers, Hafslund engages in dialogue that is specifically related to HSE, sustainability and supply/security of supply, and the Group endeavours to achieve best practice in such cooperation. Suppliers generally want to work with large, sustainable companies with good reputations, which can help the suppliers themselves to improve.

Fair price and equal treatment are the clearest expectations from Hafslund's suppliers. They also request information about upcoming projects and future needs. High standards of business integrity, HSE, and human and worker rights are expected.

Metrics and targets

Efforts were made during 2023 to set metrics and targets related to each important topic. Many of the targets have been included for several years and some of the targets are new in this year's reporting. Among other things, Hafslund has had metrics and targets related to greenhouse gas emissions since 2019, and these were further set in stone in 2022. For other topics, such as "Health and safety", Hafslund has long had specific metrics and targets related to life and health.

Hafslund has high ambitions related to the Group's impact on biodiversity and ecosystems. In 2022, it was defined and reported that Hafslund works for nature-positivity. In 2023, the Group actively worked to specify what this means for current operations and for new projects. More information about how Hafslund has worked and is continuing to work on setting metrics and targets and defining accurate indicators can be found in the chapter for the important topic of "Biodiversity and ecosystems".

Policy/Guidelines

Hafslund has a Group policy for sustainability which ensures that the Group has uniform principles related to sustainability. An annually updated materiality analysis forms the basis for the Group's sustainability work and the content of the policy. This policy has been adopted by the Group management team. It applies to all companies in the Group over which Hafslund has operational control through ownership and/or agreements. Each subsidiary is responsible for setting metrics and targets and action plans for sustainability in accordance with the principles in the policy.

Basis for preparing sustainability reporting

Sustainability reporting covers the Hafslund Group, and unless otherwise specified, the scope is the same as for the financial reporting for the 2023 calendar year. In sustainability reporting, data is collected from all businesses where Hafslund is the majority owner and has operational control, and these figures are included in their entirety in the sustainability accounts. Qualitative and descriptive text is based on the Hafslund Group as a whole, with the three business areas of Hydropower, District Heating and Cooling, and Growth and Investment.

In the materiality analysis, the entire value chain is used as a basis for the assessments that are made. For all of Hafslund's important topics, there is a form of impact, risk or opportunity beyond the Group's own business activities. For the quantitative reporting, Hafslund has defined the scope when this is not clear and obvious.

Hafslund is governed by the new EU Corporate Sustainability Reporting Directive (CSRD) and must report in accordance with these requirements in the 2024 annual report. Implementing the CSRD into the organisation is demanding work that impacts and affects large parts of the business. Hafslund has established a Group-wide implementation project. The success of this requires involvement across subsidiaries and business areas.

Hafslund's Sustainability Report 2023 was inspired by the European Sustainability Reporting Standards (ESRS) from the European Financial Reporting Advisory Group (EFRAG) and the EU. Further conformity with these standards was achieved in this year's report by:

- The sustainability information being structured according to environmental, social and corporate governance (ESG) considerations, and the reporting being centred around Governance (GOV), Strategy (SBM), Impact, risk and opportunity management (IRO) and Metrics and targets (MT).
- The important topics having wording and content that more closely resemble the terms used in the European Sustainability Reporting Standards (ESRS).
- The selection of indicators and data that Hafslund chooses to highlight being almost identical to the ESRS requirements.

The basis for calculations and use of estimates, as well as degree of uncertainty, are described in connection with the relevant indicator in the sustainability accounts when this is relevant and of significant importance.

Sustainability

Climate change

Business strategy, business model and core values

Hafslund is wholly-owned by the City of Oslo and this brings with it certain prerequisites that form the basis of the Group's strategy. Among other things, the Group shall contribute to realising the City of Oslo's climate strategy. This shall take place directly by reducing Hafslund's own negative impact in the form of greenhouse gas emissions and indirectly in the form of taxes, duties to the state and local government and dividends to the owner.

At Hafslund, we work "For a world in balance, with renewables". The transition from energy production from fossil sources to energy production from renewable sources is not only one of the biggest challenges facing society, but also the most important single solution to climate challenges. Hafslund's core business, i.e. renewable energy production, will become even more important in the years to come and means that, as a group, Hafslund is well-equipped for the transition that society will need to undergo to slow down and ultimately stop the emission of greenhouse gases into the atmosphere.

Hafslund's strategy is based on five strategic focus areas to be solved and goals to be achieved by 2035, four of which are closely linked to climate change:

- Contribute to being climate and nature-positive
- Contribute to strong growth in renewable energy
- Contribute to achieving balance for the energy system of the future
- Engage in smart and green urban development

This means that Hafslund cannot continue to operate as the Group has traditionally done, and must adapt to climate change by:

- Reducing negative impact by minimize the Group's greenhouse gas emissions.
- Adapting operations and management to climate change (climate adaptation). Among other things, this involves protecting our own facilities and local communities against the effects of extreme weather and flooding.
- Developing new and existing services that make a positive contribution towards slowing climate change and reducing the need for fossil fuels. In the coming years, Hafslund plans to develop more renewable energy and make existing power plants more efficient.

Transitional plan for climate-positivity

In autumn 2023, Hafslund began formalising the transitional plan for net zero greenhouse gas emissions and affirming the Group's contributions towards limiting global warming in line with the Paris Agreement. The content of the plan has long been a work in progress. The transitional plan further specifies and systemises this work. Guidelines are rooted in the Group sustainability policy and Hafslund has had metrics and targets for reducing greenhouse gas emissions since 2019. Both policies and targets are firmly established with Group management. Hafslund is working on measures to reduce the Group's emissions. The most important measures are described under Actions.

Hafslund is ambitious in its climate change work and the goal is to become climate-positive by 2030. To achieve this, the Group is completely dependent on reducing its direct and indirect emissions as much as possible. One of the most important measures for reducing Hafslund's emissions is the company's carbon capture and storage project currently in progress at the Klemetsrud waste incineration plant in Oslo. In addition, Hafslund must impose requirements on procurements and the company needs to adapt when concerning the development of new power plants.

The carbon capture plant at Klemetsrud will produce negative emissions, i.e. CO₂ will be removed from natural circulation. About 50 per cent of the waste treated at the Klemetsrud waste incineration plant originates from biogenic substances. This includes paper, cardboard, wood suitable for recycling and leftover food not sorted as food waste. This means that when the CO₂ in this waste is captured and stored, CO₂ is removed from the atmosphere. This is also known as Bio-CCS or BECCS, something the European Commission, the United Nations and the International Energy Agency highlight as being of vital importance to achieving the world's climate goals. Model scenarios show that to limit global warming to 1.5°C or 2°C, Hafslund is reliant on large amounts of "negative emissions" being achieved by removing CO₂ from the atmosphere.

Hafslund is ambitious in its climate change work and the goal is to become climate-positive by 2030.



Impact, risks and opportunities

Hafslund has a positive and negative impact on the climate. The world is facing a huge challenge in coping with the transition to a zero-emission society and Hafslund's most important climate contribution is the production of renewable energy. Hydropower, solar and wind energy are means of clean energy production that have low emissions when compared to the average greenhouse gas emissions from European power production. In the heating and cooling operations, local excess energy, which would otherwise have been lost, is used to produce hydronic district heating and district cooling.

Hydropower plants contribute to the protection of the environment and act as a climate adaptation measure. The reservoirs help reduce the risk of flooding in the watercourses and the associated damage. Hafslund actively uses the reservoirs to mitigate flooding by reducing and levelling out flooding during periods with heavy precipitation and inflow. There is a close and regular dialogue with the Norwegian Water Resources and Energy Directorate, regulatory associations, public authorities and affected parties in the event of flood alleviation and flood situations.

Hafslund's biggest negative impact on climate change is greenhouse gas emissions. The Group's largest direct emissions (Scope 1) are from the waste incineration plants belonging to the district heating business. Incineration is the only legal means of treating waste in Norway and if the waste had become landfill, the

greenhouse gas emissions would have been about 75 per cent higher than what is emitted from the incineration plants. Excess heat from the incineration process is used to produce heating. However, the greenhouse gas emissions are still significant, and the incineration plant at Klemetsrud is both Hafslund and the City of Oslo's largest source of point emissions of greenhouse gases. The highest indirect emissions (Scope 3) relate to Hafslund's development projects for new renewable energy and input factors/fuels for the district heating plants, as well as Hafslund's investments in other companies.

In 2023, Hafslund conducted a climate risk analysis in line with the TCFD framework. Two scenarios were used in the analysis:

- “Climate chaos”: Involves climate policy that is not very ambitious or is non-existent, and serious physical climate change – both acute and chronic. This scenario is based on the United Nations Intergovernmental Panel on Climate Change's climate scenario, with little to no change.
- “Low carbon revolution”: Is a combination of the United Nations Intergovernmental Panel on Climate Change's two scenarios for rapid transition and slow transition. Several reports show that society is moving towards global warming of over 1.5°C and Hafslund therefore takes the physical climate consequences of this into account in the low-carbon scenario. Slow transition is used as a basis for physical risk and rapid transition is used as the basis for transitional risk and climate-related opportunities.

The table below summarises the Group’s most significant risks and opportunities related to “Climate change”:

Risks	Opportunities
<ul style="list-style-type: none"> • Physical risk 	Balance for the energy system of the future
<ul style="list-style-type: none"> • Greater unpredictability for production and planning due to change in weather patterns 	New markets and change in customer needs due to climate change
<ul style="list-style-type: none"> • Changes in markets due to changes in weather and climate 	Opportunities and price variations in the energy system of the future
<ul style="list-style-type: none"> • Increased risk of damage and collapse of infrastructure due to increased frequency of extreme weather 	Increased hydropower production due to climate change
<ul style="list-style-type: none"> o Transitional risk 	Access to green capital
<ul style="list-style-type: none"> o Uncertainty in price/demand related to raw materials and input factors 	Competitive advantage and new business opportunities when transitioning to the low-emission society
<ul style="list-style-type: none"> o Failed investments in technology 	
<ul style="list-style-type: none"> o Unpredictability and costs due to impending climate regulations 	
<ul style="list-style-type: none"> o Increased volatility in energy prices due to higher proportion of variable energy production 	

How the financial effects of climate risk are taken into account is described in note 1.3 of the consolidated accounts.

Policy/Guidelines

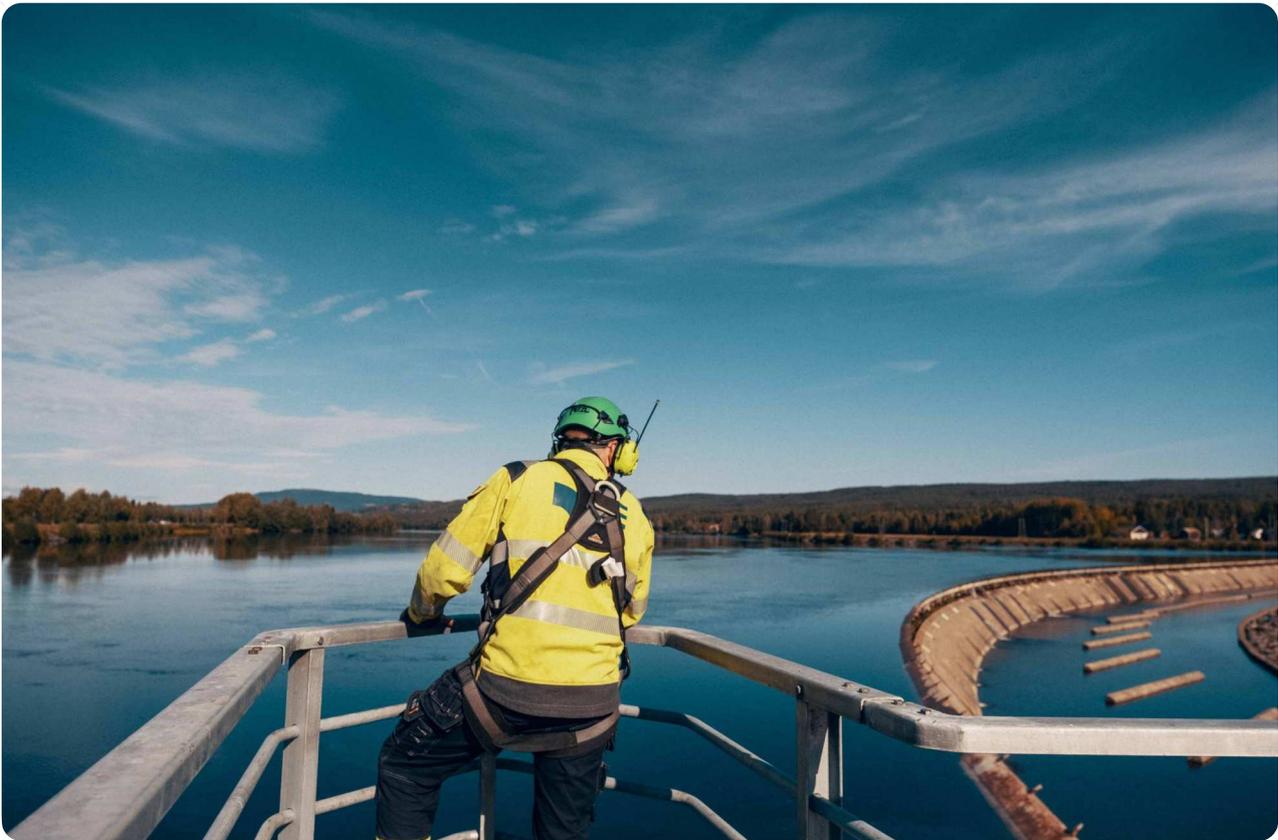
Hafslund has a Group policy for sustainability which ensures that the Group has uniform sustainability principles.

The environment is one of many topics in Hafslund's "[Ethical guidelines and requirements for suppliers](#)". (NO) The guidelines apply to all of Hafslund's suppliers and any subcontractors that may be used. Suppliers undertake to apply all rights and obligations set out in the guidelines in agreements with their subcontractors.



Principles directly related to climate:

- Hafslund shall have metrics and targets that are in line with the Paris Agreement.
- All companies shall continuously work to reduce Hafslund's greenhouse gas emissions
- There shall be continual efforts to increase employee expertise relating to the Group's environmental impact and ongoing measures.



Requirements that directly relate to the important topic:

- Hafslund’s suppliers shall have an effective system for minimising the negative environmental impact from their own operations, and prefer solutions that result in less energy and resource use and that reduce emissions.
- Environmental measures are assessed along the entire production and distribution chain – from the production of raw materials to sales. Negative environmental impact shall be reduced along the entire value chain. In line with the precautionary principle, measures shall be initiated to continuously minimise greenhouse gas emissions.
- Pollution of the atmosphere that has consequences for the climate is one of several important environmental challenges that suppliers are expected to counteract.
- Suppliers are expected to choose modern and efficient technologies that reduce greenhouse gas emissions.

Actions

Hafslund continuously works to reduce its negative impact, increase its positive impact, reduce risk and exploit opportunities associated with climate change. The measures with the greatest positive climate effect

are described below. The measures have in common that they either reduce greenhouse gas emissions and/or that they contribute to increased production of renewable energy or a reduction in the need for fossil energy sources.

Procurement and development projects:

Setting requirements and supplier and partner dialogue are important means through which the Hafslund Group shall limit direct and indirect greenhouse gas emissions.

- **Dialogue conference:** In the autumn of 2023, Hafslund took the initiative to arrange a dialogue conference on zero emissions and renewable development of renewable energy in collaboration with Renewables Norway and other players in the industry. The conference consisted of presentations of solutions and needs and dialogue between builders, contractors, machine manufacturers and rental suppliers about what will be required to achieve zero-emission renewable projects.
- **Climate requirements in connection with procurement:** In autumn 2023, standard requirements were introduced for greenhouse gas emissions and climate reporting in electrical and mechanical projects in Hafslund's hydropower activities. Among the new requirements are that projects need to have greenhouse gas budgets and accounts.
- **New supplier for transport and final treatment of fly ash:** In 2023, Hafslund Oslo Celsio completed the procurement process for the transport and final treatment of fly ash. Environment and climate were set as the criteria for awarding this contract. As of 2024, the selected supplier has committed to driving 50 per cent of the transport using biogas, and that 1/3 of the distance driven will be replaced by electric ferry.
- **Sustainable and responsible value chains for solar energy:** Hafslund participates in a working group for responsible value chains through the Norwegian Solar Energy Cluster (Solenergiklyngen), which is the industry association for solar energy in Norway. This work includes the setting of requirements and environmental weighting in connection with procurements to reduce greenhouse gas emissions in future procurement processes. Among the measures are documentation and traceability in the value chain and requirements for EPDs (Environmental Product Declaration).

Electrification of vehicle fleet:

Hafslund has a target of a 100 per cent electric vehicle fleet by 2025. Hafslund estimates that a 100 per cent electric vehicle fleet would reduce annual greenhouse gas emissions (Scope 1) by 600 tonnes of CO₂e when compared to a 100 per cent fossil fuel-based vehicle fleet. In 2023, Hafslund increased the proportion of electric vehicles since 2022 by 23 percentage points to a total of 56 per cent.

Use of low-carbon materials in projects:

More than 50 per cent of the hydropower business' greenhouse gas emissions are indirect emissions from the materials used for rehabilitating facilities and developing new hydropower. Low-carbon materials have been used in selected projects since 2022.

Pilot project for Orsendvatn Dam:

Orsendvatn Dam is a 400-metre-long hydropower dam in Hallingdal that, as required by the Norwegian Water Resources and Energy Directorate, is to be rehabilitated. Greenhouse gas calculations made in the preliminary project contributed to the decision to construct a new rock-fill dam downstream of the previous dam. This alternative had the lowest greenhouse gas emissions. Large amounts of rock and soil deposits will be moved during the construction phase, and the aim of the project is to move large quantities of the soil deposits using electric machines and thereby significantly reduce diesel consumption.

Fully electric surface treatment in Aurland 1:

In order to replace the use of diesel generators in the surface treatment of the inner pipeline in Aurland 1, 2.5 km of 22 kV power cable was laid and construction power was installed. This measure reduced the expected consumption of 187,920 litres of diesel and reduced CO₂ emissions by 498 tonnes.

Carbon capture at Klemetsrud:

Hafslund Oslo Celsio's planned carbon capture project at Klemetsrud entered a cost-reducing phase in 2023. The ambition remains to establish carbon capture at the Klemetsrud waste incineration plant, however the path towards that target needs to be adjusted. The carbon capture plant can contribute to reducing a significant proportion of Oslo's CO₂ emissions, and the project is essential for Oslo being able to achieve its ambitious climate targets. The project could also serve as an important international demonstration. Carbon capture will prevent the majority of Hafslund Oslo Celsio's direct emissions (Scope 1).

Accumulator tank at Haraldrud:

A 33-metre-high "Thermos flask" with space to store more than eight million litres of hot water has arisen at Hafslund Oslo Celsio's heating plant at Haraldrud in Oslo. The accumulator tank was brought online in 2023. The tank acts as a large energy storage unit and better equips Hafslund Oslo Celsio and Oslo in a number of ways. It allows Hafslund Oslo Celsio to produce district heating regularly and efficiently even if demand fluctuates throughout the day. It also makes it possible to reduce the use of peak loads in district heating production when the electricity grid is under the greatest strain. The energy storage unit also helps maintain stable pressure in the pipe network and functions as an emergency reservoir. This helps reduce downtime in the event of leaks in the grid.

Large-scale solar energy:

In 2022, Hafslund Vekst commenced a new initiative to develop large-scale solar power plants. Together with Magnora and Helios, Hafslund Vekst aims to develop 1,000 MW of large-scale solar power in Norway. There were around 20 projects under development in 2023, and the licensing process with the Norwegian Water Resources and Energy Directorate has commenced for the first of these projects. The goal is to have the first projects ready for development and production in Norway during 2024/2025. In July, Hafslund Vekst signed an agreement with Helios to purchase seven solar projects with 252 MWp capacity under development in Sweden, of which four projects are expected to be ready for development in 2024.

Solar power on roofs:

In 2022, Hafslund commenced a new initiative in collaboration with OBOS to develop local renewable electricity production with solar power on roofs. In June 2023, the first solar installation from Enny was brought online at the Lambertseter centre, a facility with installed capacity of approximately 200 kWp which will provide around 150.000 kWh of locally produced renewable electricity annually. A total of five additional facilities were installed in 2023, which represents a total of 1.400 kWp and approximately 2.500 kWh.

Hafslund and Eidsiva's onshore wind partnership:

Hafslund has partnered with Eidsiva to develop onshore wind in close cooperation with host municipalities, landowners and local communities. The first stage will involve assessing the potential for wind power in Eastern Norway, and especially locations where the establishment of wind power can solve local and regional power needs and contribute to positive ripple effects.

Zero-emission workboats for the development of offshore wind:

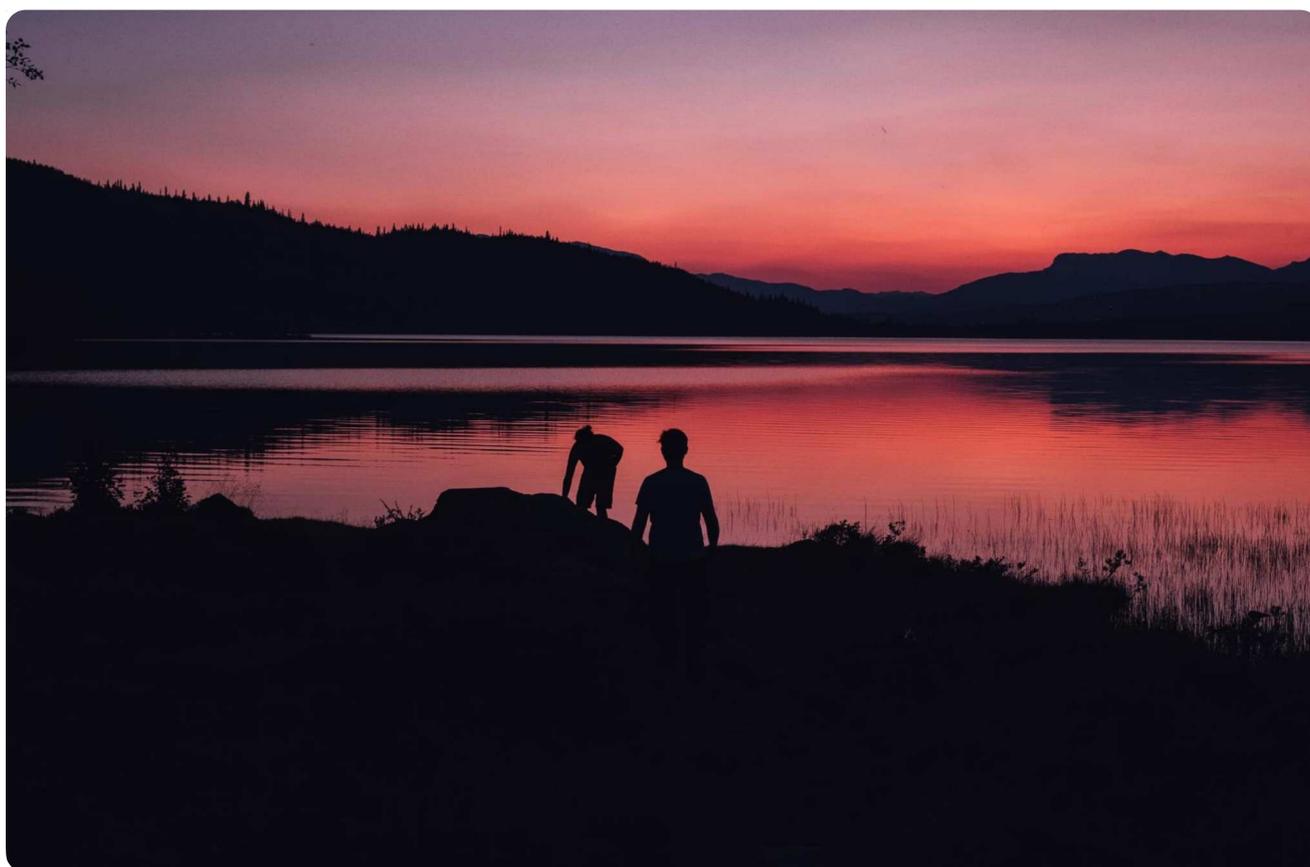
Hafslund collaborates with Fred. Olsen on the development of offshore wind in long-term partnership with Blåvinge. To contribute towards developing zero-emission workboats, pilot project was initiated for zero-emission solutions for the installation and operation of floating offshore wind turbines in the "Green Shipping Programme" (Grønn skipsfartsprogram). The pilot project will assess an anchor-handling tug supply (AHTS) vessel powered by ammonia and battery, to operate between the Utsira Nord offshore wind farm and port of Karlsund during the installation phase of the new wind turbines.

Norway's most secure and energy-efficient commercial centres for national data storage:

Hafslund and Telenor, together with their partners, have established a company with the ambition of becoming a leading player in the market for data centres for co-location for private and public enterprises, with very strict requirements for security and efficient energy consumption. Together with Hafslund Oslo Celsio, the company will design data centres that have effective solutions for reusing the excess heat for district heating.

Smart power solutions for energy efficiency and relieving pressure on the electricity grid:

In 2023, Hafslund and Volte received NOK 10 million in support from Enova for a project relating on how small and medium-sized businesses (SMBs) can reduce electricity costs and generate revenue by freeing up grid capacity and contributing to balance in the energy system. Volte is 50/50 owned by Hafslund and Eviny.



Metrics and targets

Hafslund has set ambitious metrics and targets related to reducing the Group's greenhouse gas emissions:

Metrics and targets	Result 2023	Result 2022	Comments
Become climate-positive by 2030	546,859 tCO ₂ e	410,274 tCO ₂ e	Emissions include Scope 1, 2 and 3. Scope 2 includes market-based emissions figures.
90 per cent reduction in Scope 1 and 2 by 2030*	479,796 tCO ₂ e	351,673 tCO ₂ e	21 per cent increase in Scope 1 and 2 compared to 2019. Market-based Scope 2 has been used. For 2023, Hafslund Oslo Celsio did not purchase guarantees of origin for its own electricity consumption, which resulted in large Scope 2 emissions.
50 per cent reduction in Scope 3 by 2030*	67,063 tCO ₂ e	58,601 tCO ₂ e	New method for calculating Scope 3 in 2023. Emissions in base year* (2019) have not yet been recalculated using the new method.
100 per cent electric vehicle fleet by 2025	56 per cent	33 per cent	

*Compared to base year (2019) where it was 395,138 tCo2e for scope 1+2.

The activities and associated emissions for Hafslund's three business areas are very different. Therefore, separate metrics and targets have also been set for each company to support the Group's overall metrics and targets, but which are also adapted in such a way that all subsidiaries have to reduce their greenhouse gas emissions.

Indicator table

Greenhouse gas accounts

Hydropower

tCO ₂ e	2023	2022
SCOPE 1 - DIRECT EMISSIONS		
Power production	799	1,053
Total direct greenhouse gas emissions (scope 1)	799	1,053
SCOPE 2 - INDIRECT GREENHOUSE GAS EMISSIONS FROM PURCHASED ENERGY		
Location-based	473	234
Market-based	12	10
SCOPE 3 - OTHER INDIRECT GREENHOUSE GAS EMISSIONS		
1. Purchased goods and services	7,009	7,328
2. Capital goods	8,284	7,490
3. Production of consumed fuel and energy	190	171
4. Upstream transportation and distribution	60	78
5. Waste generated in operations	18	18
6. Business travel	171	157
7. Employee commuting	-	-

tCO ₂ e	2023	2022
8. Upstream leased assets	359	354
9. Downstream transportation and distribution	-	-
10. Processing of sold products	-	-
11. Use of sold products	-	-
12. End-of-life treatment of sold products	-	-
13. Downstream leased assets	-	-
14. Franchises	-	-
15. Investments	-	-
Total indirect greenhouse gas emissions (scope 3)	16,091	15,596
Total greenhouse gas emissions, location-based	17,363	16,883
Total greenhouse gas emissions, market-based	16,902	16,659

Explanation for recalculated 2022 value: Improved data quality and calculation methodology for Hafslund's indirect emissions (scope 3)

District heating and cooling

tCO ₂ e	2023	2022
SCOPE 1 - DIRECT EMISSIONS		
Waste incineration*	202,397	197,777
District heating	6,961	5,859
Total direct greenhouse gas emissions (scope 1)	209,358	203,636
SCOPE 2 - INDIRECT GREENHOUSE GAS EMISSIONS FROM PURCHASED ENERGY		
Location-based	10,205	3,992
Market-based	269,627	146,974
SCOPE 3 - OTHER INDIRECT GREENHOUSE GAS EMISSIONS		
1. Purchased goods and services	6,138	5,411
2. Capital goods	74	1,485
3. Production of consumed fuel and energy	4,322	4,322
4. Upstream transportation and distribution	18	-
5. Waste generated in operations	-	-
6. Business travel	-	-
7. Employee commuting	-	-
8. Upstream leased assets	-	-

tCO ₂ e	2023	2022
9. Downstream transportation and distribution	-	-
10. Processing of sold products	-	-
11. Use of sold products	-	-
12. End-of-life treatment of sold products	-	-
13. Downstream leased assets	-	-
14. Franchises	-	-
15. Investments	-	-
Total indirect greenhouse gas emissions (scope 3)	10,552	11,218
Total greenhouse gas emissions, location-based	230,115	218,846
Total greenhouse gas emissions, market-based	489,537	361,828
*Biogenic emissions	190,072	188,551

Explanation for recalculated 2022 value: Improved data quality and calculation methodology for Hafslund's indirect emissions (scope 3)

Growth and investments

tCO ₂ e	2023	2022
SCOPE 1 - DIRECT EMISSIONS		
Total direct greenhouse gas emissions (scope 1)	-	-
SCOPE 2 - INDIRECT GREENHOUSE GAS EMISSIONS FROM PURCHASED ENERGY		
Location-based	2	-
Market-based	-	-
SCOPE 3 - OTHER INDIRECT GREENHOUSE GAS EMISSIONS		
1. Purchased goods and services	463	172
2. Capital goods	315	-
3. Production of consumed fuel and energy	-	-
4. Upstream transportation and distribution	1	-
5. Waste generated in operations	-	-
6. Business travel	7	-
7. Employee commuting	-	-
8. Upstream leased assets	3	-
9. Downstream transportation and distribution	-	-
10. Processing of sold products	-	-

tCO ₂ e	2023	2022
11. Use of sold products	-	-
12. End-of-life treatment of sold products	-	-
13. Downstream leased assets	-	-
14. Franchises	-	-
15. Investments	38,879	30,769
Total indirect greenhouse gas emissions (scope 3)	39,667	30,941
Total greenhouse gas emissions, location-based	39,669	30,941
Total greenhouse gas emissions, market-based	39,667	30,941

Explanation for recalculated 2022 value: Improved data quality and calculation methodology for Hafslund's indirect emissions (scope 3)

Other business

tCO ₂ e	2023	2022
SCOPE 1 - DIRECT EMISSIONS		
Total direct greenhouse gas emissions (scope 1)	-	-
SCOPE 2 - INDIRECT GREENHOUSE GAS EMISSIONS FROM PURCHASED ENERGY		
Location-based	136	323
Market-based	-	-
SCOPE 3 - OTHER INDIRECT GREENHOUSE GAS EMISSIONS		
1. Purchased goods and services	727	811
2. Capital goods	-	1
3. Production of consumed fuel and energy	13	31
4. Upstream transportation and distribution	1	1
5. Waste generated in operations	-	-
6. Business travel	12	1
7. Employee commuting	-	-
8. Upstream leased assets	1	1
9. Downstream transportation and distribution	-	-
10. Processing of sold products	-	-

tCO ₂ e	2023	2022
11. Use of sold products	-	-
12. End-of-life treatment of sold products	-	-
13. Downstream leased assets	-	-
14. Franchises	-	-
15. Investments	-	-
Total indirect greenhouse gas emissions (scope 3)	754	846
Total greenhouse gas emissions, location-based	890	1,169
Total greenhouse gas emissions, market-based	754	846

Explanation for recalculated 2022 value: Improved data quality and calculation methodology for Hafslund's indirect emissions (scope 3)

Group

tCO ₂ e	2023	2022
SCOPE 1 - DIRECT EMISSIONS		
Power production	799	1,053
Waste incineration*	202,397	197,777
District heating	6,961	5,859
Total direct greenhouse gas emissions (scope 1)	210,157	204,689
SCOPE 2 - INDIRECT GREENHOUSE GAS EMISSIONS FROM PURCHASED ENERGY		
Location-based	10,816	4,549
Market-based	269,639	146,984
SCOPE 3 - OTHER INDIRECT GREENHOUSE GAS EMISSIONS		
1. Purchased goods and services	14,337	13,722
2. Capital goods	8,673	8,976
3. Production of consumed fuel and energy	4,525	4,524
4. Upstream transportation and distribution	79	79
5. Waste generated in operations	18	18
6. Business travel	190	158
7. Employee commuting	-	-

tCO ₂ e	2023	2022
8. Upstream leased assets	362	355
9. Downstream transportation and distribution	-	-
10. Processing of sold products	-	-
11. Use of sold products	-	-
12. End-of-life treatment of sold products	-	-
13. Downstream leased assets	-	-
14. Franchises	-	-
15. Investments	38,879	30,769
Total indirect greenhouse gas emissions (scope 3)	67,063	58,601
Total greenhouse gas emissions, location-based	288,036	267,840
Total greenhouse gas emissions, market-based	546,859	410,274
*Biogenic emissions	190,072	188,551

Explanation for recalculated 2022 value: Improved data quality and calculation methodology for Hafslund's indirect emissions (scope 3)

Emission intensity

Emission intensity	Unit	2023	2022	Comment
CO2 intensity district heating	gCO2e/kWh	23	16	Calculated based on methodology in accordance with the EPD regulations
Total greenhouse gas emissions (location-based) per net income	tCO2e/Kr	16.6	10.5	The value is calculated from the sum of greenhouse gas emissions calculated using the location-based method and consolidated sales revenue from the Group's total comprehensive income
Total greenhouse gas emissions (market-based) per net income	tCO2e/Kr	31.5	16.1	The value is calculated from the sum of greenhouse gas emissions calculated using the market-based method and consolidated sales revenue from the Group's total comprehensive income

Energy consumption and energy mix

Energy consumption and energy mix	Unit	2023	2022	Comment
ENERGY CONSUMPTION				
Electricity consumption	GWh	25.5	22.6	
Total energy consumption Celsius	GWh	2,102.6	1,919.9	
ENERGY MIX AND PRODUCTION OF RENEWABLE ENERGY				
Power production*	GWh	18,460	13,800	Hafslund Eco Vannkraft's share of production in all power plants
Share of renewable power production	Per cent	100	100	
Production of Guarantees of Origin*	GWh	18,320	13,200	
Production of electricity certificates*	GWh	970	780	
Power losses as a result of regulatory revisions	GWh	5.6	14.7	Regulatory revision Uste and Hallingdal watercourses
ENERGY MIX AND PRODUCTION OF DISTRICT HEATING				
Production of district heating	GWh	1,997	1,807	Produced energy for PV grid (supplied to heat exchanger in heating plant)
Share of renewable district heating	Per cent	48	43	District heating produced using renewable energy
Share of carbon-neutral district heating	Per cent	51	55	District heating produced using waste heat

Energy consumption and energy mix	Unit	2023	2022	Comment
INVESTMENTS IN RENEWABLE ENERGY				
Increased installed capacity - power production	MW	-	10	
Increased installed capacity - district heating	MW	1.5	50	New heat pump in facilities operated by Hafslund Oslo Celsius
Reinvestment in production facilities	GWh	23	13	
Investment in new production	GWh	-	43	
Renewable energy projects in planning phase	GWh	650	700	Estimate for Hemsil 3, Sarp 2, FKF 5, Frosen, Låvi, Aurland 2 HF 2, Nes, Grotli, Skjefstadfoss 3 and Bjørkum
ELECTRIC VEHICLES				
Share of electric passenger cars in the fleet	Per cent	56	33	

*Rounded to the nearest 10 GWh

Strategy and sustainability / Sustainability

Biodiversity and ecosystems

Business strategy, business model and core values

Global biodiversity is in rapid decline and the Intergovernmental Science–Policy Platform on Biodiversity and Ecosystem Services (IPBES) has identified changes in land use, overexploitation of natural resources, pollution, invasive species and climate change as the main causes. As temperatures rise and the consequences become more visible, reducing greenhouse gas emissions is becoming increasingly important for protecting biodiversity.

Among other things, electrification of transport and industry is crucial for Norway and Europe to meet their climate targets. Increased production of electrical power is a necessity for the climate targets and to protect natural diversity globally, but this needs to be done correctly. Hafslund’s main product, which is electrical power based on renewable energy, has minimal greenhouse gas emissions. Hydroelectric power generation accounts for the majority of the Group’s revenue, followed by the distribution of district heating and cooling, which accounts for a smaller part of the company’s revenue and is largely based on recycling heat from waste incineration, data centres and sewage, as well as renewable fuels. However, Hafslund acknowledges that the revenue base is dependent on natural resources and land for infrastructure. Since there are ambitions to further expand capacity in line with society’s need for power and heating, this must be done with the least possible impact. Through decades of dedicated work with the environment and power development, Hafslund has experienced the amount of biodiversity it is possible to preserve when working long-term and in a knowledge-based manner with the areas the Group has an impact on. Hafslund shall be a driving force for ensuring the transition to a zero-emission society takes place in a way that preserves important biodiversity and ecosystems.

In 2022, the Board supported Hafslund’s ambition to work towards nature-positivity. During 2023, Hafslund developed an understanding of this ambition and defined how the Group can best contribute towards halting and reversing biodiversity loss in line with the Kunming–Montreal Global Biodiversity Framework (GBF) (often referred to as the “Agreement for Nature”). Hafslund will develop and manage energy as part of efforts to make a positive contribution to biodiversity. Like other energy companies that have similar ambitions for biodiversity, the Group is at an early stage of understanding how these ambitions should be realised. Hafslund has defined four areas in which it believes the Group’s efforts will have the greatest impact in the future.

New projects

Hafslund will develop energy projects that, from 2030, will result in net zero loss of biodiversity. Hafslund works together with leading expert groups to establish new methods of calculation and nature accounting for new projects. More information can be found under “Nature accounting for new renewable projects”.

Existing portfolio

Hafslund will quantifiably improve the conditions for biological diversity from the 2023 level in the existing portfolio of facilities. Hafslund is working on an assessment that will identify the Group’s important locations and the potential for improvement initiatives. More information can be found under “Assessing the overall

impact from existing portfolio”.

Ripple effects

Hafslund will use its position as customer, partner and investor to create positive ripple effects beyond own business activities. More information can be found under “Strategic partnerships, R&D initiatives and nature innovation”.

Hafslund’s value chain

Hafslund will, by 2025 at the latest, define an ambition associated with reducing the footprint from the upstream and downstream supply chain.



Increased electrification of transport and industry is crucial for Norway and Europe to meet their climate targets.

Transitional plan for "Biodiversity and ecosystems"

Nature accounting for new renewables projects

There is a long road ahead before Hafslund will be able to deliver new energy projects that result in net zero biodiversity loss by 2030. Hafslund is aware that more action will be required in the form of project initiatives. At the same time, there is a need to work in a data-driven and science-based manner by measuring, monitoring and quantifying both impact (such as land changes) and the effect of the Group's response (mitigating measures) through all project phases, from feasibility studies to the operational phase. An important tool in this work is the establishment of nature accounting for the projects. Nature accounting enables us to quantify nature losses and gains throughout the entire life cycle of renewable energy projects and ensures there is a holistic approach to biodiversity.

Nature accounting as a specialist field is rapidly evolving, with a wide range of standards and methods with various advantages and disadvantages. Hafslund believes in working with other stakeholders both within and outside its own industry to arrive at the best solutions. In 2023, the Group started work on developing a methodology for calculating nature losses and gains in projects. Among other things, Hafslund has initiated partnerships with leading national and international expert groups to establish and test methodologies that satisfy the requirements set by the Group itself and the Group's stakeholders. In 2024, this will be piloted in several power projects before being rolled out for all new projects at the end of 2024.

Assessing the overall impact from the existing portfolio

Continual and specific physical measures are implemented in connection with Hafslund's infrastructure. The most important measures are described under "Actions". Hafslund will quantifiably improve biodiversity conditions in comparison to the 2023 level in the existing portfolio of facilities. In order to work in a targeted manner with the ambition for the existing portfolio, a comprehensive assessment will be carried out to identify Hafslund's important locations and quantify the potential for improvement initiatives. Through the work on the EU Taxonomy, in 2023 Hafslund reviewed all hydropower plants and waterways that are impacted to assess whether they satisfy the requirements in the Taxonomy. The assessment will build upon the work with the Taxonomy and include all of Hafslund's business areas. The methodology will be based on TNFD's LEAP methodology.

Strategic partnerships, R&D initiatives and nature innovation

Biodiversity and ecosystems at any location are often impacted by different stakeholders at the same time. Players within road construction, property development, aquaculture, forestry, agriculture, mining and fisheries impact different populations of species in the areas in and around where they carry out their business activities. This connection between impacting player and effect means that there is a need to work together across sectors because a single player cannot, in principle, comply with the obligations in the Agreement for Nature alone. The Science Based Targets Network and other guiding standards for corporate governance in line with the Agreement for Nature therefore state that companies should contribute to system changes, as well as avoid, minimise and compensate for the impacts of their own activities and value chain. Hafslund will therefore use its position as a customer, partner and investor to create positive ripple

effects beyond the Group's own direct footprint.

In line with this ambition, Hafslund is currently a partner in a wide range of initiatives, especially in research and development, but also with important innovation communities in Norway. Hafslund acknowledges that there is a serious need for more knowledge and more solutions, as well as start-ups and operators that make nature-positive solutions commercially available. Nature-positive solutions include everything from nature monitoring technology to physical measures in nature. More knowledge and solutions are particularly necessary for being better able to protect and strengthen biodiversity around energy infrastructure, while also maintaining the performance of the power plants. Only in this way can Hafslund contribute to the efficient utilisation of land and natural resources.



Below is a description of the various initiatives that Hafslund is participating in:

Norwegian Research Centre for Hydropower Technology (HydroCen):

Hafslund participates in HydroCen together with over 60 national and international partners from insurance, business, and public sector administration. The centre focuses on developing knowledge to maintain natural fisheries recruitment in reservoirs, without adversely impacting the flexibility of power generation.

The “FunkyFish” project:

The project’s ambition is to examine spawning conditions for fish in hydropower reservoirs. The aim is to map spawning areas using sonar, underwater cameras, temperature measurements and hydrodynamic models. The project, which involves scientists and the hydropower industry, will develop a method for cost-effective mapping of spawning and rearing conditions. The goal is to reduce the use of hatchery fish and promote natural fish recruitment in the reservoirs. This research can contribute to more sustainable power generation by improving habitat conditions for lake-spawning fish.

The “DeGas” project:

The project has the objective of developing solutions to reduce gas oversaturation in Norwegian hydropower plants, a problem which in some cases has led to fish suffering from “decompression sickness”. The primary objective is to create a technical solution that can be installed downstream of hydropower plants to keep gas levels within the limits tolerated by aquatic fauna. A secondary objective is the development of a technique that uses ultrasound to reduce gas oversaturation by increasing the size of gas bubbles in the liquid so that they float to the surface.

The “LakES” research project:

The project started in 2021 and will conclude in 2024. The project will develop new knowledge about salmon migration in lakes and waterways impacted by hydropower regulations. Hafslund will continue the project with further surveys in Vassbygdatn in 2024. The project is being led by the Norwegian Research Centre (NORCE).

The “VisAviS” research project:

As part of the Blåvinge partnership, Hafslund is engaged in environmental studies and research to understand and improve the coexistence between offshore wind development and nature in Norway. This project is surveying migratory bird routes along the Norwegian coast. The goal is to support the sustainable development of coastal and offshore wind energy by understanding the migration patterns of the birds. The project is headed by the Norwegian Institute for Nature Research (NINA).

Phase III of the “SEATRACK” research project:

As part of the Blåvinge partnership, Hafslund is engaged in a collaborative project which is focussing on identifying the distribution and area use of seabird populations during the non-breeding season in the North-East Atlantic. It also examines how environmental conditions in wintering areas impact seabird demography and population dynamics. The project is headed by the Norwegian Polar Institute, Norwegian Institute for Nature Research and Norwegian Environment Agency.

FME Areal – “Research Centre for Renewable Energy and Nature Management”:

Hafslund is among the organisations seeking support for the creation of FME Areal. The research centre consists of nine research partners and 23 user-partners who have joined forces to submit an application to the Research Council of Norway for NOK 200 million to develop knowledge that will help the renewables industry take better account of nature in the planning, execution and operation of energy infrastructure. The research will establish improved methods for assessing, modelling and compiling accounts for ecosystem distribution, status and services, both on land, in lakes and at sea. Hafslund’s intention is to contribute project practices to develop and test technology and methods that reduce the impact on ecosystems from renewable energy.

Project Trilemma:

This initiative is led by ZERO in professional cooperation with PwC and Sabima, as well as a number of industry players from different sectors. Among the objectives of the project are to formulate best practices and nature goals in the business sector, and to quantify the potential for natural restoration and compensation, as well as prioritisation of land.

Furthermore, the project will provide input for national policy that can contribute towards increasing the prevalence of nature-positive initiatives, such as restoration and mitigation measures, in the business sector. Hafslund will contribute expertise and professional input to this work.

PowerPlant with EURElectric:

EURElectric has initiated a project with the objective of achieving scalability and standardised measurement of the effect of nature initiatives by harmonising individual company methodologies as much as possible. The project also has a goal of developing the electricity sector as a pioneer in the protection of biodiversity compared to other sectors by establishing best practices. Hafslund contributes expertise within hydropower and internal processes for preserving biodiversity, development and management.

What happens when the fish migrate:

Hafslund's hydropower business area is participating in a research project together with Akershus Energi to learn more about fish migration through the turbines at Hafslund's hydropower plants. An exciting pilot project has been carried out at the Kongsvinger and Funnefoss power plants, where high-tech sensors were sent through the power plants to collect data. Sintef Energi is leading this work.

Policy/Guidelines

As part of the transitional plan for «Biodiversity and ecosystems», Hafslund is in the process of developing its own specific principles for preserving biodiversity. These principles will be integrated in connection with the update of relevant procedures, policies and project models during 2024.

The principles in the Group sustainability policy that are directly related to the material sustainability topic of “Biodiversity and ecosystems”:

- All employees and companies in Hafslund shall continuously work to reduce Hafslund’s greenhouse gas emissions and impact on nature.
- All of Hafslund’s facilities must be operated without serious environmental non-conformities or violations of licence conditions.
- All activities shall have the least possible impact on nature and measures shall be implemented to improve nature that has already been impacted.
- There shall be continual work on increasing employee knowledge about the Group’s environmental impact and ongoing measures.
- By 2025, environmental requirements must be set for all procurements when this is relevant. Until 2025, environmental requirements shall be imposed for all major procurements.
- Water must be managed in a manner that protects the environment, people and society.
- All employees and companies at Hafslund shall continuously strive for optimal resource utilisation. Repair, reuse or recycling must always be considered.



Impact, risks and opportunities

Having a portfolio consisting of hydropower plants, wind power plants and the production and distribution of district heating means that Hafslund has a material impact on flora and fauna both above and below the water. The Group's direct impact is linked to geographic areas around the infrastructure, including rivers, intakes, dams and roads. Downstream of the power plants' value chain, power is distributed through the power grid to consumers. This entails further impact from power lines and other grid infrastructure. Upstream in the value chain, Hafslund's activities involve the extraction of raw materials such as metals, minerals and biofuels for the production of district heating.

As part of the transitional plan for «Biodiversity and ecosystems», Hafslund is working to identify and locate risks that specifically apply to biodiversity and ecosystems at location level for the Group's entire portfolio of assets. This work has begun and will continue through 2024. In 2023, the risks and opportunities relating to biodiversity and ecosystems for Hafslund were identified at an overarching level. These are summarised in the table below:

Risks	Opportunities
<ul style="list-style-type: none"> Physical risk 	Contributing to the production of renewable energy to reduce climate change, which is also a driver of nature loss.
<ul style="list-style-type: none"> Loss of biological diversity as a result of changes in land and waterways. 	Awarding of new licences as a result of Hafslund's ability to preserve biodiversity and ecosystems.
<ul style="list-style-type: none"> Damage to property and infrastructure resulting from avalanche, flood and landslide (linked to climate risk). 	Policies and regulations for stricter environmental requirements, and higher weighting of nature and the environment when processing licences.
<ul style="list-style-type: none"> Transitional risk 	Better financing terms through access to green capital.
<ul style="list-style-type: none"> Policies and regulations set stricter environmental requirements, and higher weighting of nature and the environment when processing licences. 	Competitive advantage and new business opportunities when transitioning to more nature-friendly power production.
<ul style="list-style-type: none"> Reputational risk if Hafslund and others in the industry are not able to take biodiversity into account. - Lawsuits/claims relating to the absence of measures to preserve biodiversity and ecosystems. 	
<ul style="list-style-type: none"> Liability risk 	
<ul style="list-style-type: none"> Lawsuits/claims relating to the absence of measures to preserve biodiversity and ecosystems 	

Actions

Hafslund and its subsidiaries are continually working to reduce the total impact on nature from the Group's activities. Some of this work takes place in connection with government-imposed regulatory audits, while other work is on a voluntary basis.

Below is a summary of some of the actions related to «Biodiversity and ecosystems» that were planned, underway or implemented in 2023:

Restoration of Paddehavet in Inner Oslofjord

Together with technology supplier Troll Systems and the Norwegian Institute for Water Research (NIVA), Hafslund has initiated a pilot project and developed a technical solution for restoring the seabed at Paddehavet. Due to the topography of Inner Oslofjord, there is naturally low water circulation that makes the fjord vulnerable to emissions of nutrient salts such as phosphorus and nitrogen. Although emissions of nutrient salts are decreasing and positive developments are being seen in the fjord as a result of this, there are still large areas of Inner Oslofjord that are essentially uninhabitable for underwater flora, fish and benthos, because oxygen levels are reduced to virtually zero. The installation will be brought online in 2024 and comprehensively monitored by NIVA. The goal is to demonstrate and document how the seabed can be brought to life by moving oxygen-rich surface water downwards and enabling this to be mixed together with oxygen-poor water on the seabed. In addition, Hafslund wants to investigate whether learning derived from the research project can be used in connection with offshore energy infrastructure or in connection with district cooling, when water will be used from Oslofjorden to cool commercial buildings in Oslo.

Roe planting in Aurland

In order to strengthen the endangered wild salmon population, each year salmon roe are planted in Aurlandselvi and Vassbygdelvi in accordance with the Norwegian Environment Agency's recommendations. In 2023, approximately 450,000 roe and yolk-sack fry produced at a dedicated cultivation facility were introduced to increase the survival rate and diversity of salmon in the river.

Harrowing in the Dokka River

Spawning gravel in the Dokka River, which is important for lake trout, is improved through the process of harrowing, which involves a type of "stirring" of the riverbed. About eight thousand square metres of spawning area was harrowed in 2023. Harrowing with an excavator aerates and washes the riverbed, which is necessary due to sedimentation caused by the number of floods being reduced by the presence of the hydropower plants.

Nesting boxes for white-throated dippers in the Hallingdal watercourse

A collaboration with an upper secondary school in Ål led to the deployment of eight new nesting boxes for white-throated dippers in the Hallingdal watercourse in the summer of 2023. The boxes are designed to increase the probability of successful nesting, and have been specifically adapted to the needs of the white-throated dipper.

Biotope measures in the Glomma River near Tolga

In order to improve spawning conditions for trout in Hørta, about 300 metres of the stream were protected in September 2023. The measures are intended to create better access for spawning fish in the spillway and the outlet of the stream, which has been made difficult by reduced water flow.

Biotope initiative in Lake Savalen

To increase trout density in Lake Savalen, 500,000 square metres of rocks were placed in the lake in 2017, and there are plans for similar measures in 2024. This has resulted in a marked increase in the trout population, and further measures outside Naustdalsbekken are planned to continue this success.

Biotope initiative in Storbekken, Fundin

Restoration of about 800 metres of Storbekken is planned in collaboration with Folldal mountain authority to improve the spawning conditions for the Fundin trout. The initiative involves the reopening and restoration of the stream, which has been channelled and partially disconnected, to strengthen natural trout recruitment.

Fish migration measures at Hunderfossen power plant

Detailed planning of measures to ensure safe fish migration at Hunderfossen power plant, with construction scheduled to commence in 2024. This is important for protecting the brown trout, a species that is highly valued in Norway, and to address the challenge associated with fish passing through the turbines.

Testing of fish survival when passing through turbines

Testing with sensors simulating fish passing through the turbines at Funnefoss and Kongsvinger power plants was carried out in 2023, and the results are expected in spring 2024. The goal is to assess whether large Kaplan and propeller turbines can be a safe migration route for fish, which is a critical question for fish welfare in the waterways.

Furuset Seson Storage

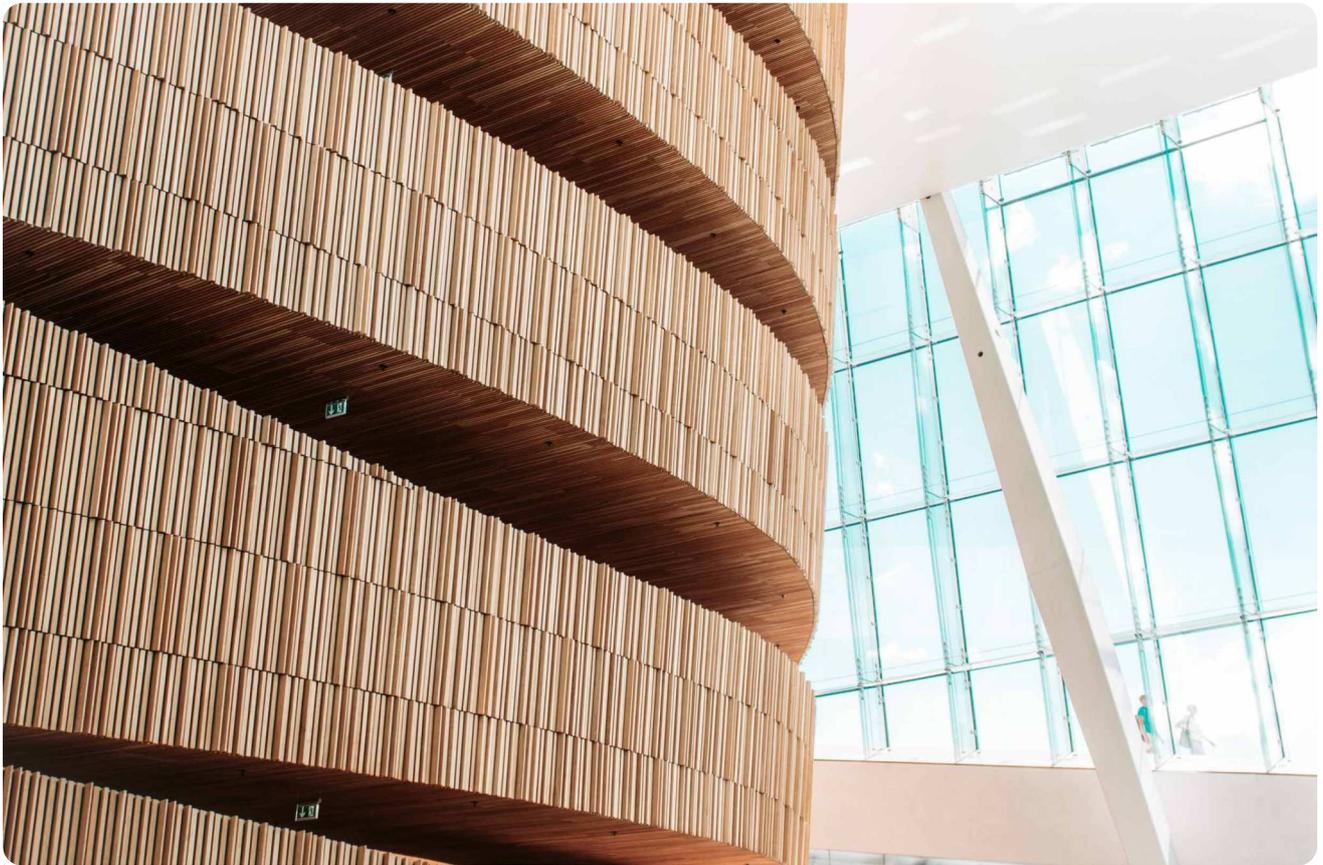
Furuset Seson Storage is a project that has been planned in a green area at Furuset in Oslo, and work is being carried out to implement several nature-positive solutions. The technical building will be covered with plants and materials that promote insect life, and a flower meadow will be planted around the building. Although some trees have to be removed, several new trees will be planted to compensate for this. The outer wall has been designed to serve as a sanctuary for bats to preserve the decreasing population.

Processing plants in “Grey Areas”

Hafslund Oslo Celsio is primarily constructing its processing plants in urban areas in Oslo. This is a policy which limits the impact on the natural environment. This approach is particularly relevant in a compact city like Oslo, where land use is an important factor.

Certified sustainable bioenergy

Hafslund Oslo Celsio uses biofuels such as biomass and bio-oils that are certified in accordance with the EU sustainability criteria. A small proportion of fossil liquefied natural gas (LNG) is still used in order to comply with emergency response requirements for the grid. Hafslund Oslo Celsio purchased guarantees of origin for biogas in 2023 as a measure to reduce the use of fossil natural gas.



Metrics and targets

During 2024, Hafslund will establish key indicators and set quantitative targets for the topic of «Biodiversity and ecosystems».

Indicator table

Biodiversity and ecosystems

	Unit	2023	2022	Comment
Land restored or improved	m2	21,000	847	
Number of new developments in areas defined as encroachment-free nature	Number	0	0	
Number of violations of license conditions and description	Number	3	3	Holsfjorden in Hallingdal: Breach of LRV (lowest regulated water level) for two hours on 17 June 2023. Holsfossen power plant in Gausdal: On 8 June, the minimum water flow in Jøra, past the power plant, was below the requirement of 500 l/s for three hours. Synna in the Dokkavassdraget: To safeguard personal safety, it was not possible to manually open the valve for the release of minimum water (100 l/s) from Synna no later than 15 May due to a lot of snow and ice.
Costs for watercourse-related R&D and voluntary nature surveys	NOK	8,758,352	5,732,000	Includes all environmental surveys/nature mapping
Affected rivers with anadromous fish	Number	3	3	
Affected national salmon watercourses	Number	0	0	
Environmental audits carried out	Number	23	22	
Environmental measures implemented	Number	4	22	
Environmental measures implemented, of which voluntary	Number	3	19	
Environmental studies carried out	Number	42	37	

	Unit	2023	2022	Comment
Environmental studies carried out, of which voluntary	Number	34	33	
Release of salmon roe	Number	460,000	337,000	
Migration in fish ladders and migration routes. Number of fish ladders that are monitored	Number	11	10	
Closed watercourse installations returned to more natural conditions	Number	0	0	
Voluntary release of minimum water flow to protect the fish in Hallingdal and Aurland watercourses	NOK million	13.5	9.2	The figure is for the voluntary release in Aurland. The voluntary release in Hemsil has been replaced by a mandatory release.
Voluntary release of minimum water flow to protect the fish in Innlandet watercourses	NOK million	7.9	14.1	NOK 7.5 million Hunderfossen self-imposed test regulation, NOK 0.3 million Mesna self-imposed minimum water for winter, NOK 0.1 million Sagnfossen self-imposed minimum water for winter.

*All the indicators for biodiversity and ecosystems apply to the hydropower business.

Emissions to soil, air, water

	Unit	2023	2022	Comment
HAFSLUND ECO VANNKRAFT				
Number of incidents involving emissions into the soil/air/water and description	Number and description	2	5	There have been two incidents of oil spills into waterways. The extent of these is uncertain, but one of the discharges was potentially larger, in connection with Hans. There has also been a release of 2 kg of FS6 gas.
HAFSLUND OSLO CELSIO				
Number of violations of license conditions and description	Number and description	253	-	Klemetsrud line 1: 1 excess discharge of HCl 24 hours and 1 SO ₂ 24 hours. Klemetsrud line 2: 6 days and 4 half hours CO, 2 half hours SO ₂ , 1 day NH ₃ . Klemetsrud line 3: 5 excess emissions of CO half an hour. Klemetsrud discharge to drain: 6 weekly mixed samples Cd above limit value, 2 weekly mixed samples Zn and 1 weekly mixed sample Hg. Haraldrud commercial waste boiler: 194 excess CO emissions per hour, mainly in the weeks after the summer audit. 4 days and 25 half hours of HCl and 1 day of dust.
NO _x emissions*	kg	351,578	335,440	
SO _x emissions	kg	27,450	-	This includes the waste boilers Klemetsrud L1, L2 and L3 and Haraldrud industrial waste boiler

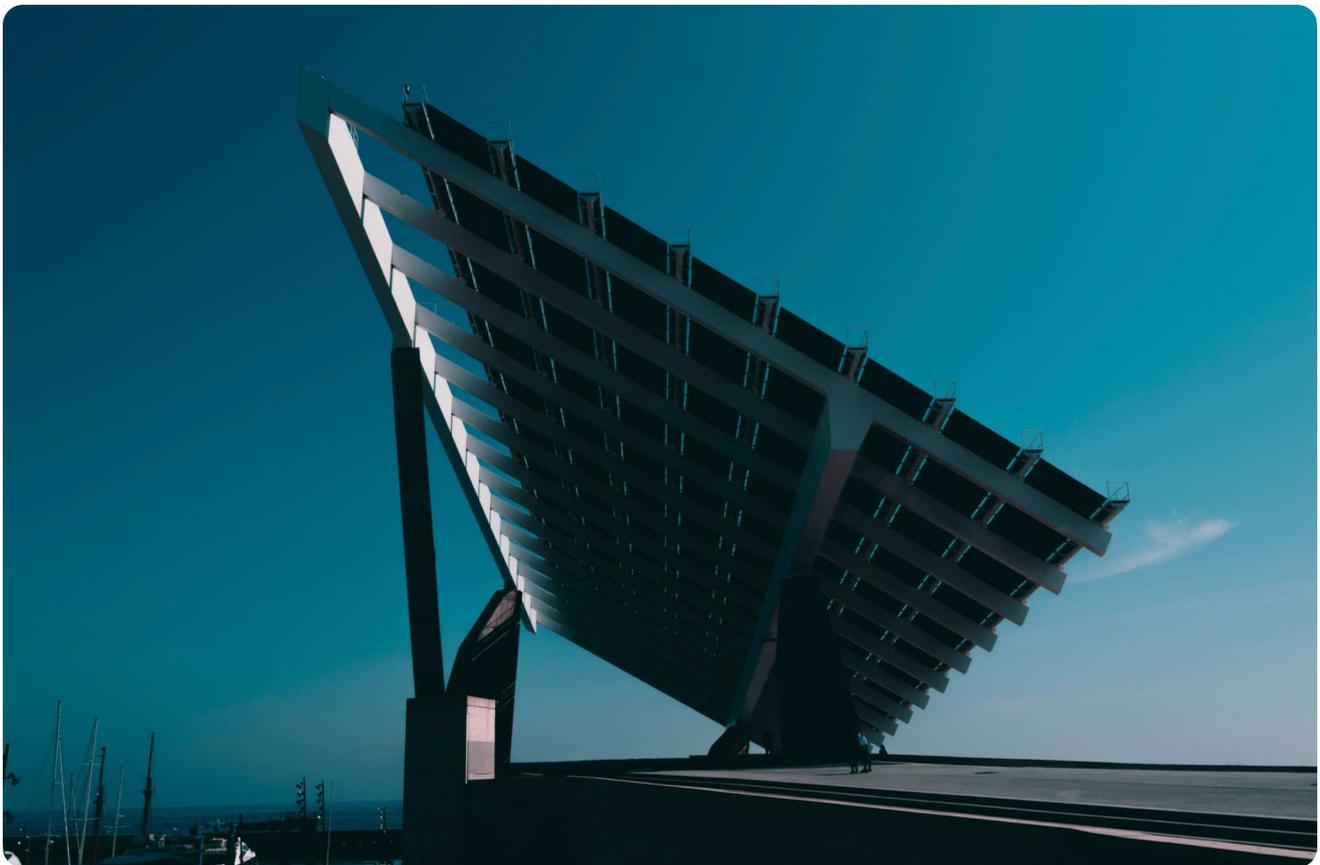
*The comparative figure for NO_x emissions has been updated. In 2022, the quantity was reported as tonnes instead of kg.

Strategy and sustainability / Sustainability

Resource use and circular economy

Business strategy, business model and core values

Two of the core principles for succeeding in the transition to a more circular economy are prioritising renewable resources and using waste as a resource. This directly applies to Hafslund’s core business, which is the production of renewable energy. Hafslund produces renewable energy at its hydropower, wind power, solar power and district heating plants. Hafslund Oslo Celsio’s largest revenue stream is from district heating to residential and commercial buildings in Oslo, and the business plays a key role in Oslo’s circular energy system. Excess heat from waste incineration, data centres and sewage systems is used to produce renewable district heating. Hafslund Oslo Celsio owns and operates Norway’s largest waste incineration plant, and provides safe and environmentally friendly final treatment of residual waste that cannot or should not be recycled. In a fully developed circular economy, the vision is for zero waste. Before this is feasible in practice, energy recycling is the best alternative.



Impact, risks and opportunities

“Resource use and circular economy” is a material sustainability topic where Hafslund has both a positive and negative impact on people and the environment. Hafslund’s renewable energy production is an important driver of the transition to a circular economy. Electric power is produced using the renewable

resources of water, wind and sun, which are part of the Earth's natural cycle. Excess heat from waste incineration, data centres and sewage is used to heat homes and commercial buildings. Metals from the bottom ash following incineration are further processed into new raw materials.

Hafslund produces renewable energy, and ordinary operations do not involve the consumption of raw materials or other materials in hydro, wind or solar production. The district heating production is based on excess heat and therefore has no associated direct input factors, however the excess heat primarily originates from the incineration plants where sorted residual waste is the primary input factor. There is still some use of LNG, but this amounts to less than two per cent. LNG has an important emergency response function, but work is now being carried out on a potential modification of the boilers to enable these to also be fired using wood pellets, as well as LNG and biodiesel.

Hafslund Oslo Celsio's waste incineration plants produce both hazardous and non-hazardous waste in the form of fly ash and bottom ash. The fly ash is sent to NOAH Langøya, which receives waste for treatment, neutralisation and disposal in accordance with the licences and frameworks issued by the Norwegian Environment Agency. The bottom ash is further treated by other operators, who extract metals and recycle these into new products.

Hafslund Eco Vannkraft's current operations produce little waste. A few thousand tonnes of waste are generated each year. About half of this is recycled or reused, while the other half is recycled as energy through incineration or sent to landfills when possible. The latter primarily applies to concrete and rock mass that can be reused or recycled.

The transition to a fossil-free society will require new investments in the production of renewable power. Hafslund will continue to develop renewable energy in the form of new solar parks, new wind farms and new hydropower plants. Solar and wind power plants have shorter life spans than hydropower plants, and once this life span comes to an end, the plants need to be disassembled and removed. In order to reduce the pressure on virgin raw materials and minimise the negative impact on climate and nature, routines and systems for disassembly and removal must be established. This entails a plan for how materials and components are to be reused or recycled. In the instances in which this cannot be carried out, the alternatives are material recycling and thereafter potential energy recycling.

The table below summarises the Group's most significant risks and opportunities related to «Resource use and circular economy»:

The transition to a fossil-free society will require new investments in the production of renewable power. Hafslund will continue to develop renewable energy in the form of new solar parks, new wind farms and new hydropower plants.

Significant risks and opportunities related to resource use and circular economy

Risks	Opportunities
Disposal of components at the end of their useful life and costs of restoring facilitiesav levetiden og kostnader for gjenoppretting av anlegg	Reuse or recycling of components and materials
Waste generation and treatment	Lifecycle thinking for procurements
Consequences of extracting raw materials	Circular solutions such as options that reduce climate risk
The reputation and role of waste incineration in the circular economy of the future	

Policy/Guidelines

Hafslund has a Group sustainability policy which is founded on Hafslund’s principles relating to Hafslund’s important topic of sustainability.

In [“Ethical guidelines and requirements for suppliers”](#), Hafslund sets the requirement that suppliers must actively work with waste management and phasing out the use of non-renewable resources. Strong emphasis is also placed on reducing negative environmental impact along the entire value chain and that the supplier must ensure sustainable resource extraction.

Principles directly related to “Resource use and circular economy”:

- High resource utilisation shall be a continuous goal. Repair, reuse or recycling must always be considered.
- All companies shall continuously work to reduce Hafslund’s greenhouse gas emissions and impact on nature.
- Continual efforts will be made to increase employee knowledge about the Group’s environmental impact and ongoing initiatives.

Actions

Hafslund places an emphasis on positive impact and opportunities due to the fact that renewable energy production is, in principle, circular. Moving forward, Hafslund must also work actively on how the Group can reduce its negative impact on resource use. This involves reducing the use of primary/virgin raw materials through design and procurement, optimising the life span of assets and components, and ensuring that Hafslund’s assets and facilities can be recycled or reused at the end of their useful life.

In 2024, Hafslund will specify the work related to «Resource use and circular economy». Hafslund will create an action plan for how the Group can reduce risk and negative impact on the one hand, and how Hafslund can increase positive impact and utilise opportunities on the other. In the plan, Hafslund will take a holistic view, which will include everything from governing documents to how Hafslund will work to reduce the pressure on non-renewable natural resources and raw materials caused by the Group’s business activities.

Below is a summary of some of the actions related to «Resource use and circular economy» that were planned, underway or implemented in 2023:

Circular energy:

The district heating business uses excess heat from waste incineration, sewage and data centres. This is energy that would otherwise be lost.

Bottom ash:

The majority of Hafslund Oslo Celsio’s waste consists of bottom ash (slag) from waste incineration. The ash is further treated by other operators, where metals are extracted and recycled.

Reuse of wind turbines:

Reuse and recycling of turbine blades in offshore wind is an important environmental and circular economy measure. Between 85 and 95 per cent of the materials used in the current turbines can be recycled, but the turbine blades themselves have traditionally gone to waste because they are designed to be extremely difficult to disassemble. Increasing the degree of recycling or reuse of turbine blades is therefore an important task for everyone in the industry. Through Blåvinge, in which Hafslund is a partner with Fred. Olsen Seawind, these are measures that are being looked at to make offshore wind as sustainable and competitive as possible.



Metrics and targets

In 2024, Hafslund will establish specific metrics and targets related to «Resource use and circular economy» as part of the action plan for circular economy and preparation for CSRD reporting in the 2024 annual report.

Metrics and targets	Result 2023	Result 2022	Comment
INCREASE SORTING RATE			
Hafslund Eco Vannkraft	90 per cent	89 per cent	
Hafslund Oslo Celsio	6.2 per cent	-	New indicator. Low percentage due to large quantity of unsorted bottom ash from waste incineration and district heating

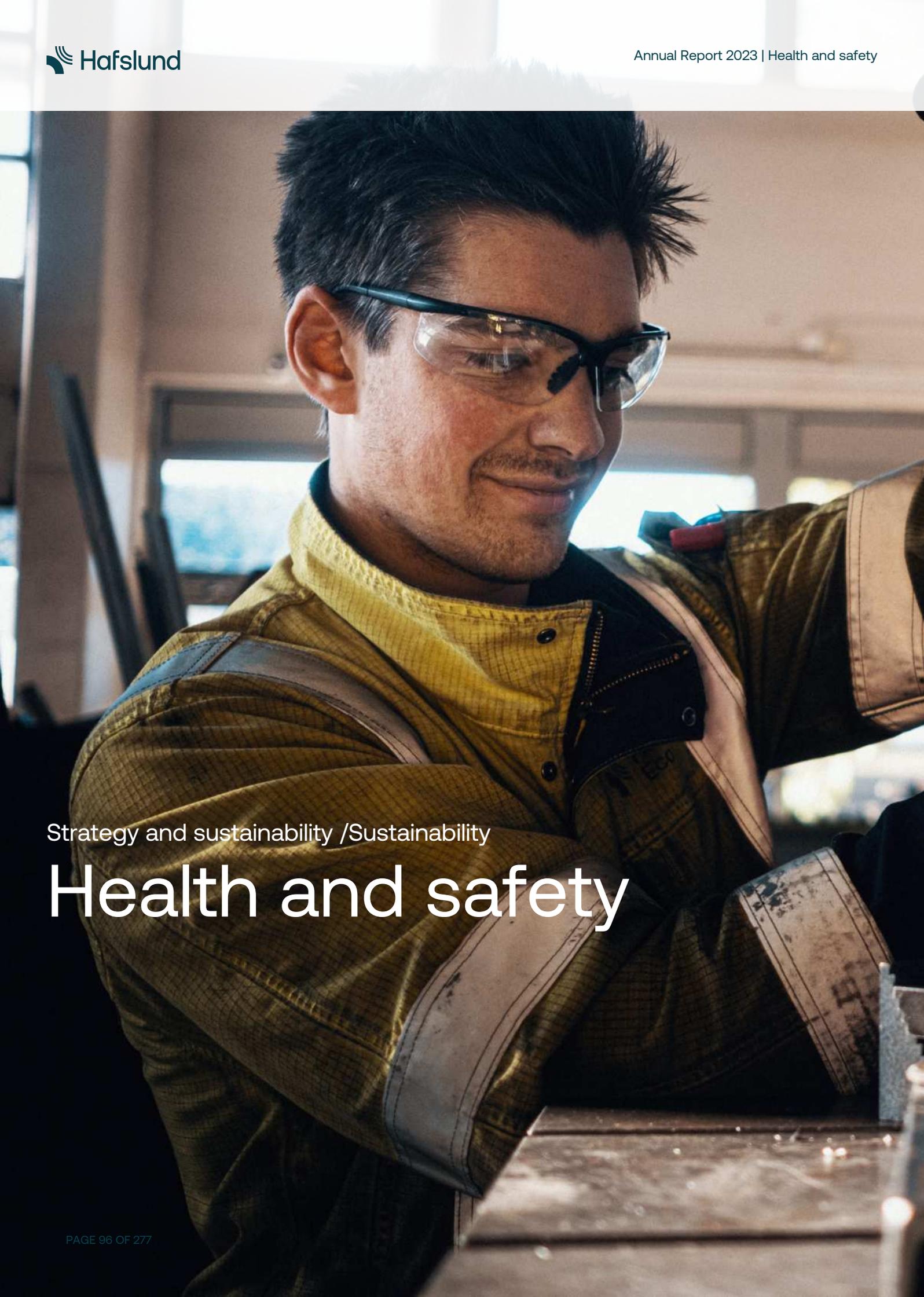
Indicator table

Waste and sorting rate

	Unit	2023	2022	Comment
HAFSLUND ECO VANNKRAFT AND HAFSLUND AS				
Quantity of hazardous waste	Tonnes	525	8	
Quantity of non-hazardous waste	Tonnes	857	828	
Sorting rate	Per cent	91	89	
Sorting rate large hydropower projects	Per cent	89	91	
HAFSLUND OSLO CELSIO				
Quantity of hazardous waste	Tonnes	17,672	17,791	17,632 tonnes of this is fly ash from Klemetsrud L1, L2 and L3 and Haraldrud industrial waste boiler
Quantity of non-hazardous waste	Tonnes	68,963	62,138	60,433 tonnes of this is bottom ash from Klemetsrud L1, L2 and L3 and Haraldrud food waste boiler
Sorting rate	Per cent	6.2	-	New indicator. Sorting rate = Amount of sorted waste/total amount of waste (both sorted and unsorted) X 100
Quantity of waste treated - Klemetsrud	Tonnes	321,873	-	New indicator
Quantity of waste treated - Haraldrud	Tonnes	44,644	-	New indicator
Quantity of waste treated at waste incineration plants	Tonnes	366,517	355,686	

Resource use and circular energy

	Unit	2023	2022	Comment
HAFSLUND OSLO CELSIO				
Delivered waste heat to the district heating network from the data centre and sewerage	GWh	100.5	80.4	Waste heat from the data centre and sewage
Surplus heat from incineration of sorted residual waste, including waste heat from REG	GWh	1,012.9	1,016.3	Produced heat for PV grid from waste heat

A man with short dark hair and a mustache, wearing safety glasses and a yellow high-visibility safety jacket, is focused on his work in a workshop. He is looking down at a task on a workbench. The background shows a blurred industrial setting with windows and equipment.

Strategy and sustainability /Sustainability

Health and safety

Business strategy, business model and core values

«Responsible» is one of Hafslund's core values. This means that Hafslund takes its social mission seriously and that the Group does what it can to fulfil the responsibility it has been assigned. This also includes taking care of anyone directly impacted by Hafslund's facilities and doing what is best to ensure that business activities do not have an adverse impact on health and safety.

In order for Hafslund to meet the objectives set out in the Group's strategic focus areas up until 2035, the Group will need to ensure, among other things, that the workplace does not adversely impact employee health and safety. Without good routines and systems, Hafslund will neither be able to operate the current energy system nor develop more renewable energy. "The best people are the key" is one of these focus areas. In order for Hafslund to recruit good new people and, not least, retain existing employees, it is crucial that Hafslund is perceived as being a safe workplace, both physically and mentally.

Hafslund's own employees and others working at Hafslund's locations are the most important stakeholders under the topic of "Health and safety". Hafslund also has facilities in areas where the general public lives or travels. Health, safety and the environment must be protected in all the Group's activities and assigned the highest priority. In order for Hafslund to achieve this, the Group needs to have good communication with and training for employees to ensure that near-misses, accidents and other undesirable incidents do not occur.

Hafslund considers transparency to be particularly valuable and believes this contributes to learning and improvement. The Group registers all non-compliance, undesirable incidents, hazardous conditions and proposed improvements. The reporting portal is located on the front page of the Group's intranet and is easily accessible for Hafslund's employees. Hafslund also has an externally managed whistleblowing channel where both internal and external people can report incidents that could potentially involve danger to life or health.



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Impact, risks and opportunities

Hafslund owns and operates facilities and infrastructure that involve risk and high potential for causing injury or damage. The work in the Group's projects, operations and maintenance involves the risk of injury and undesirable incidents for both our own employees and hired personnel. Hafslund has just over 800 employees, as well as many suppliers, subcontractors and hired personnel. It is particularly the people who are at or in the immediate vicinity of Hafslund's facilities who have an increased risk of injury or other undesirable incidents.

For Hafslund Eco Vannkraft, the greatest physical risks are considered to be work operations on the mountain under shifting weather conditions, working with live electric systems, working at heights, heavy lifting, heavy equipment and during transport. For Hafslund Oslo Celsio, the greatest physical risk is associated with exposure to very hot water under high pressure. For Hafslund Vekst, the greatest risk is associated with physical injury when working in electrical facilities and working at heights.

In the worst case, HSE incidents can result in serious injury or death. Hafslund is responsible for ensuring that all work operations and movement in and around facilities are at such safe levels that there is a very low probability of incidents occurring. Harm to life and health is the most serious consequence in connection with «Health and safety». Hafslund depends on its employees and suppliers to always act in a responsible manner and to be perceived as such, and that the business culture promotes safety being prioritised.

The Group currently has no major hydropower developments in the construction phase, but is carrying out several major dam rehabilitations. There are ongoing rehabilitations of power plants and regular maintenance work is carried out at the waste incineration and district heating plants. The development of large-scale carbon capture at Klemetsrud is also underway. This development project will run over several years in parallel with the operation of the plant. Several of the Group's smaller initiatives within new business activities will commence operations in the field in coming years. In all of these projects, many of Hafslund's own employees and the employees of Hafslund's suppliers will operate in areas that have the potential for causing harm. This increases the complexity of Hafslund's HSE work and can increase the risk of undesirable incidents.

Many of Hafslund's facilities are located close to where people travel or live. Hafslund makes every effort to prevent unauthorised persons from entering its facilities. Water reservoirs may contain unsafe ice, there may be a risk of falls at hydropower plants, and there are electrical installations connected to Hafslund's facilities that could potentially cause harm to life or health.

Significant risks and opportunities related to “Health and safety”:

Risks	Opportunities
Death related to operations or serious injury to own employees or suppliers	Training and raising awareness
	Culture of incident reporting



Policy/Guidelines

Hafslund has a Group sustainability policy that is underpinned by Hafslund's principles relating to sustainability.

Principles in the Group sustainability policy that are directly related to the important sustainability topic of "Health and safety":

- Health, safety and the environment (HSE) shall be prioritised in all of Hafslund's activities.
- All activities must continually work to minimise the risk of injury or accident to the general public.

Hafslund also has a Group policy for HSE. The policy was prepared in cooperation with the heads of Health, Safety, Environment and Quality (HSEQ) in the three business areas. The Executive Vice President Corporate Development owns the policy and it is revised at least once year. The Group's guiding principles for HSE form the basis for the HSE work at Hafslund. The most important principle in this policy document is that:

- All activities at Hafslund must be carried out without harm to human life, health or well-being.

Among other things, the principles also affirm that HSE shall be fundamental to the planning, implementation and evaluation of all activities, and that everyone should work to continuously improve safety and report non-conformities. The same HSE requirements in our own activities also apply to contractors.

In order for Hafslund to further develop and continuously reduce the risk of undesirable incidents, Hafslund has laid down the following principles in the policy:

- Employee expertise shall be improved through training and good cooperation on preventive health, safety and environment work between managers and employees.
- All undesirable incidents and proposed improvements must be reported and processed in the company's reporting system.
- We will promote transparency and latitude that involve learning after incidents and proposed improvements to achieve best practice.
- Arenas will be established for good collaboration across departments and companies.

Actions

The probability of serious incidents occurring can be reduced through systematic work with HSE and the HSE culture over time.

Work on preventive HSE measures has intensified in recent years, and documentation is followed up to ensure that progress is being made. This work will continue going forward, while active efforts will be made to ensure that managers at all levels of the organisation lead the way in terms of safety work, both at strategic and operational levels.

The Group has ongoing work with the aim of standardising processes and increasing the use of risk assessments in planning of work processes. All incidents or precursor incidents must be reported so that necessary measures can be implemented and the organisation can derive learning from the incident.

There are a number of measures that have either been implemented, are still being implemented or are planned to be implemented.

Death or serious injury related to operations are included as part of the Group's top risk landscape. For the Group as a whole, Hafslund is working on measures that reduce the probability component of the risk. The most important measures for mitigating risk are:

- Internal audits and projects for physically securing facilities
- Making managers accountable
- Greater degree of compliance control
- Processes for learning from incidents and near misses across the organisation
- Emergency preparedness plans with Group exercises

Hafslund Eco Vannkraft

Hafslund Eco Vannkraft owns and is responsible for facilities and infrastructure with major potential for causing harm. It is the company's own employees, as well as external suppliers, who operate the hydropower plants on a daily basis. To reduce risk, emphasis is placed on:

- Improving the current management system.
- Increasing expertise and resources within condition monitoring.
- Establishing clear processes and a culture for learning from incidents and near misses.

A number of actions were implemented to support this work, and some of these are described below.

Understanding of risk

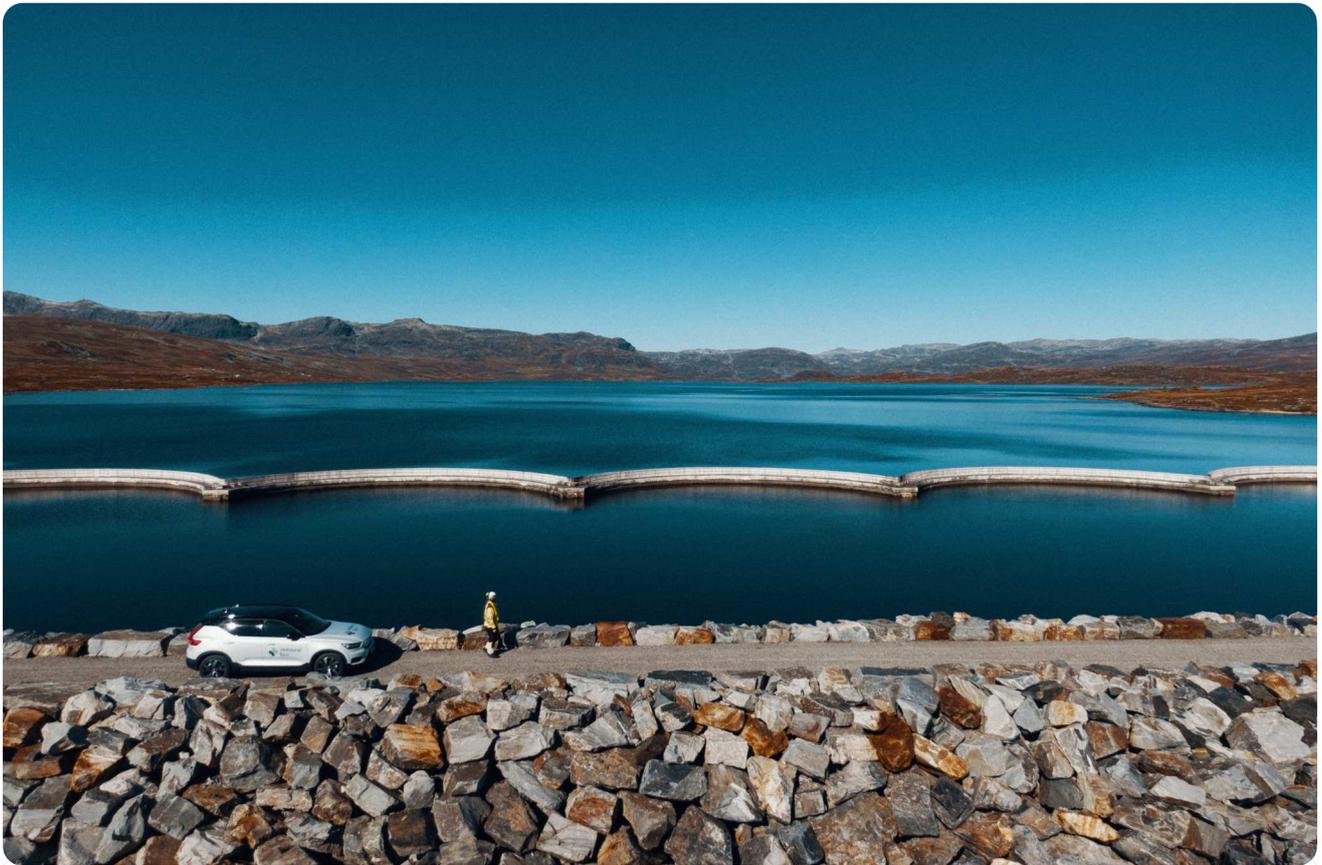
In 2023, work continued on strengthening individual understanding of risk in order to improve the quality of risk assessments in the planning phase and implementation of safe job analysis (SJA) in connection with work processes. Among other things, this is achieved through the use of digital e-learning courses.

HSE Safety Course

In 2023, Hafslund Eco Vannkraft launched an HSE Safety Course to be completed by own employees and suppliers. The course is an introduction to the company's HSE work, safety rules, and requirements relating to alerts and emergency response. The course has currently been launched in Norwegian, English and Polish.

Training and exercises

- HSE days, safety courses and other statutory training are held in all power plant areas. This includes HSE courses, training in first aid and use of defibrillators, fire extinguisher exercises and emergency drills.
- Hafslund Eco Vannkraft continually works to ensure that the watercourse facilities are safe for the public and to reduce the risk of accidents and incidents taking place near the watercourses. Risk and vulnerability analyses of public safety are regularly carried out.
- Hafslund assigns particular attention to safety measures in and around the hydropower plants. The most common safety measures are permanent fences, barriers and signs. Every year, temporary fences and warning signs are erected in areas with weakened ice. Information is also provided online, advertisements are placed in local newspapers, and notice is given via other channels that the ice may be unsafe on regulated watercourses.



Hafslund Oslo Celsio

To reduce risk, emphasis is placed on:

- Managers continually following-up compliance with HSE instructions and procedures. This includes the HSE work of contractors.
- The integration of the HSE management system into Hafslund Oslo Celsio's overarching risk management framework.
- Annual mandatory HSE e-learning courses.

During the year, a number of actions were implemented to support this work, and some of these are described below:

HSE Day

In September 2023, Hafslund Oslo Celsio arranged a successful HSE day for all employees in the company. The day consisted of a mixture of theoretical and practical stations providing instruction in various types of first aid, fire extinguishing and evacuation of smoke-filled rooms. The event contributed to increased employee awareness of some of the risk factors that exist at the company's facilities. Employees also gained increased knowledge with regard to first aid and control at the scene of an accident. Hafslund plans for this

to become an annual event.

First aid courses

First aid courses were held for all employees during 2023. This is an acknowledgement that knowledge of first aid can be crucial to saving lives, both at work and privately. The courses were a combination of both theory and practical exercises which enabled the participants to test themselves in various realistic scenarios.

Locking equipment and access system at the Klemetsrud plant

In order to protect personnel who will work on systems that are in operation, new methods and equipment for locking components are being established. This will initially take place at Klemetsrud. This is to enable maintenance to be carried out without risk to life and health. Good systems for locking and draining energy are essential for avoiding the accidental switching on of energy with the subsequent risk of serious injury or death. Hafslund Oslo Celsio has installed the Lenel OnGuard access control system at the Klemetsrud plant, which provides the company with a common electronic access control system.

Emergency response exercises

Hafslund Oslo Celsio conducts exercises and training to maintain emergency preparedness in the event of incidents. A total of 25 exercises were carried out in 2023. The topics of these exercises were fire at energy centres, emissions for oil tanks into the ground and water, defined emergency response incidents for industrial protection at Klemetsrud and crisis exercise involving discharge of hot water from accumulator tank at Haraldrud

Hafslund Vekst

Hafslund Vekst develops and carries out projects and commercial development in various parts of the business which involve both own and external employees performing work in offices or at facilities. The activity level will grow in coming years. In order to reduce the present risk and ensure adequate control during the growth phase, particular emphasis is placed on the following risk mitigation measures:

- Development of management system for HSE/QA.
- Responsibility for HSE/QA clarified in job descriptions.
- Overarching risk management in all planning of projects/start-ups.



Metrics and targets

The status for 2023 indicates that Hafslund still has work to do and that the Group is some way from achieving these metrics and targets. In order to better measure how the group is doing while also reducing the risk of accidents and near-misses not being reported, Hafslund has set specific development goals linked to H1 and H2 for 2025 and 2030. The Group management team reviews the HSE report at the start of each Group management meeting.

Hafslund’s overarching metrics and targets for “Health and safety” are:

- No harm to the life, health or well-being of our own employees or contractors’ employees.
- No injuries or accidents to third parties as a result of the Group’s activities.

Metrics and targets	Result 2023	Result 2022	Comment
H1* < 1.0 in 2025 and < 0.8 in 2030	4.6	1.2	The Group unfortunately experienced an increase in injuries resulting in absence from work in 2023. The Group takes this seriously and looks for commonalities in order to learn from these incidents and initiate actions.
H2** < 5.0 in 2025 and < 3.0 in 2030	7.6	2.9	The Group unfortunately experienced an increase in injuries resulting in both absence from work and no absence from work in 2023. The Group takes this seriously and looks for commonalities in order to learn from these incidents and initiate actions.

*H1-injury is defined as work-related injury that results in absence beyond the day the injury occurred per million working hours.

**H2-injury is defined as the total number of injuries per million working hours.

Indicator table

Safety for our employees

	Unit	2023	2022	Comment
Absence due to injury per million working hours	h1-value	4.6	1.2	
Injuries per million working hours	h2-value	7.6	2.9	
Days of absence per million working hours	f-value	66.2	3.5	
Registered undesirable incidents and proposed improvements	Number	1,222	1,325	
Safety talks at Celsio (min. 150 pcs.)	Number	111	126	
Share of own workforce (including employees and non-employees (hired labour)) that is covered by the HSE system	Share (%)	100	-	New indicator
Number of deaths as a result of work-related injuries and work-related ill health	Number	0	-	New indicator
Number of registered work-related accidents	Number	8	-	New indicator
Number of incidents reported through the notification channel related to the risk of damage to life and health	Number	125	-	New indicator
Number of days lost (absence days) due to work-related injuries and deaths as a result of work-related accidents, work-related ill-health and deaths as a result of ill-health	Number	8	-	New indicator

Third-party safety

	Unit	2023	2022	Comment
Injuries to third-parties as a result of the company's activities	Number	5	0	Third parties include suppliers
Incidents reported to NVE - The Norwegian Energy Regulatory Authority (accidents and incidents), cf. NVE reporting form, Section 7-11 of the Dam Safety Regulations	Number	3	1	
Completed risk and vulnerability assessments (RVAs) for public safety according to plan, cf. Section 7-6 in the Dam Safety Regulations	Number	27	4	Hafslund Vekst carries out risk assessments to various degrees, which are not RVAs, but which are aimed at/include risk assessments and measures for safeguarding third parties
Incidents with notification to the public of flood alleviation according to established procedure	Number	0	0	
Emergency response exercises to ensure a high standard of internal preparedness and flood management*	Number	15	31	Emergency organisation exercises. Excluding IT exercises and practical crew exercises.
Applications to NVE for deviations from regulation schedules or conditions to reduce the risk of flood damage in time	Number	0	1	
Incidents reported to The Norwegian Directorate for Civil Protection (DSB) (accidents and incidents), cf. form for reporting accidents and incidents, Section 8 of the Norwegian Safety regulations relating to the maintenance and operation of electrical installations	Number	0	0	

*There have been fewer planned exercises than usual in 2023, the flood «Hans» produced a learning effect that far exceeds the value of the ordinary exercise programme.



Strategy and sustainability / Sustainability

Expertise and culture

Business strategy, business model and core values

“Expertise and culture” is an area that is closely linked to the Group’s strategy and is one of the important topics in the sustainability work. One of Hafslund’s five strategic focus areas, “The best people are the key”, highlights the importance of expertise and culture in achieving Hafslund’s metrics and targets and in being a responsible employer that takes care of and develops its employees. Hafslund’s ambition is to:

- Attract the best people
- Develop and retain employees

Based on this, Hafslund has identified several areas in which the Group is specifically working on preparing and initiating measures in line with the overarching strategy. These are as follows:

- Recruitment and employer branding
- Skills development, learning and employee journey
- Leadership development
- Diversity

Each of these areas is considered part of Hafslund’s holistic approach to developing an open culture of learning with support processes and systems that facilitate targeted employee development, and where different views and ideas enhance collaboration and innovation.

This closely aligns with Hafslund’s values (“Open», «Responsible» and «Innovative”) that are described in the chapter [“Vision and values”](#).

Impact, risks and opportunities

At the end of 2023, the Hafslund Group had 812 employees located throughout large parts of Southern Norway. A demographic description of Hafslund’s employees can be found in the sustainability accounts. Hafslund is committed to being a responsible employer that takes care of and develops its employees, and has a positive impact on them. Among other things, this is followed up through regular “Temperature readings” and performance appraisal interviews, as well as leadership and organisational development programmes.

The expertise of Hafslund’s employees is of crucial importance to all value creation, further development and growth in all parts of the Group. It is therefore critical for Hafslund to both keep hold of existing employees and recruit new employees. Based on Hafslund’s strategic objectives within «Expertise and culture», Hafslund has identified the following risks and opportunities:

Risks	Opportunities
<p>Greater competition for critical expertise in the labour market.</p>	<p>More emphasis on skills and potential in recruitment processes will increase the pool of candidates, produce greater diversity and minimise the risk of there being a lack of expertise and capacity.</p>
<p>Gen Z and Millennials are more value-driven than previous generations, and one-third of them will resign if the employer's values do not align with their own.</p>	<p>Open dialogue and enabling employee influence through temperature readings and manager/employee dialogue.</p>
<p>Increased employee turnover can lead to a lack of critical expertise and greater use of resources for recruitment and onboarding.</p>	<p>Increased value creation by highlighting and enabling diversity.</p>
<p>Digitalisation and development are taking place at a rapid pace, and the organisation will not always be able to keep up.</p>	<p>Further development of Hafslund as a visibly attractive workplace for employees across specialist fields, where there is scope for diversity.</p>
<p>Lack of systems and processes that address the increased need for skills development.</p>	<p>Application of innovative and flexible digital solutions that facilitate current and future needs for expertise.</p>
	<p>Technology is a catalyst for organisational development.</p>

Policy/Guidelines

Hafslund has a Group sustainability policy which is founded on principles relating to Hafslund's important topic of sustainability.

In addition to the Group's strategy and focus on employer attractiveness, employee development and diversity, consideration of gender equality and non-discrimination is included in the Group's policy for HR and organisational development, in the core values and in the Group's ethical guidelines. Hafslund is subject to the Activity and Reporting Obligation (ARP). The report of the status of the work on gender equality and diversity and activities carried out during the year is published on [Hafslund's website](#).

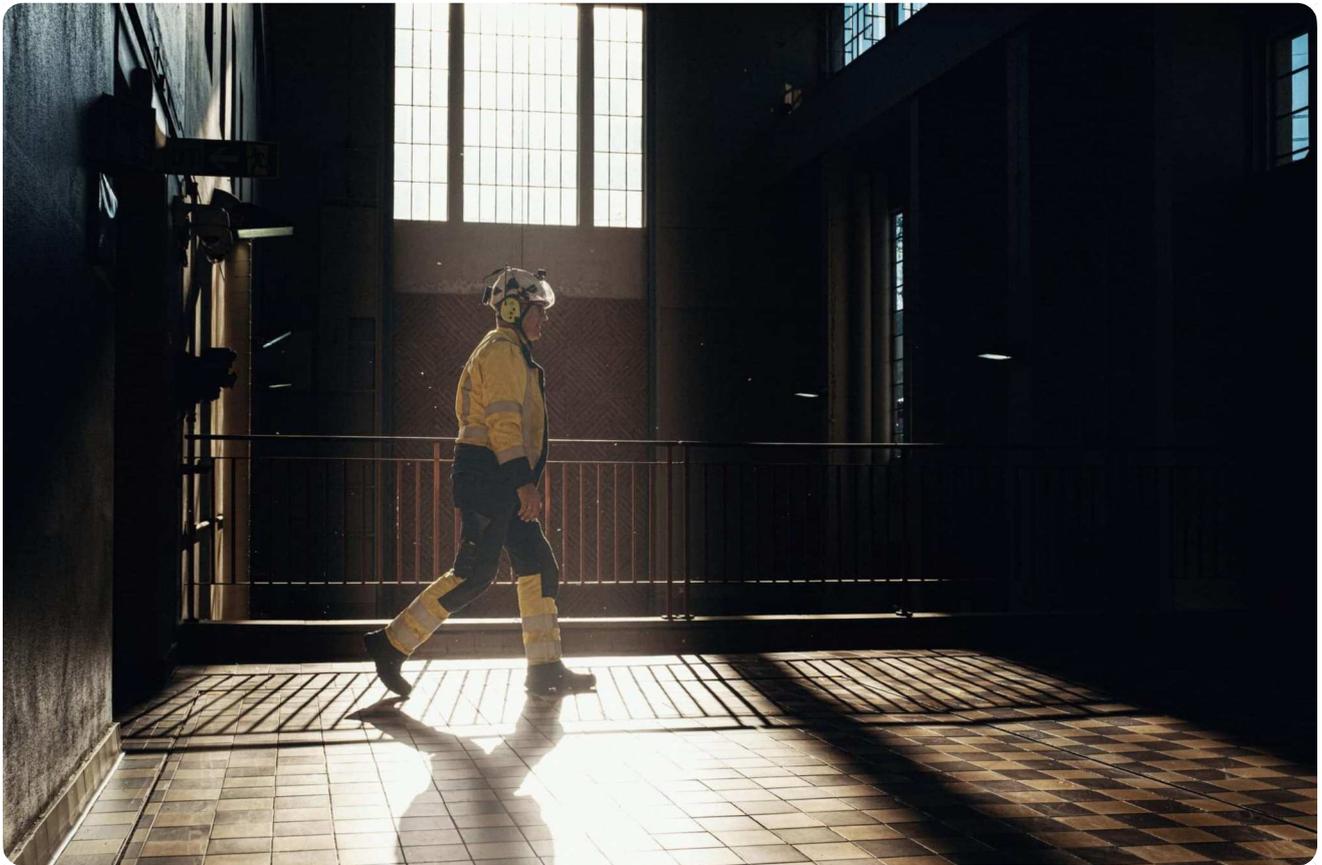
At the core of Hafslund's policy for HR and organisational development is that employee expertise is crucial for all value creation, further development and growth in all parts of the Group.

The ethical guidelines shall ensure that employees at the Hafslund Group perform their work in an ethically justifiable manner and in line with the standards set by Hafslund through its governing documents. Hafslund aims to be an attractive workplace. The ethical guidelines for employees must support this goal and be of assistance in situations that the employee may encounter on a daily basis.

The HR and organisational development policy will be updated in 2024. The update will see the inclusion of a diversity policy as part of the ongoing work on diversity within the Group. The ethical guidelines for employees will also be updated, and will include clearer ethics training plans for employees.

Principles in the Group sustainability policy that are directly related to the important sustainability topic of "Expertise and culture":

- Hafslund has zero tolerance for discrimination or harassment.
- All employees at Hafslund must be given the opportunity for regular personal and skills development through learning from their own work experiences, learning through interaction with others, and the opportunity to take training courses and professional refresher courses.
- The Group must cultivate differences and provide equal opportunities to everyone. Efforts shall be made to increase the diversity competence of managers, and all employees shall experience equal treatment with regard to pay, tasks and responsibilities, irrespective of location, gender, sexual orientation, functional level and ethnicity.



Actions

Work on «Expertise and culture» is ongoing and focus areas are changing. The development of Hafslund's employees and Hafslund as an employer is always heavily emphasised. Below are several of the measures that embrace the strategic focus area of "The best people are the key"

Tailored leadership development

Hafslund has established level-based leadership development programmes which place an emphasis on core competencies for good leadership that look after and develop employees. This also includes a tailored leadership team and team development, as well as the opportunity for individual coaching for managers.

Flexible framework for career paths

Hafslund's ambition is to establish clear career paths in every department during 2024 and 2025 in order to facilitate targeted development and mobility across the Group. This work was initiated in 2023.

Implementation of a new HR system

Hafslund will procure and implement a new HR system during 2024 and 2025 to simplify the everyday lives of all Hafslund employees, provide easy access to resources and development, facilitate good employee follow-up, and obtain a better overview of the talent we have at Hafslund.

Using temperature reading for feedback and adjustment

Hafslund has adopted a temperature reading system which enables active dialogue between managers and employees about what creates a good working environment.

Diversity measurement via Diversity Index

Hafslund has used Diversity Index to measure diversity across the Group in order to gain a better understanding and overview of Hafslund's visible and invisible diversity. The insight gained from this will be used as the basis for further initiatives, with the goal of having a culture where diversity thrives and results in increased value creation.

Change in recruitment strategies

Where possible, there will be more emphasis on attitudes and potential in the recruitment process, and less emphasis on formal qualifications, in order to reach larger groups and discover new talent.

Active work on Employer Branding

Hafslund has established Employer Branding as a function that works closely with recruitment in HR and organisational development processes to better highlight Hafslund as an attractive workplace.

Metrics and targets

In order to ensure that Hafslund as a business acts in accordance with its core values and adheres to the principles that it has established in its governing documents, in addition to realising the strategic ambitions, the following metrics and targets were defined:

Metrics and targets	Result 2023	Result 2022	Comments
Employee satisfaction above eight (out of ten)	8.0	8.3	
All managers will participate in the leadership development programme	100 per cent	-	New
Increase diversity maturity score (1-5) to three by 2027	2.32	-	New
Absence due to illness < 3.5	3.2 per cent	3.8 per cent	

Indicator table

Our employees

		2023	2022	Comment
Total number of employees	Number	831	686	Permanent and temporary
Total number of men	Number	621	530	
Total number of women	Number	210	156	
Number of permanent employees, men	Number	610	-	New indicator
Number of permanent employees, women	Number	202	-	New indicator
Number of temporary employees, men	Number	4	-	New indicator
Number of temporary employees, women	Number	8	-	New indicator
Number of employees without a fixed number of hours, men	Number	3	-	New indicator
Number of employees without a fixed number of hours, women	Number	4	-	New indicator
Number of full-time employees, men	Number	600	-	New indicator
Number of full-time employees, women	Number	194	-	New indicator
Number of part-time employees, men	Number	10	12	
Number of part-time employees, women	Number	8	8	
Number of employees, Oslo	Number	474	-	New indicator

		2023	2022	Comment
Number of employees, Aurland	Number	43	-	New indicator
Number of employees, Hallingdal and Valdres	Number	93	-	New indicator
Number of employees, Innlandet	Number	174	-	New indicator
Number of employees, Glomma	Number	44	-	New indicator
Number of employees, Sverige	Number	3	-	New indicator
Number of non-employees (hired)	Number	82	-	New indicator

Temporary employees: Hafslund follows the objective in Norwegian working life that the use of temporary employment should be limited. Most of our temporary employees are apprentices and we aim for the majority to get permanent employment after completing their vocational certificate.

Part-time: Part-time positions in Hafslund are primarily linked to employees who do not have the opportunity to work full-time due to personal needs that make reduced working hours appropriate.

Diversity

Diversity and equal opportunities - Cultivating differences and giving equal opportunities to everyone	Unit	2023	2022	Comment
Female employees in the Group	Number	210	156	
Female employees in the Group	Per cent	25	22	
Women in Group management	Number	4	4	
Women in Group management	Per cent	57	50	
Women in executive positions	Number	47	-	New indicator
Women in executive positions	Per cent	40	32	
Proportion of employees under 30 years of age	Per cent	12	-	New indicator
Proportion of employees between 30 and 50 years of age	Per cent	50	-	New indicator
Proportion of employees over 50 years of age	Per cent	38	-	New indicator
Diversity Index result*	Index	2.32	-	New indicator. Aim for 3.0
Gender pay gap rate	Per cent	110	-	New indicator. Women's average remuneration is 110 per cent of men's average remuneration
Remuneration rate**	Rate	4.8	-	New indicator

*The Diversity Index is an objective measurement of diversity that takes into account diversity and the extent to which diversity has an effect on value creation. This is presented through a maturity scale from 1-5. It is not a goal in itself to get the highest possible score, this can be disruptive to value creation and performance. The measurement is used to map diversity in Hafslund and how diversity can help bring out more potential

**Total remuneration of the highest paid person / median total remuneration for all other employees

Attractive and developing workplace

	Unit	2023	2022	Comment
New hires	Number	165	92	
Number of employees who have left the company during the reporting period and turnover (including retirement)*	Number	39	-	New indicator
Number of employees who have left the company during the reporting period and turnover (including retirement)*	Per cent	4.7%	-	New indicator
Number of employees who have left the company during the reporting period and turnover (without retirement)	Number	28	-	New indicator
Number of employees who have left the company during the reporting period and turnover (without retirement)	Per cent	3.4%	-	New indicator
Proportion of managers who have completed leadership development programmes	Per cent	96%	-	100 per cent in Hafslund AS, Hydropower and Growth. 85 per cent in Celsio. In 2022, Hafslund AS, Hydropower and Growth 100 per cent and 93 per cent for Celsio.
Use of whistleblowing channel	Number/year	0	0	
Employee satisfaction	Index (0-10)	8.0	8.3	
Sick leave	Per cent	3.2%	3.8%	
Average number of hours of training per employee, men	Number	49	-	New indicator. Applies only to employees of Hafslund Oslo Celsio

	Unit	2023	2022	Comment
Average number of hours of training per employee, women	Number	49	-	New indicator. Applies only to employees of Hafslund Oslo Celsio

*In the 2022 reporting, this indicator was included, but split between Hafslund Oslo Celsio (4.3%) and the rest of the Group (6.5%)

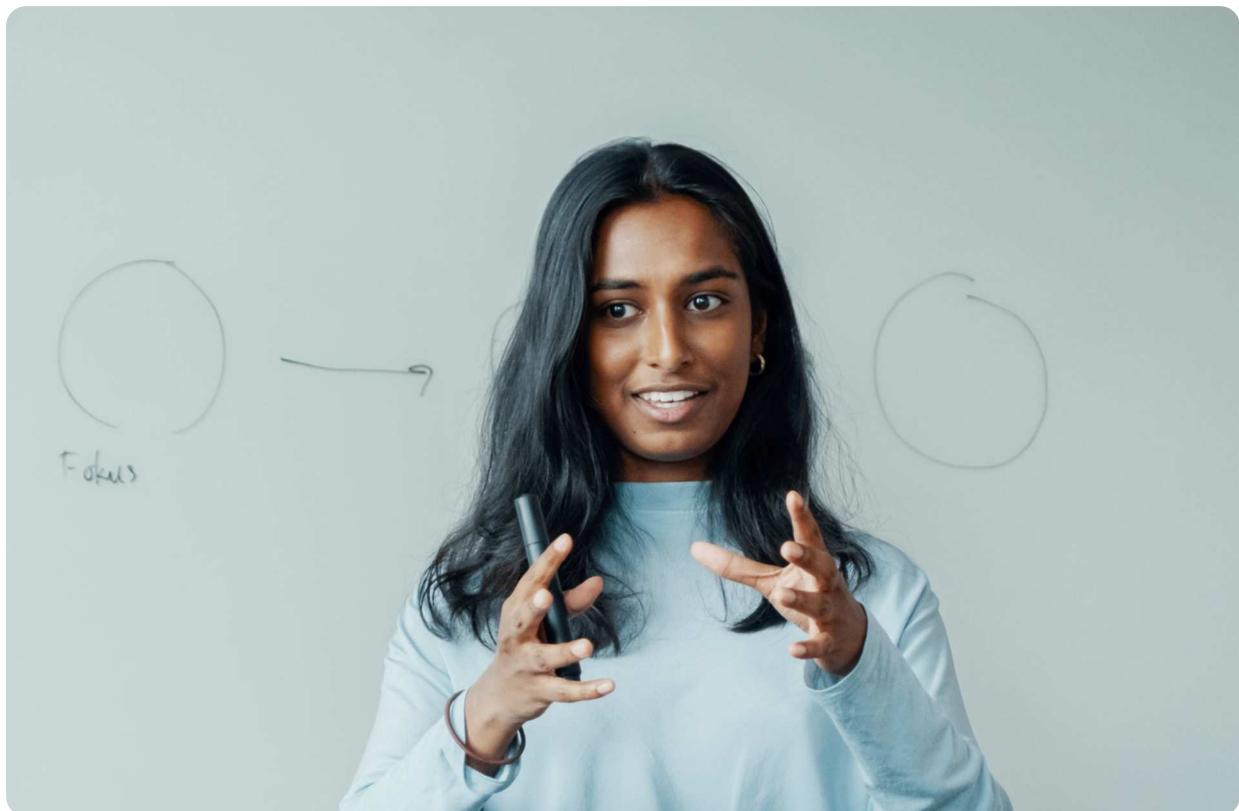
Strategy and sustainability / Sustainability

Human rights

Business strategy, business model and core values.

Accountability is entrenched at the highest level of management in the Hafslund Group, and «Responsible» is one of Hafslund's core values.

Hafslund is dependent on suppliers and partnerships and is committed to maintaining the good relationship the Group has with its other key stakeholders. Hafslund having a system which contributes to reducing the risk of human rights violations in its own activities and in the value chain is crucial for this.



Impact, risks and opportunities

«Human rights» are an important topic for Hafslund, and risk is the most important driver of the materiality analysis. All of Hafslund's business areas are involved in complex global supply chains that are, in many cases, characterised by an absence of transparency and openness. Hafslund has not uncovered actual negative consequences, but recognises that the Group operates in certain value chains where there is an inherent risk of negative impacts.

Hafslund sets clear requirements for its suppliers within all product and service areas. All suppliers and their subcontractors shall conduct their activities in accordance with nationally and internationally recognised principles and guidelines relating to human and workers' rights, corruption, and health, safety and the environment. In addition to being risk-mitigation measures, Hafslund also believes that these are measures that have a positive impact on the employees in Hafslund's supply chains.

Assessing the risk of violations of worker and human rights is an ongoing process at Hafslund. The risk landscape changes in line with changes in the Group's business areas. It has been established tools for conducting risk assessments in each business area, which also facilitates a risk-based approach in the Group's follow-up of suppliers and assists in prioritising measures. Risk tools and methodologies have been developed and adopted, and further implementation and development are currently in progress. The risk mapping process involves a review of Hafslund's suppliers, and the Group uses recognised sources of country and category risk to classify the suppliers. This provides Hafslund with an overview of the risk landscape in the Group's supply chains.

Conditions that define risks associated with suppliers that perform work and services for Hafslund and the Group's companies include the type of work, the employees' employment agreements, employee accommodation and the use of subcontractors. Conditions that define risk when purchasing input factors for production and production equipment include complex global value chains, countries of origin and market access.

The table below summarises the Group's most significant risks and opportunities related to the important sustainability topic of «Human rights»:

Risks	Opportunities
Violations of human rights	Setting requirements either alone or in cooperation with the industry/sector
Violations of decent working conditions	Close industry cooperation
	Stakeholder dialogue

Hafslund Eco Vannkraft

For Hafslund Eco Vannkraft, suppliers in the following industries are considered to have the greatest risk of adverse consequences for fundamental human rights and decent working conditions:

- Building and construction
- Construction or property management
- Complex materials
- Transport and logistics

The risk within each of these categories depends on the nature of the work, employment agreements, employee accommodation, the use of subcontractors and the complexity of the value chain.

The greatest risk is related to labour market crime in connection with operation and maintenance contracts for hydropower plants in Norway. Breaches of pay and working conditions by suppliers and subcontractors are considered the greatest risk.

Hafslund Oslo Celsio

For Hafslund Oslo Celsio, providers of maintenance at facilities during production stoppages, global fuel suppliers and waste customers have been identified as the greatest risk of potential violations of human rights and decent working conditions:

- Operation and maintenance contracts for facilities in Norway are carried out by European suppliers and subcontractors. It is particularly in connection with production stoppages at incineration plants that there is an identified risk of labour market crime and violations of pay and working conditions on the part of suppliers and subcontractors who perform work for us.
- Purchases of input factors for incineration plants (for example biofuel, pellets etc.) and waste customers may have complex, unclear and not very transparent value chains.

Hafslund Vekst

For Hafslund Vekst, the greatest risk of there being an absence of basic human rights and decent working conditions is linked to suppliers of solar and wind power plants.

The supply chains for input factors to solar and wind power plants are unpredictable, complex and characterised by high demand. There is considered to be a high risk of human rights violations associated with the supply chain, which extends all the way from the extraction of raw materials and production of individual components to finished solar panels and wind turbines.

There is a shortage of architects, technical advisers and resources for the installation of solar panels. Building and construction companies that install solar panels often rely on hiring tradespeople from countries where there is an inherently higher risk of labour market crime.

Policy/guidelines

Principles in the Group sustainability policy that are directly related to the important sustainability topic of «Human rights»:

- Hafslund shall respect human rights in its own business activities and exert its influence over suppliers and business partners to ensure that respect for human rights is safeguarded.
- Hafslund shall engage in business activities that are consistent with the UN Guiding Principles on Business and Human Rights and the Ten Principles of the UN Global Compact.
- Due diligence shall be carried out with regard to human rights and employee rights in connection with entering into new partnerships and the Group's procurement practices. Due diligence must be conducted in a manner that is systematic and appropriate. This should be an integral part of how Hafslund works.

Hafslund has established a governing document with a routine for compliance with the Transparency Act. The routine will contribute to the Hafslund Group's business activities and cooperation with suppliers and business partners promoting the objectives of the Transparency Act. It involves respect for fundamental human rights and decent working conditions in connection with the production of goods and the provision of services, and ensures public access to information about how businesses manage negative consequences for fundamental human rights and decent working conditions. The routine provides guidance for compliance with the duties stipulated in the Transparency Act, and defines basic principles, appetite for risk, and roles and responsibilities for compliance with the Transparency Act. The Executive Vice President Corporate Development is responsible for ensuring that this routine is approved by the companies in the Hafslund Group that are governed by the Transparency Act. The main principles of this governing document are:

- The companies in the Hafslund Group that are governed by the Transparency Act shall conduct due diligence in line with the OECD Guidelines for Multinational Enterprises.
- The Group parent company, Hafslund AS, shall prepare and publish a due diligence report for the Hafslund Group.
- The Group parent company, Hafslund AS, shall handle requests for information pursuant to the Transparency Act.

The report for the Transparency Act is published on [Hafslund's website](#) by 30 June each year. The report is signed by the CEO and the Board of Hafslund AS. The CEO and the respective boards of Hafslund Eco Vannkraft AS, Hafslund Vekst AS and Hafslund Oslo Celsio AS sign the parts of the report that concern their individual companies.

Hafslund's "[Ethical guidelines and requirements for suppliers](#)" sets requirements for the Group's suppliers. These were updated in 2023 and are based on the principles of the UN Global Compact initiative. Hafslund expects suppliers to actively work to achieve the UN Sustainable Development Goals. Hafslund uses the International Labour Organization's (ILO) core conventions and the Oslo Model as a basis for its activities. Hafslund's suppliers must respect fundamental human rights and ensure decent working conditions and refrain from contributing to any form of human rights violations.

The Oslo Model

The Group has implemented the Oslo Model, which is a collective term for a number of good practice provisions that are incorporated into contract terms for the purchase of goods and services, and building and construction. Hafslund sets clear requirements for its suppliers within all product and service areas. All suppliers and their subcontractors shall conduct their activities in accordance with nationally and internationally recognised principles and guidelines relating to human and workers' rights, corruption and health, safety and the environment.



Actions

In autumn 2022, the Hafslund Group commenced an important project to strengthen the work on human rights and compliance with the Transparency Act. This work continued in 2023. The project's working group comprises sustainability and compliance functions at Group level, as well as representatives from each individual subsidiary that include legal expertise, procurement functions and other key persons to ensure broad-based involvement. In 2023, Hafslund employed a human rights advisor.

The focus areas during this period included:

- Updating the management system, and ensuring establishment in governing documents and with management.
- Adapting the division of roles and responsibilities and assessing internal expertise.
- Adapting reporting routines, including managing of requests for information.
- Assessing the potential and actual risk of violations of worker and human rights in own operations and supply chains.

Hafslund's work on compliance with the Transparency Act is based on the due diligence work in Hafslund's guidelines and management systems. Routines for risk mapping and supplier follow-up have been updated during this process. This lays the groundwork for Hafslund's efforts to stop, prevent and reduce potential or actual negative impact.

Hafslund has developed and established risk tools that are designed in such a way that the Group can prioritise suppliers for follow-up with a risk-based approach, create action plans and follow up implementation. The risk tool is used across the Group's business areas. The work of obtaining an overview of the Group's supply chain is ongoing. In 2022 and the start of 2023, Hafslund prioritised obtaining a sufficient overview for being able to formulate a comprehensive risk landscape. The assessments and findings from the due diligence conducted shall be actively used in future due diligence processes so that Hafslund can address potential risks related to human rights and decent working conditions in a good and structured manner. Preventive work in the high-risk areas was a prioritised focus area during the final half of 2023 and has continued at the start of 2024. Based on the risk mapping, relevant suppliers are followed up and improvement measures are implemented when necessary. Work is underway to prepare key indicators for measuring due diligence implementation and results.

The Group aims to select the right suppliers. Hafslund endeavours to reduce risk by having good processes before entering into agreements and active follow-up after agreements are entered into by using measures that include monitoring and audits. Hafslund's guidelines provide the option of setting ethical requirements and checking compliance through, among other things, random checks of employment agreements, rotation arrangements and timesheets, as well as non-conformance management of undesirable incidents and improvements that also include contracted activities.

At Group level, the work with human rights and the Transparency Act is rooted in the management system and governing documents. Below are descriptions of some of the company-specific measures that were implemented or commenced in 2023.

Whistleblowing channel:

In order to assist in identifying potential and actual negative consequences, Hafslund has a whistleblowing channel that is available to internal and external stakeholders. This is available on the Group website via <https://hafslund.no/varsling>. The whistleblowing channel is further described in the chapter relating to the important sustainability topic of “Ethical business operations”.

Hafslund Eco Vannkraft

In 2023, notification was received from another power company about improper working conditions at one of their suppliers. Hafslund also uses this supplier. With the aim of contributing to the supplier changing its routines and controls for working conditions, dialogue was established with this supplier and control measures were implemented by Hafslund to reduce the risk of similar incidents occurring in Hafslund’s projects.

In order to increase the scope and carry out more systematic follow-up, the procurement function at the company has been strengthened and professionalised by employing more people who will work in positions dedicated to responsible procurement. Hafslund expects that further development of the procurement and project process together with increased capacity for systematic follow-up work will reduce the risk that Hafslund Eco Vannkraft’s activities result in potential negative incidents related to fundamental human rights and decent working conditions.

Hafslund Eco Vannkraft includes ethical guidelines for suppliers in all major agreements. To ensure that suppliers comply with the guidelines, the following controls has been implemented:

- Random checks of employment agreements and rotation arrangements.
- Random checks of timesheets.
- Non-conformance management of undesirable incidents and improvements that also include contracted activities.

Hafslund Oslo Celsio

Requirements and documentation for procurements:

- Requirements are set in operation and maintenance contracts for suppliers to comply with the Working Environment Act and to submit staffing plans as part of their tenders. This is done to ensure that suppliers have understood the provisions relating to working hours and have staffing plans that are in accordance with reported capacity.
- There is an adapted supplier qualification process for fuel and waste contracts. Ethical guidelines and requirements for suppliers are also stipulated for these suppliers and customers. Regular visits to production partners are also carried out.

During the past year, Hafslund Oslo Celsio has conducted a series of collaborative meetings with the principal maintenance providers, as well as with suppliers engaged during production stoppages at the incineration plants. This work has been continued with an emphasis on further improvements to the process, as well as the establishment of tools for supplier evaluation.

Hafslund Vekst

The following measures have been implemented or are planned to be implemented in connection with the procurement of a supplier of solar panels:

- Close dialogue with the supplier relating to requirements under the Transparency Act.
- Physical visits to subcontractors of Hafslund's principal supplier.

The following measures have been implemented or planned to be implemented in connection with the procurement of a supplier of offshore wind turbines:

- A separate section relating to the follow-up of requirements in accordance with the Transparency Act was added to the client's specification of requirements. This applies to both the main supplier and subcontractors. This is followed up with physical and digital meetings to ensure there is understanding and compliance.
- Evaluation of tender documents and weighting of sustainability requirements, including a section relating to human rights and decent working conditions.

Hafslund Vekst is also an active participant in the Norwegian Solar Energy Cluster (Solenergiklyngen) and Norwegian Offshore Wind, where industry guidelines are created based on existing and new regulations. The Norwegian Solar Energy Cluster is part of the association Solar Power Europe, where it contributes a focus on responsible value chains.

Metrics and targets

Hafslund has clear guidelines related to the topic of «Human rights». To comply with these guidelines, the following metrics and targets have been defined:

Metrics and targets	Result 2023	Result 2022	Comments
No instances in which Hafslund causes, contributes to or is directly linked to human rights violations.	-	-	No known violations
All suppliers must sign ethical guidelines and requirements for suppliers.	-	-	Work is being done to establish a system for registration in parts of the Group.

Indicator table

Incidents, complaints and serious violations of human rights

Value chain

Incidents, complaints and serious violations of human rights in the value chain	Unit	2023	2022	Comment
Number of known serious violations of human rights or workers' rights in the value chain	Number	0	0	Two potential suppliers with various violations that were discovered after due diligence and on-site audits. Contract not yet signed.
Number of suppliers that have signed ethical guidelines (CoC) for suppliers - Hafslund Oslo Celsio	Per cent	20	-	New indicator. Value makes up 51% of spend.
Number of suppliers that have signed ethical guidelines (CoC) for suppliers - Hafslund Vekst	Per cent	40	-	New indicator.
Number of suppliers that have signed ethical guidelines (CoC) for suppliers - rest of the Group	Per cent	-	-	Data not available. Work is being done to establish a system for measurement.
Number of supplier audits conducted, which includes sustainability issues	Per cent	21	-	New indicator.
Number of known corruption cases	Per cent	0	-	New indicator.
Number of reported incidents in the whistleblowing channel related to violations of basic human rights and decent working conditions in the value chain	Per cent	0	-	New indicator.

Own operations

Incidents, complaints and serious violations of human rights in own operations	Unit	2023	2022	Comment
Number of cases of discrimination, including harassment, reported	Number	0	-	New indicator.
Number of cases of discrimination or harassment that have been processed and an action plan established	Number	0	-	New indicator.
Number of cases reported through channels for raising concerns (including whistleblowing channel)	Number	2	0	Two incidents of unacceptable behaviour in a social context were reported directly to the manager and followed up with the immediate manager, HR and those involved.
Total amount for fines, penalties and compensation for damages as a result of any incidents and complaints related to discrimination	Number (NOK)	0	-	New indicator.
Total amount for fines, penalties and compensation for damages as a result of any incidents and complaints related to violations of human rights	Number (NOK)	0	-	New indicator.

Strategy and sustainability / Sustainability

Contribution to society and local value creation

Business strategy, business model and core values

Effective dialogue with landowners and local communities is crucial for Hafslund being able to contribute to society and local value creation. It is essential that there is close collaboration during the entire process in connection with developments and upgrades. Hafslund believes a proactive approach builds trust, enriches Hafslund's projects and demonstrates the Group's commitment to lasting and sustainable relationships with landowners and local communities.

Hafslund's values («Open», «Responsible» and «Innovative») describes who the Group is and who the Group wishes to be. They shall guide how the Group acts and have clear parallels to this material sustainability topic. Transparency is crucial for good dialogue with stakeholders, responsibility means giving something back and involving stakeholders, and innovation means that Hafslund wants to be better than yesterday, every day.

We have a clear presence in many local communities. Hafslund's sponsorship activities are about giving something extra to the local communities in which Hafslund operates, beyond jobs and tax revenue.



Hafslund's values («Open», «Responsible» and «Innovative») describes who the Group is and who the Group wishes to be. They shall guide how the Group acts and have clear parallels to this material sustainability topic.

Impact, risks and opportunities

«Contribution to society and local value creation» is a topic that is to a large extent important due to the positive impact Hafslund has on people and the environment.

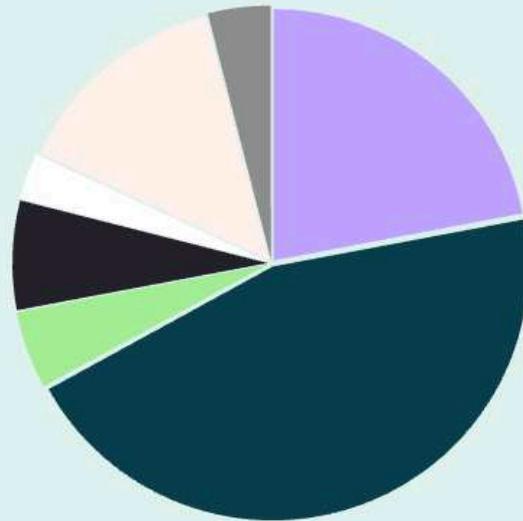
Every year, Hafslund supplies millions of inhabitants with clean, renewable energy that is produced by hydropower from Norwegian lakes and rivers, and excess energy from sources such as waste facilities. All of Hafslund's profits go back to society, primarily in the form of tax revenue and dividends to the owner, the City of Oslo. Most of Hafslund's power plants are owned together with the local municipalities, which receive valuable and predictable tax revenues from power generation. Hafslund is a large employer and provides many jobs across all of Southern Norway. Hafslund also wants to give something extra back to the local communities through sponsorships and local value creation.

Support from those affected by the group's operations is crucial if Hafslund is to succeed in its strategic goals. Good dialogue is important to be able to develop more energy, as well as operate and maintain existing energy production. Therefore, the group has a close relationship with the local communities in which it operates and seeks a close dialogue with the local communities. In addition, efforts are made to use local service providers and partners in all contexts where possible. A short distance between the supplier and the plant means savings for the environment and local infrastructure, while at the same time securing local jobs.

Value creation for 2023 based on profit or loss figures

The diagram below distributes the amounts recognised in profit and loss, instead of the amounts paid discussed later in the sub-chapter. Here, the Hafslund Group's results are calculated by taking the year's recognised income (operating income, profit/loss from equity-accounted investees, realised and unrealised gains/losses on currency and interest income), and deducting energy purchases and transmission costs, as well as changes in the value of replacements.

Total value creation corresponds to NOK 18.7 billion.



Policy/Guidelines

Principles in the Group sustainability policy that are directly related to the important sustainability topic of contribution to «Society and local value creation»:

- Hafslund shall contribute to local value creation in areas where the Group operates.
- Large projects shall take local interests into consideration through strategic involvement, and it must be ensured that there is good dialogue with local communities and other stakeholders.

Hafslund has established guidelines related to the causes that the Group wishes to sponsor. These must be causes that directly or indirectly support the Group’s vision, values or strategic primary objectives.

- Teams and associations involved in sports, culture and outdoor activities in areas where Hafslund operates – Vestland, Akershus, Buskerud, Østfold, Innlandet and Oslo – and which, first and foremost, prioritise children and young people.
- Stakeholders and activities that focus on the environment and contribute to a more sustainable society.
- Stakeholders or associations that promote expertise, creative spirit and innovation at relevant and recognised educational institutions.

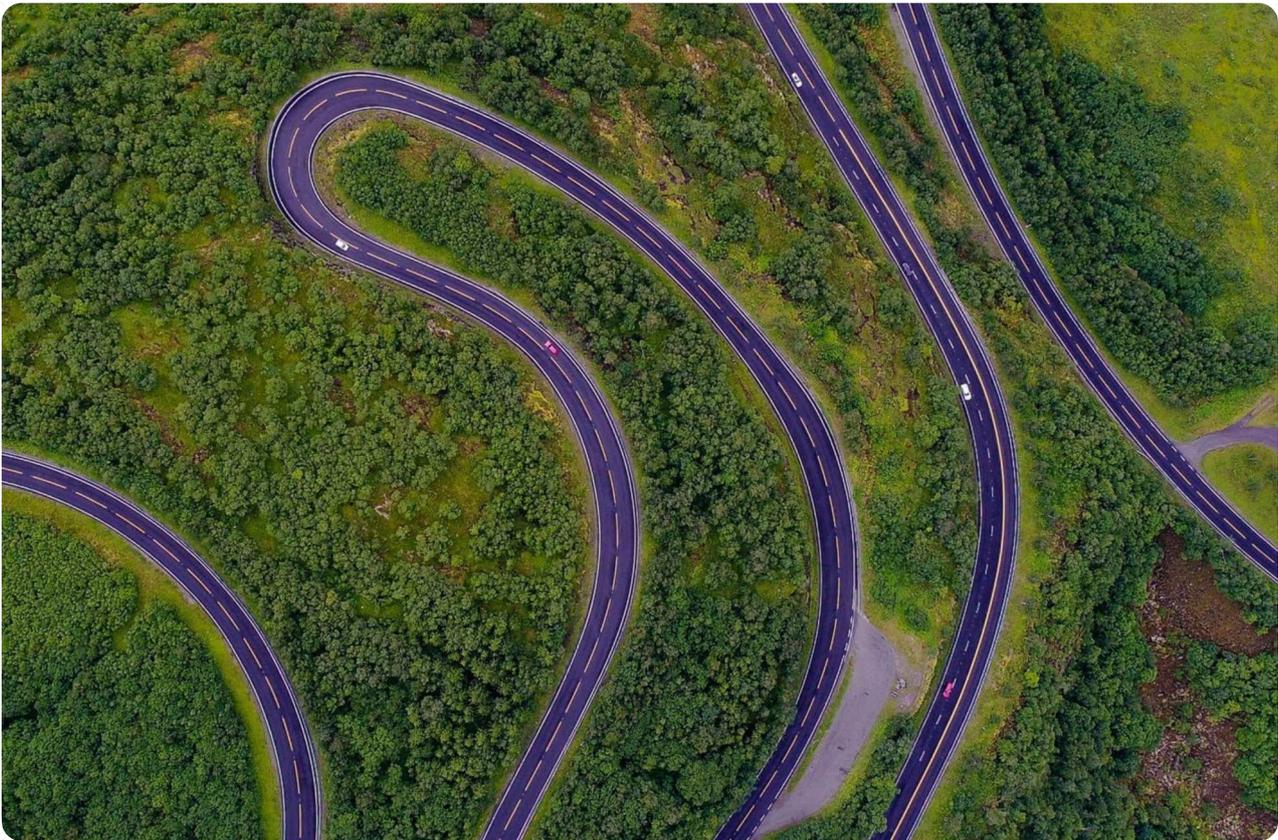
Risks	Opportunities
More difficult to develop more power	Local jobs
Loss of reputation and political “goodwill”	Development of renewable energy
More demanding to recruit employees	Initiatives in Hafslund’s nearby areas
	Local collaboration

Actions



Dividend to owner:

In 2023, Hafslund paid a dividend of NOK 2,100 million to the City of Oslo. Since the City of Oslo is the sole owner of the Hafslund Group, the dividend paid from Hafslund to the City of Oslo is primarily used to cover welfare services for the residents of Norway's capital city. The capital retained at Hafslund ensures that the Group is able to develop new renewable energy and make investments that are in line with the Group's strategy, as well as contribute to ensuring the supply of energy and emergency preparedness.



Taxes and fees to municipalities and the central government:

Concessionary power to host/affected municipalities, natural resource tax, property tax and licence fees are some of the benefits that Hafslund's local municipalities receive through Hafslund's activities. As a power producer, Hafslund utilises the country's natural resources and is therefore subject to special taxation in the form of resource rent tax. This provides society with significant tax revenues each year. The results for the year are presented in Hafslund's indicator table below.



Sponsorships:

Hafslund's sponsorship partners in 2023 included:

- Association for the Promotion of Skiing (Skiforeningen): Hafslund is the main sponsor of the Association for the Promotion of Skiing (Skiforeningen) and endeavours to support measures for the more sustainable operation of skiing areas, as well as activities that promote health and well-being. Through this partnership, the Group will assist Skiforeningen in electrifying its operations and establishing smart energy solutions.
- Celsio Academy: A football academy for children in grades 5 to 7 at schools located in the area around the waste incineration plant at Klemetsrud, in partnership with Klemetsrud Sports Club (Klemetsrud idrettslag).

The Group also provides support to stakeholders and activities that focus on climate and the environment, and has collaborative agreements with the environmental NGOs Bellona and Zero. In addition, local organisations and associations can apply for funds via Hafslund's website. The company also has close cooperation with the City of Oslo and public university OsloMet on business clusters and accelerator programmes that aim to contribute to increased commercial development throughout Oslo, and especially in the outer areas of the city.



Hafslund Hovedgård:

Hafslund owns and manages Hafslund Hovedgård in Sarpsborg. This manor house has had an international format since the 1400s and is used today for courses, conferences and other major corporate events. It is widely used by the Hafslund Group itself, however is also available for use in the market for commercial courses and conferences. Hafslund Hovedgård has a unique and rich history which the Hafslund Group prides itself on preserving for future generations. Tours are held for private individuals every Sunday in July, and from 2023 tours were introduced for two weekends in December.

Metrics and targets

“Society and local value creation” is a topic for which it is difficult to set metrics and targets. Dialogue with local stakeholder groups is a continuous process and it is also not necessarily appropriate to have specific metrics and targets linked to this. Local procurement and local value creation are difficult to measure and will depend on the project.

Indicator table

Contribution to society and local value creation

Contribution to society and local value creation	Enhhet	2023	2022	Comment
Value creation and distribution to host municipalities in the form of direct taxes and fees	NOK million	508	447	Natural resource tax and property tax.
Value creation and distribution to the Norwegian State in the form of direct taxes and fees	NOK million	13,877	4,960	Taxes, high-price contribution, employer's National Insurance contributions, licence fee, NOx tax, and incineration fee paid during the year.
Contributions to host municipalities/county authorities in the form of concessionary power benefit	NOK million	605	1,549	Concessionary power benefit. Estimate = Volume * (market price - concessionary power price)
Contributions to municipalities/county authorities in the form of licence fees	NOK million	85	83	
Total remuneration to employees*	NOK million	935	669	
Return to owner (City of Oslo) in the form of dividend	NOK million	2,100	1,750	Dividends paid

*The comparison figure for total remuneration to employees has been updated. In case of an error, the reporting in 2022 contained employer's tax.

Security of supply

Security of supply, district heating	Unit	2023	2022
Security of supply	Per cent	99.97	99.97

Driving force for renewable energy through good stakeholder dialogue

Driving force for renewable energy through good stakeholder dialogue	Unit	2023	2022	Comment
Hydropower's reputation among the general public omdømme i befolkningen fjernvarme	Per cent	88	89	Percentage who answer that they are positive about hydropower in Kantar TNS climate barometer
Percentage of large hydropower projects that have been commenced which include stakeholder dialogue out of consideration to society, the public and the environment	Per cent	90	95	

Strategy and sustainability / Sustainability

Ethical business operations

Business strategy, business model and core values.

Sustainable development that meets the needs of today without destroying the ability of future generations to meet their needs. Sustainable development sets requirements for responsible business conduct. Hafslund acts responsibly by taking its social mission seriously and does what it can to ensure that the Group fulfils the responsibility it has been assigned. Hafslund places an emphasis on a high level of professional integrity, good business practices and responsible and sustainable business. The Group is committed to maintaining high ethical standards in all business operations, has a zero-tolerance policy for corruption, and shall work actively with ethics and anti-corruption.

Hafslund’s core values state that the Group shall be “Open”, “Responsible” and “Innovative”. These core values shall be practised as much as possible in relation to employees, customers, suppliers, partners and other stakeholders.



Impact, risks and opportunities

Hafslund’s business operations involve ethical choices being made based on the Group’s values and, in so doing, contribute to sustainable development. Every business has an inherent risk of corruption, and important risk factors are inadequate information about and access to whistleblowing channels, insufficient training in ethics and anti-corruption, and a lack of control mechanisms for identifying potential cases of corruption.

There is a higher inherent risk of undesirable incidents in global supply chains that Hafslund operates in when purchasing components, raw materials and input factors for current energy production and for new development projects. Hafslund’s management system and the Group’s guidelines are examples of risk mitigation measures that reduce the probability of such incidents occurring.

Risks	Opportunities
Violations of laws and regulations	Intra- and inter-industrial collaboration
Improper behaviour	Use of guidelines and requirements
Financial improprieties misligheter	Training and attitude work

Policy/Guidelines

Hafslund’s ethical guidelines provide a framework for how Hafslund needs to act to ensure that the Group is operated in an ethical, sustainable and socially responsible manner. The guidelines stipulate principles and rules designed to help us make sound assessments and ethically correct choices in our day-to-day work. The guidelines apply to all employees in the Group and those acting on behalf of Hafslund, for example, directors and hired consultants. The CEO has the highest level of responsibility for the Group’s ethical guidelines. The managing directors of Hafslund Eco Vannkraft, Hafslund Oslo Celsio and Hafslund Vekst are responsible for communicating the guidelines and ensuring that they are complied with in their respective companies.

Hafslund strives to contribute to a high ethical standard in all business operations, including the supply chain. The Group’s companies conduct procurements in accordance with good business practice. The Group has implemented the Oslo Model, which is a collective term for a number of good practice provisions that are incorporated into contract terms for the purchase of goods and services, and building and construction. Hafslund sets clear requirements for its suppliers within all product and service areas.

Hafslund's "[Ethical guidelines and requirements for suppliers](#)" set requirements for Hafslund's suppliers. The purpose of the guidelines is to ensure that Hafslund's suppliers and their subcontractors are aware of and committed to the guidelines and that this is consistent with Hafslund's core values. There is a separate requirement in the guidelines that includes business ethics and professional integrity which states, among other things, that the supplier must maintain high ethical standards and good business practices. It also states that corruption and other financial improprieties are not accepted, and that the supplier must work actively to prevent all forms of corruption, extortion and money laundering. Other matters related to «Ethical business operations» covered in the guidelines are impartiality, whistleblowing, privacy and information security, tax obligations and competition regulations. The guidelines were revised in 2023.

Hafslund has established a whistleblowing channel in which employees and others can report illegal, dangerous or censurable conditions. The whistleblowing channel is administered and operated by an independent third party, personal data is processed through a data processor agreement, and any personal data is stored for no longer than is necessary to fulfil the purpose of the processing. The whistleblowing channel encourages the reporting of incidents if there is any doubt, and the following are examples of what can be reported:

- Violations of laws, rules, internal guidelines or ethical norms.
- Improper conduct, such as bullying, harassment, discrimination, racism, substance abuse and similar.
- Financial improprieties, such as embezzlement, theft, fraud, corruption, procurement fraud, financial infidelity and similar.

The whistleblower themselves must decide whether or not the report should be anonymous. Hafslund has established the following principles for handling whistleblowing cases:

- All reports are taken seriously.
- All reports must be processed promptly.
- The different whistleblowing procedures shall be assigned equal value.
- All whistleblowing cases are treated confidentially.
- The whistleblowing service must be able to be used without fear of consequences.

Principles in the Group sustainability policy that are directly related to the important sustainability topic of "Ethical business operations":

- Hafslund will engage in business activities that are consistent with the United Nations Guiding Principles on Business and Human Rights and the Ten Principles of the UN Global Compact.
- Hafslund has a zero-tolerance policy towards corruption or bribery.
- Sustainability must be an integral part of risk management, investment decisions and procurement processes.

Actions

Signing of ethical guidelines

All of Hafslund's employees and Hafslund's subcontractors and hired personnel must sign Hafslund's ethical guidelines upon employment/engagement. The guidelines include rules for responsible personal conduct, good business practices, and notification and management of potential breaches. In 2024, Hafslund will update its ethical guidelines and prepare a learning and training plan to ensure that the ethical guidelines are followed and understood by all employees.

The Celsio School

The Celsio School continuously works to identify the need for expertise and training at the company, both legally required and other internal training. This is important for creating a safe and secure workplace and giving individuals a sense of mastery of their roles.

Metrics and targets

To ensure that Hafslund as a business acts in accordance with its core values and complies with the principles set out in its governing documents, the following metrics and targets have been defined:

Metrics and targets	Results 2023	Results 2022	Comments
All employees have signed ethical guidelines	-	-	All employees must sign ethical guidelines upon employment. There is currently a lack of a system for registration and further work is required to have this in place.
No known instances of Hafslund's ethical guidelines having been violated	0	0	
All suppliers must sign ethical guidelines and requirements for suppliers	-	-	Work is being done to establish a system for registration in parts of the Group.

Indicator table

Ethical business operations

Ethical business operations	Unit	2023	2022	Comment
Employees who have pledged to comply with the company's ethical guidelines - Hafslund Oslo Celsius	Per cent	88	75	
Employees who have pledged to comply with the company's ethical guidelines - rest of the Group*	Per cent	-	-	All new employees commit themselves in connection with signing the employment contract. Work is being done to establish a system for measurement.
Number of confirmed breaches of ethical guidelines	Number	0	0	
The total number and nature of confirmed incidents of corruption or bribery	Number and description	0	-	New indicator
Number of convictions and fines for breaches of laws against corruption and bribery	Number and NOK	0	-	New indicator
Details of public prosecutions regarding corruption or bribery against the enterprise and its own workers during the reporting period and the outcome of such cases	Description	0	-	New indicator
Number of confirmed incidents where own workers were dismissed or disciplined for corruption or bribery-related incidents	Number	0	-	New indicator
Number of confirmed incidents related to contracts with business partners that were terminated or not renewed due to violations related to corruption or bribery.	Number	0	-	New indicator

*Ethical guidelines will be updated in 2024. In this process, the aim is to develop e-learning about ethics, including registration.

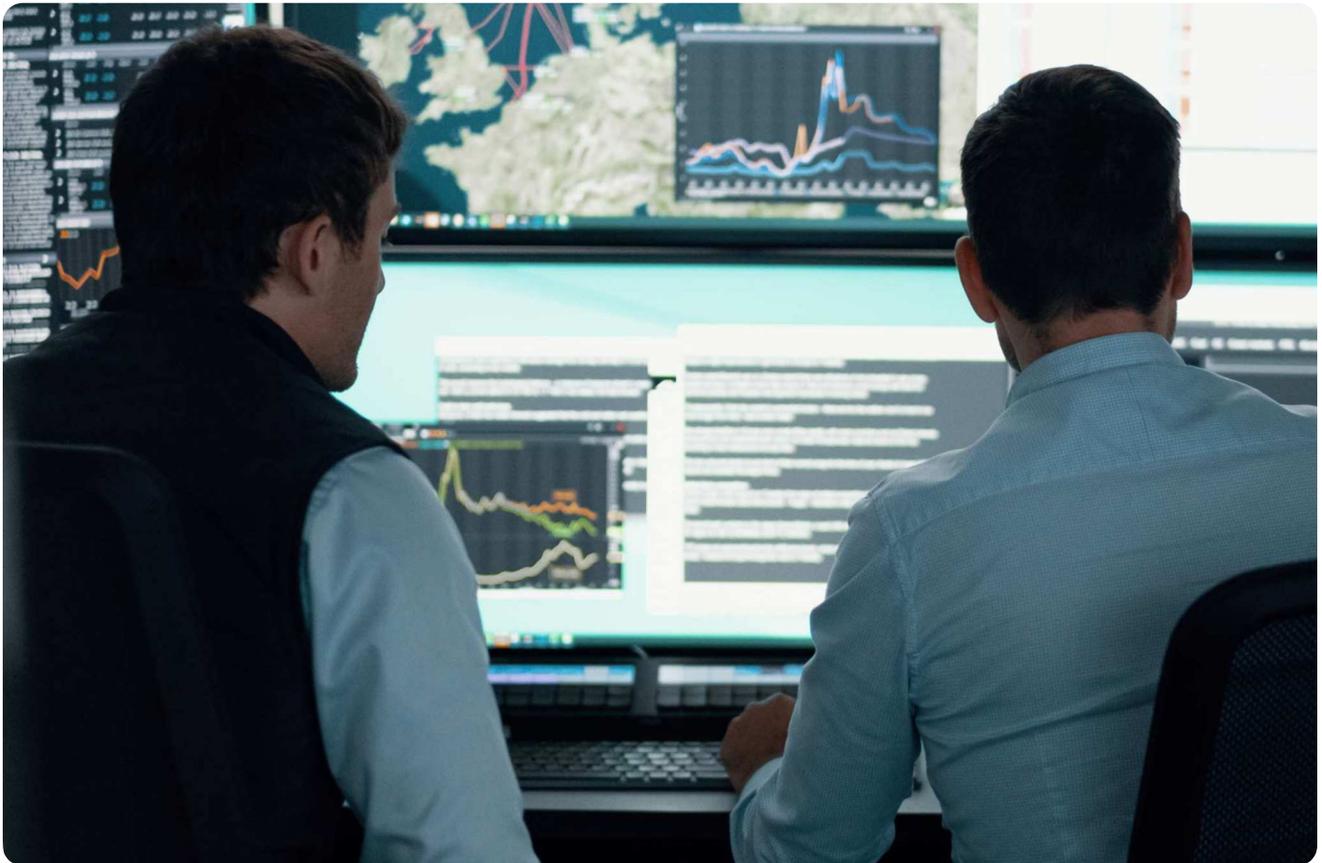
Strategy and sustainability / Sustainability

Emergency preparedness and cybersecurity

Business strategy, business model and core values

Hafslund operates in an industry that is undergoing a major transition in terms of digital transformation and the development of new and modern technology. The Group's core business, renewable energy production, must be able to exploit these changes with innovative technology and technological disruption. Hafslund will create added value from data by developing new smart and intelligent models, and models that provide better understanding of risk and market decisions. Hafslund's data and information shall ensure that Hafslund has more insight and better solutions for more efficient management of production, consumption and storage of energy. Hafslund will exploit changes in the market with new technology and contribute towards creating a balance in the energy system by developing and making available distributed energy solutions that can act faster in existing and new markets.

The digital transformation and the rapid pace of change in the industry also make us an attractive target for criminal actors. Hafslund's external risk and threat landscape therefore requires active and continuous preventive work with information security and physical security. This work shall provide protection for and reduce the risk of loss of life and health, impact on and loss of external environment, loss and failure of operational continuity, and loss of reputation, market share and financial profits. Hafslund will make continuous improvements in cybersecurity, information security and emergency preparedness which facilitate and ensure that the Group has a high level of innovation and competitiveness, while at the same time, Hafslund secures its production facilities and the power it supplies to society. Measures shall be initiated to reduce the risk of undesirable incidents, sabotage, damage and vandalism to an acceptable level of risk.



Impact, risks and opportunities

The world is currently experiencing a period of uncertainty and unpredictability. International conflicts and security policy situations are intensifying and require higher levels of preparedness and increased vigilance, both physically and digitally. At the same time, the cyber domain has reduced the need for having a physical presence and has facilitated advanced digital information and network operations.

Hafslund is part of an international market and is a market player with significant importance for power production at national level. The Group is reliant on stable and predictable supply and production chains and that these are protected from unwanted physical and digital attacks. The loss or failure of these could result in everything from minor operational disruptions to major impacts on the Group's supply of power to society and obligations in international markets. Hafslund must protect and secure its production facilities, supply chains, personal data and services and systems against impacts that may cause operational interruptions, undesirable incidents, privacy breaches, and breaches of confidentiality, integrity and availability.

The table below summarises the Group's significant risks and opportunities:

Risks	Opportunities
Loss of operational continuity, power generation and power supply	Innovation by utilising new and modern technology and new computer models
Failure and loss of information, data and services due to cyber attacks or undesirable IT incidents	Greater competitiveness through better analytics and more insight into data
Breach of privacy and personal data security	Digital adaptability to more quickly exploit changes in the power markets
	More effective and better work tools for Hafslund's employees

Policy/Guidelines

Hafslund is governed by strict laws and regulations that set high standards for the protection of information, services, systems, power stations and production facilities. Digital and physical security are a prerequisite for ensuring that there is trust in Hafslund's ability to provide society with a continuous power supply and to preserve the trust of owners, partners, customers and employees. Everyone needs to be confident that Hafslund fulfils its statutory and regulatory obligations, and that the Group has established measures to ensure the protection of the confidentiality, integrity and availability of the Group's information, services, systems and production facilities.

The Group's executive management team has decided that the control and management of information security, privacy and physical security shall take place via a management system based on the ISO27K standard. This is an internationally recognised standard and a strategic decision for the Group.

The management system defines and describes Hafslund's policy and security strategy and sets out the framework for how Hafslund shall achieve adopted security goals, comply with Hafslund's statutory and regulatory obligations, and meet the requirements and expectations of owners, the Board, executive management, and other stakeholders. The management system must also ensure there is a holistic and structured approach to the work with physical security, information security and privacy, with a clear description of requirements and guidelines, methods, processes and measures for preventive protection of the company's digital and physical assets.

The management system is based on a continuous process of improvement and quantification, and correction and adaptation in accordance with amendments to laws and regulations, the Group's goals and strategies, and the external risk and threat landscape.

Digital and physical security are a prerequisite for ensuring that there is trust in Hafslund's ability to provide society with a continuous power supply and to preserve the trust of owners, partners, customers and employees.

Actions

Hafslund takes physical security, cybersecurity and privacy seriously, and in 2023 implemented several projects, improvement initiatives and activities to address a more intensified threat and risk landscape.

In 2023, Hafslund further developed and continued implementation of the information security management system following previous changes in the Group. Work processes, procedures and technological measures were further developed and implemented in guidelines, processes, routines and technological solutions. This will collectively provide the Group with a well-functioning management tool that ensures an acceptable level of risk for Hafslund's business activities. Control of implementation and compliance takes place through separate and independent audits and monitoring, security tests, security reviews, emergency preparedness exercises, and measuring of maturity.

Improvement work and activities are defined through a multi-year and quarterly roadmap. The most important and significant activities for 2023 are described below:

Security management

Improvement and further development of the Group's management system/information security management system, and ensuring that the Group complies with statutory and regulatory amendments relating to information security, privacy and emergency preparedness.

Safety culture

Training, work that shapes attitudes and improving safety culture and understanding of risk in connection with digital and physical risks/threats, with the objective of reducing the risk of social manipulation, undesirable incidents and errors on the part of employees and contractors. The goal is to ensure that Hafslund's personnel execute and maintain good practices for physical security, information security and privacy at all times.

Staffing and capacity

Further development of organisation and staffing for emergency preparedness and information security in accordance with changes in the Group. Conducting of impact analysis to achieve the Group's defined ambition level of maturity for information security and privacy. Increased emergency preparedness and security as a result of a more intensified threat and risk landscape.

Technology

Further development of IT services and system portfolio to improve and optimise service delivery within the Group. Continual improvement and modernisation of technological security measures and security solutions in accordance with changes in the risk and threat landscape, and in accordance with recommendations from government authorities.

Privacy

Improvement of privacy and management of personal data to comply with requirements for processing, including safeguarding the rights of data subjects and ensuring lawful processing, as well as protecting personal data. This included the creation of a dedicated position to ensure compliance with the privacy regulations.

Emergency preparedness and emergency response exercises

Holding of emergency response and IT emergency response exercises in different areas and parts of the Group. Practicing by IT emergency response personnel of the activation of emergency response roles and emergency response organisation in various emergency situations. This included conducting mobilisation exercises, theoretical table-top/discussion exercises, technical hands-on exercises and physical exercises.

Measuring, auditing and compliance:

Conducting of several types of audits and controlling activities in order to ensure continuous improvement and compliance with external and internal requirements for security and emergency response. This included compliance with laws and regulations, requirements in the information security management system, as well as maturity analysis and benchmarking. In addition, the area of information security was audited by the Group's internal audit function. The purpose of this was quality assurance and to ensure that the work on information security was consistent with the Group's needs and expectations from owners, the Board and executive management.

Metrics and targets

This important topic and the associated management system constitute a process that focuses on continuous improvement and adaptation to the prevailing risk landscape. The following metrics and targets are defined for the topic:

Metrics and targets	Result 2023	Result 2022	Comment
No IT security incidents that were not dealt with	0	0	
No IT security incidents with serious consequences	0	2	The extreme weather event “Hans” and the incident at Braskereidfoss were not considered an IT security incident
Minimum 1 IT emergency response exercise held	3	3	
No breach of privacy, including personal data security, which entails a high risk for Hafslund’s employees	0	-	New

Indicator table

Security and preparedness

Secure IT-services and systems	Unit	2023	2022	Comment
Number of IT security incidents that were not dealt with	Number	0	0	
Number of IT security incidents with serious consequences	Number	0	2	
Number of IT emergency response exercises	Number	3	3	
The number of breaches of privacy that may pose a high risk to our registered users	Number	0	-	New indicator

Strategy and sustainability / EU Taxonomy

EU Taxonomy



Hafslund's Taxonomy report for the 2023 reporting period was prepared in accordance with the EU Taxonomy Regulation. The Taxonomy Regulation has been implemented into Norwegian law through the Act relating to the disclosure of sustainability information in the financial sector and a framework for sustainable investments. The Act entered into force on 1 January 2023. The Taxonomy report for 2023 is based on Hafslund's interpretation of the EU Taxonomy in accordance with the system of rules and associated guidelines etc. as of the reporting date.

The EU Taxonomy sets six specifically defined environmental objectives. An economic activity must make a substantial contribution to the attainment of at least one of the six environmental objectives in the EU Taxonomy Regulation in order for it to be defined as sustainable. In addition, the economic activity must avoid significant harm to the other five environmental objectives and satisfy minimum requirements for social standards, as set out in the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

According to the Taxonomy Regulation, for each environmental objective, the European Commission shall develop technical screening criteria for when the various economic activities are in fact deemed to satisfy each of the environmental objectives.

Hafslund's assessment for 2023 was that the Group's hydropower production, production and distribution of district heating and cooling, consultancy services and mobile charging solutions are eligible economic activities in accordance with the EU Taxonomy. Only assets in Hafslund's subsidiaries have been considered for eligibility.

Of Hafslund's turnover, 84 per cent of Hafslund's hydropower production and 13 per cent of Hafslund's production and distribution of district heating and cooling are defined as sustainable in accordance with the EU Taxonomy.

Below is a more detailed overview of Hafslund's approach to the Taxonomy criteria and how Hafslund assesses these for its eligible activities.

Taxonomy tables

2023

Economic activities	Code	Proportion of turnover	Proportion of CapEx	Proportion of OpEx
A.TAXONOMY-ELIGIBLE ACTIVITIES		%	%	%
A.1. ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (TAXONOMY ALIGNED)				
4.5 Electricity generation from hydropower	35.11	84 %	51 %	74 %
4.10 Storage of electricity		0 %	1 %	0 %
4.15 District heating/cooling distribution	35.30	13 %	12 %	12 %
9.1 Close to market research, development and innovation		0 %	0 %	0 %
Total of environmentally sustainable activities (Taxonomy-aligned) (A.1)		97 %	64 %	86 %
A.2 TAXONOMY-ELIGIBLE BUT NOT ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (NOT TAXONOMY-ALIGNED ACTIVITIES)				
4.5 Electricity generation from hydropower	35.11	0 %	0 %	1 %
4.10 Storage of electricity		0 %	0 %	0 %
4.15 District heating/cooling distribution	35.30	0 %	5 %	0 %
9.1 Close to market research, development and innovation		0 %	0 %	0 %

Economic activities	Code	Proportion of turnover	Proportion of CapEx	Proportion of OpEx
Total of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0 %	5 %	1 %
Total (A.1 + A.2)		97 %	69 %	87 %
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES				
Total of Taxonomy-non-eligible activities (B)				
Waste incineration	38.21	2 %	4 %	13 %
Electricity generation using waste	38.21	1 %	0 %	0 %
Other (incl. CCS)		0 %	23 %	0 %
Fiber (ICT)	61.10	0 %	3 %	0 %
Hafslund Vekst		0 %	0 %	13 %
Hafslund AS (not assessed)		0 %	0 %	0 %
Total (A + B)		100 %	100 %	100 %

[Download](#) full EU taxonomy table as PDF.

2022

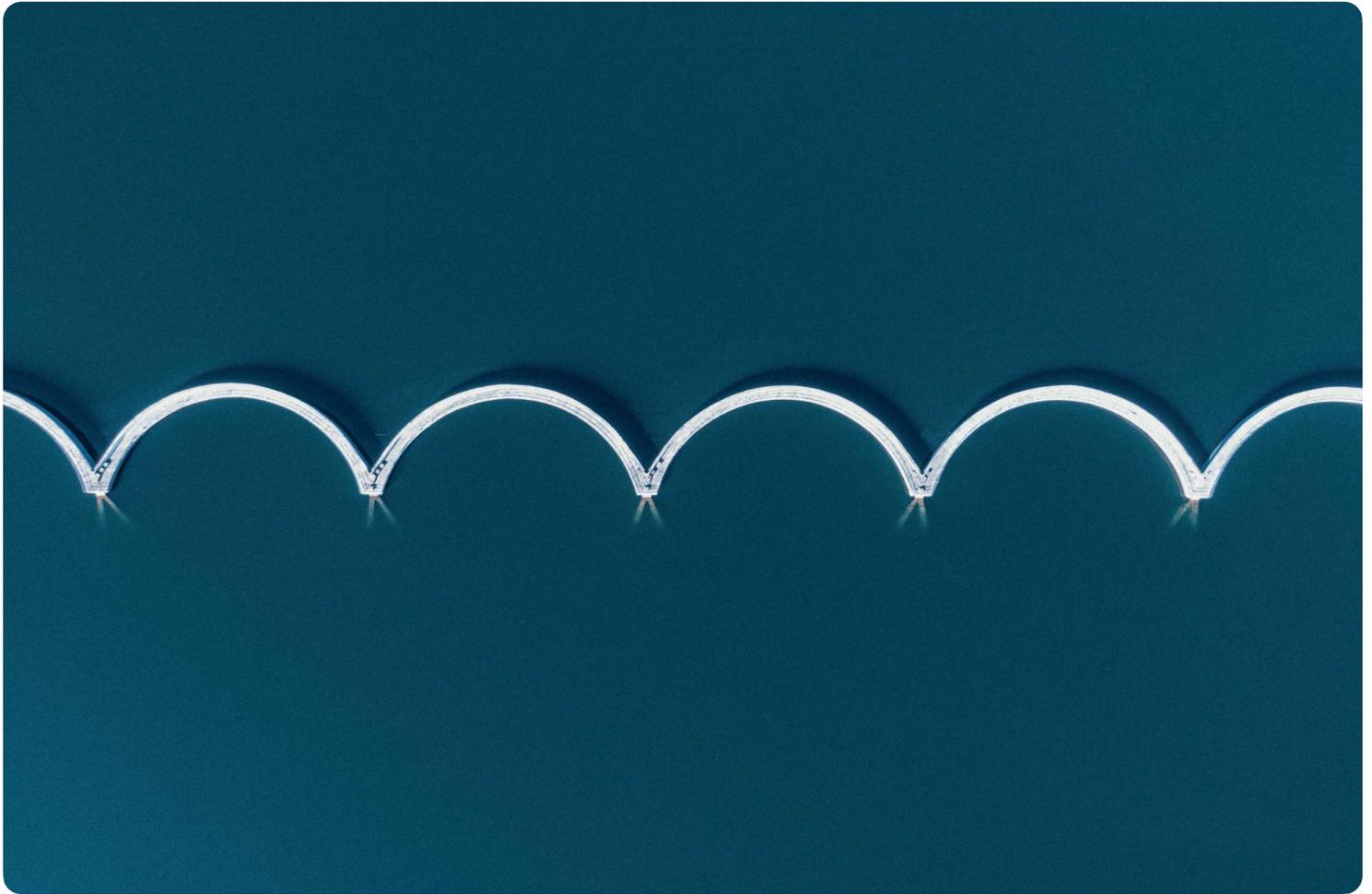
Economic activities	Code	Proportion of turnover	Proportion of CapEx	Proportion of OpEx
A.TAXONOMY-ELIGIBLE ACTIVITIES		%	%	%
A.1. ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (TAXONOMY ALIGNED)				
4.5 Electricity generation from hydropower	35.11	93 %	61 %	48 %
4.15 District heating/cooling distribution	35.30	5 %	19 %	21 %
Total of environmentally sustainable activities (Taxonomy-aligned) (A.1)		99 %	80 %	69 %
A.2 TAXONOMY-ELIGIBLE BUT NOT ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (NOT TAXONOMY-ALIGNED ACTIVITIES)				
4.5 Electricity generation from hydropower	35.11	0 %	0 %	0 %
4.15 District heating/cooling distribution	35.30	0 %	2 %	0 %
Total of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0 %	2 %	0 %
Total (A.1 + A.2)		99 %	82 %	69 %
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES				
Total of Taxonomy-non-eligible activities (B)				

Economic activities	Code	Proportion of turnover	Proportion of CapEx	Proportion of OpEx
Waste incineration	38.21	1 %	7 %	18 %
Electricity generation using waste	38.21	1 %	1 %	0 %
Other (incl. CCS)		0 %	8 %	0 %
Fiber (ICT)	61.10	0 %	2 %	0 %
Hafslund Vekst and Hafslund AS (not assessed)		0 %	0 %	13 %
Totalt (A + B)		100 %	100 %	100 %

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The performance indicator for revenues consists of the lines “sales revenues” and “other operating revenues” in Hafslund’s total comprehensive income. In 2023, this totalled NOK 17,526 million, of which 97 per cent originated from activities covered by the Taxonomy.

The indicator of investments includes all outgoing payments related to the Group’s investments. In 2023, the Group’s total investments were NOK 1,217 million, of which 69 per cent were related to activities covered by the Taxonomy.



Hafslund's approach to the Taxonomy criteria:

Hydropower production

Hafslund's hydropower production is covered by the EU Taxonomy through activity 4.5 "Electricity production from hydropower". Relevant environmental objectives with associated technical screening criteria for hydropower production are environmental objective number one (climate change mitigation), number two (climate change adaptation), number three (sustainable use and protection of water and marine resources), and number six (protection and restoration of biodiversity and ecosystems).

Assessment of substantial contribution to satisfying environmental objective number one

Hafslund has used the approach in SINTEF's memo "Assessment of greenhouse gas emissions from hydropower for the EU Taxonomy" to document a substantial contribution to environmental objective number one. In line with this memo, Hafslund has assessed the criterion for calculating power density (W/m²) for Hafslund's power plants, unless the power plant is a run-of-river hydropower plant.

Based on the assumptions in SINTEF's memo, reservoirs and power plants have been divided into four large watercourses in accordance with catchment areas and division into utility owners' associations. For most reservoirs, gross area (total area) is used in the calculations. For those reservoirs that are measured by depth, net area is used as a basis. Hafslund has also used calculations based on LRV for some bodies of water. Data on installed capacity is obtained from the Norwegian Water Resources and Energy Directorate's (NVE) hydropower database for all power plants.

These are the Glomma watercourse with Gudbrandsdalslågen, Hallingdal watercourse down to and including Nes power plant, Begna watercourse down to and including Eid power plant, and Aurland watercourse. The Group also has four smaller watercourses in Brødbøl, Trysil, Dokka and Sagefoss. All regulating reservoirs and power plants that fall within these system boundaries are taken into consideration when calculating power density, including power plants that are not owned and operated by Hafslund. Hafslund's assessment is that the power plants in the four major waterways, including the Dokka watercourse, meet the criteria in environmental objective number one. There are a total of five power plants in the smaller waterways that do not meet the criteria in environmental objective number one, including the power plants in the Trysil and Brødbøl waterways and Sagefossen power plant.

Hafslund has a total of nine run-of-river power plants spread over the various waterways that are not included in the calculation of power density. They are not in the "system" and do not use, or use only very low quantities of, reservoir water. These run-of-river power plants satisfy the criteria in environmental objective number one.

In order for hydropower production to make a substantial contribution to achieving environmental objective number one (climate change mitigation), one of the following criteria has to be met:

- The power production comes from a run-of-river hydropower plant, which does not have an artificial reservoir.
- The power density of the power generation is above 5 W/m².
- Greenhouse gas emissions from the power production's life cycle are lower than 100g of CO₂e/kWh.

Assessment of significant harm to environmental objective numbers two to six

In order to comply with the Taxonomy, the activity must “do no significant harm” (DNSH) to the five other environmental objectives. For hydropower production, this assessment is relevant to environmental objective number two (climate change adaptation), environmental objective number three (sustainable use and protection of water and marine resources), and environmental objective number six (protection and restoration of biodiversity and ecosystems). There are no DNSH criteria for hydropower linked to environmental objective number four (transition to a circular economy) or environmental objective number five (pollution prevention and control).

Adapting to climate change (DNSH 2)

Hafslund conducted a climate risk analysis for the entire Group in the autumn of 2023. In this project, physical climate risks were identified and assessed based on their relevance to Hafslund. Relevant climate risks were further analysed at power plant level using the climate scenarios RCP 4.5 and RCP 8.5 on different time horizons. For Hafslund's hydropower business, damage to infrastructure as a result of an increase in extreme weather events has been identified as the most relevant physical climate risk, because hydropower plants are heavily exposed to drought, precipitation and flooding. The probability has been assessed as very high in a high-emission scenario and high in a low-emission scenario.

Risk and vulnerability analyses (ROS analyses) are regularly conducted for all of Hafslund's hydropower plants/ Furthermore, all dams are subject to government supervision through the Norwegian Dam Safety Regulations. The risk of increased precipitation and major flooding has been assessed and taken into consideration when assessing the safety of the dam facilities.

In accordance with requirements stipulated in the Dam Safety Regulation, Hafslund's dam facilities are dimensioned for 500 or 1,000-year floods. The flood calculations have conservative assumptions, including

climate surcharges set by the NVE. The flood calculations are input data for dimensioning waterway facilities. Dimensioning is based on a safety mindset that there needs to be a safety factor of at least 50 per cent for technical strength.

Hafslund finds that the criteria for environmental objective number two have been met for all of the Group's regulations and power plants.

Sustainable use of water and marine resources (DNSH 3)

The technical screening criteria for the environmental objective relating to sustainable use and protection of water and marine resources are closely linked to the EU Water Framework Directive, which has been implemented into Norwegian law through the Regulations relating to the framework for water management (the Water Regulations). A specific assessment has been made of how the individual power plants and regulations impact different bodies of water, including whether hydropower production prevents these bodies of water from meeting the environmental objectives stipulated in the Water Framework Directive.

Hafslund finds that the Group's power plants that were established in accordance with licences that were granted or revised/converted in 2016 or later are in compliance with the Water Regulations, and satisfy environmental objective number three. The reason for this is that specific environmental objectives for the individual bodies of water and the first water management plans with associated action programmes first entered into force from 2016.

However, all hydropower activities, including those that do not require a licence and hydropower activities with licences granted prior to 2016, are still covered by the water management plans and associated environmental objectives and action programmes. Most bodies of water that are impacted by Hafslund's hydropower activities have achieved environmental objectives in accordance with the Water Regulations.

Some bodies of water that are impacted by Hafslund's hydropower activities are covered by ongoing audits, and will achieve the environmental objective when the audit is completed. For these bodies of water, Hafslund has implemented the measures that are possible to implement pending the result of the audits. When the result of the audits is available, Hafslund will prepare a plan for the implementation of relevant mitigating measures. Hafslund therefore finds that the power plants covered by the ongoing audits meet the criteria for environmental objective number three.

For the remaining bodies of water that have not achieved the environmental objective and are not being audited, a specific assessment was made of the reason for why the environmental objective was not achieved. For all of these bodies of water, active efforts are being made to acquire knowledge, plan and implement all technologically feasible and ecologically relevant mitigation measures to achieve the environmental objectives by the deadline (2027 or 2033). Hafslund therefore finds that the Group also satisfies the criteria for environmental objective number three for these bodies of water. The Group also wishes to note that, for many of the bodies of water that have already achieved the environmental objective, more work is being done on measures to make further environmental improvements.

Protect and restore biodiversity and ecosystems (DNSH 6)

The technical screening criteria for the environmental objective relating to biodiversity and ecosystems are particularly linked to whether the measures satisfy the requirements for impact assessments stipulated in the EU Environmental Impact Assessment Directive (the EIA Directive).

The first EU Environmental Impact Assessment Directive entered into force in 1985 and formal requirements for impact assessment were implemented into Norwegian law through the Planning and Building Act in 1986. Hafslund's power plants with licences granted after 1986 are therefore found to meet the criteria for environmental objective number six.

Hafslund finds that the Group's power plants with licences granted prior to 1986 and power plants that do not require a licence meet the criteria for environmental objective number six. Among the reasons for this is that an impact assessment was also carried out for these power plants in accordance with watercourse legislation that was in force at that time. Furthermore, emphasis has been placed on the authorities continuously assessing the need for environmental improvement measures in all bodies of water, including the need to review licence conditions or summon operators without a licence for a licencing process, in order to achieve set environmental targets. Several of Hafslund's power plants have undergone reviews of conditions in recent years and have therefore had their conditions updated. This has also resulted in the implementation of mitigation measures.

Hafslund also has some power plants without licences that were established before statutory requirements for licences entered into force. However, the Water Regulations also apply to these facilities, including requirements for monitoring and a duty to implement measures. If the environmental condition is found to be poor, the government authorities must assess whether there is a need to summon the owner to a licencing process. Hafslund has not received any such summons for any of the power plants without a licence.

Furthermore, Hafslund has ongoing dialogue and works closely with Norwegian sector authorities on impact assessments, and implements the mitigation measures that are deemed relevant for improving the environmental condition in affected waterways. Based on this, Hafslund finds that the criteria in environmental objective number six have been met for the Group's hydropower activities. This also includes Hafslund's power plants that do not have licences.



Hafslund's approach to the Taxonomy criteria: Production and distribution of district heating and cooling

Hafslund finds that its production and distribution of district heating and cooling are covered by the economic activity 4.15 "District heating and cooling distribution" in the EU Taxonomy. The reason for this is that all turnover from district heating comes from the distribution of heating and cooling to commercial buildings and households, and is based on the guidance provided by the European Commission.



Assessment of the EU Taxonomy’s classification of excess heat from waste incineration

Waste incineration is not currently included in the EU Taxonomy (“not eligible”). Based on this, Hafslund has classified revenues, investments and operating expenses associated with waste incineration activities as “not eligible”. In this assessment, the Group distinguished between waste incineration as a necessary process for treating residual waste, and the utilisation of the excess heat produced from the incineration process in an associated district heating system. These are different industries with different industry codes. Hafslund has also had this view confirmed by the EU via FISMA, which wrote the following in an email to Cewep, Confederation of European Waste-to-Energy Plants, on 10 March: “Regarding your point on clarifying how downstream activities described in Taxonomy Delegated Acts, such as waste heat or material recovery from bottom ash, may be Taxonomy-eligible, we would refer you to the first part of this from last year (FAQs and notably to Questions 2 to 6). Activities are indeed eligible where they fall within a specific activity scope description, irrespective of other activities they may be linked to in their value chain. And as regards district heating, we would like to point out that the criteria for district heating and cooling distribution specified in Section 4.15 of the Climate Delegated Act do not contain any requirements/limitations relating to the source of the heating or cooling.”

Therefore, Hafslund’s interpretation of the EU Taxonomy is that all revenues from district heating and cooling operations, which both produce and distribute energy, can be included in the EU Taxonomy’s economic activity 4.15 “District heating/cooling distribution”. On this basis, the revenues, investments and operating expenses associated with this activity are classified as “eligible”. At the present time, Hafslund has not classified revenues, investments and operating expenses as “eligible” under any “production” activities (for

example, electricity produced by turbines in the waste incineration plant).

The criteria for a substantial contribution to environmental objective number one for economic activity 4.15 “District heating and cooling distribution” require that the system satisfies the definition of efficient district heating and cooling systems stipulated in Article 2, paragraph 41, of the Energy Efficiency Directive (Directive 2012/27/EU). Article 2 of the Energy Efficiency Directive refers to “waste heat”, but the EU Taxonomy Regulation and the Energy Efficiency Directive do not define “waste heat”. However, “waste heat” is defined in Article 2(9) of the Renewable Energy Directive (Directive (EU) 2018/2001), and this definition does not appear to exclude waste heat from waste incineration. In Annex IX of the Energy Efficiency Directive (EED), waste heat from waste incineration is explicitly referred to as an energy source that each country should utilise as much as possible to achieve efficient district heating systems. In light of this, Hafslund interprets this to mean that the utilisation of waste heat from waste incineration can be included in the assessment of whether the heating and cooling activities satisfy the definition of an efficient district heating system.

It is also worth noting that the Norwegian energy authorities recognise and encourage the use of waste heat from waste incineration. It is classified in the same manner as other sources of waste heat. Waste incineration is the only lawful option for the treatment of residual waste (volumes left over from sorting processes) in Norway, because disposal is prohibited.

The primary purpose of incineration is to treat residual waste, while energy utilisation is an important secondary service. If waste heat is not used, the amount of residual waste will remain unaffected, and the incineration process will thereby still be necessary and have the same CO₂ emissions. The waste heat currently utilised in the district heating system would then have to be replaced by other sources of energy, which would have had either a direct or an indirect adverse effect on climate and nature.

Assessment of substantial contribution to environmental objective number one

The Group’s district heating and cooling activities make a substantial contribution to environmental objective number one by satisfying the requirements for efficient district heating and cooling systems stipulated in the Energy Efficiency Directive. To satisfy the requirement, the district heating and cooling system must use at least 50 per cent renewable energy, 50 per cent waste heat, 75 per cent cogenerated heat or 50 per cent of a combination of such energy and heat.

In 2023, the energy mix for district heating distributed in Hafslund Oslo Celsio’s system consisted of 50 per cent waste heat from waste incineration, 19.7 per cent from electric boilers, 10.8 per cent from heat pumps (of which 3.1 per cent was electricity, while the remainder was excess heat), 11.3 per cent from wood pellets, 6.6 per cent from bio-oil/biodiesel, and 1.7 per cent from LNG. Since Klemetsrud is a combined heat and power (CHP) plant, the proportion of heat from cogeneration, heat pumps, wood pellets and biofuels will total 61.5 per cent.

Assessment of significant harm to environmental objective numbers two to six

In order to comply with the Taxonomy, the activity must “do no significant harm” (DNSH) to the five other environmental objectives. For the distribution of district heating and cooling, this assessment is relevant to

environmental objective number two (climate change adaptation), environmental objective number three (sustainable use and protection of water and marine resources), environmental objective number five (pollution) and environmental objective number six (protection and restoration of biodiversity and ecosystems). There are no DNSH criteria for distribution of district heating and cooling associated with environmental objective number four (circular economy).

Climate change adaptation (DNSH 2)

In 2022, Hafslund carried out a physical climate risk analysis for its heating and cooling activities in accordance with EU Taxonomy requirements. An important principal finding was a potential risk for parts of the district heating grid located closest to the sea. This is because, when viewed from a long-term perspective, the sea waters will rise and the infrastructure will be under water. Hafslund meets the criteria for environmental objective number two by the Group having identified this risk and having the opportunity to implement measures to mitigate this well in advance.

Sustainable use and protection of water and marine resources (DNSH 3)

All of Hafslund's facilities were subject to regulatory approval processes before and during construction. Environmental impact assessments have been carried out when required by the Norwegian authorities. Necessary mitigating measures have also been implemented for all facilities.

Statutory supervision of the facilities is carried out during the operational phase. This includes inspections and annual reporting on sustainability performance. A risk register has been established based on specific risk analyses for each facility, which includes relevant risks relating to the potential for incidents that may lead to impact on water.

The district heating and cooling business is also ISO 14001-certified, and life cycle assessments of the district heating business have been carried out.

Based on the above and the fact that the activity is carried out in accordance with all relevant legislation, it is Hafslund's assessment that all district heating and cooling activities satisfy the criterion for environmental objective number three.

Pollution prevention and control (DNSH 5)

Hafslund does not consider the Group's district heating and cooling distribution to cause significant harm to the environmental objective of pollution prevention and control and that it therefore satisfies the criterion for environmental objective number five.

Among the reasons for this is that the independent technical report "EU Taxonomy review" from Sweco for the district heating industry concluded that this criterion is not relevant for assessing whether district heating (distribution and production) does significant harm to the objective of "pollution prevention and control". Components and equipment Sweco included in the study (pumps, fans and electric motors) do not noticeably impact the pollution levels from the production of district heating.

The aforementioned report also documents that the distribution of district heating does not generally result in a significant increase in emissions of environmental pollutants into the air, water or land when compared to

the situation prior to when the activity started. Finally, the report notes that replacing specified equipment for the purpose of achieving a better energy label will lead to increased emissions from a life cycle perspective, because existing equipment does not impact pollution levels, while the production of new equipment will result in the use of resources and energy for production. The conclusions in Sweco's report are supported by Hafslund.

Sweco's report is in accordance with the EU report "Taxonomy: Final report of the Technical Expert Group on Sustainable Finance" from 2020, which states that: "When concerning the operation of the district heating grids, the potential significant impact is considered low".

Hafslund would also make general mention of the fact that all production facilities have strict emissions requirements set by the authorities, and that the use of district heating by customers has in many instances replaced local heating plants with significantly less stringent emissions requirements. The extensive use of excess heat in district heating also enables the release of electricity that would otherwise have been used for heating purposes, and which can then be used in, for example, electrification of the transport sector – with reduced emissions and pollution as a result.

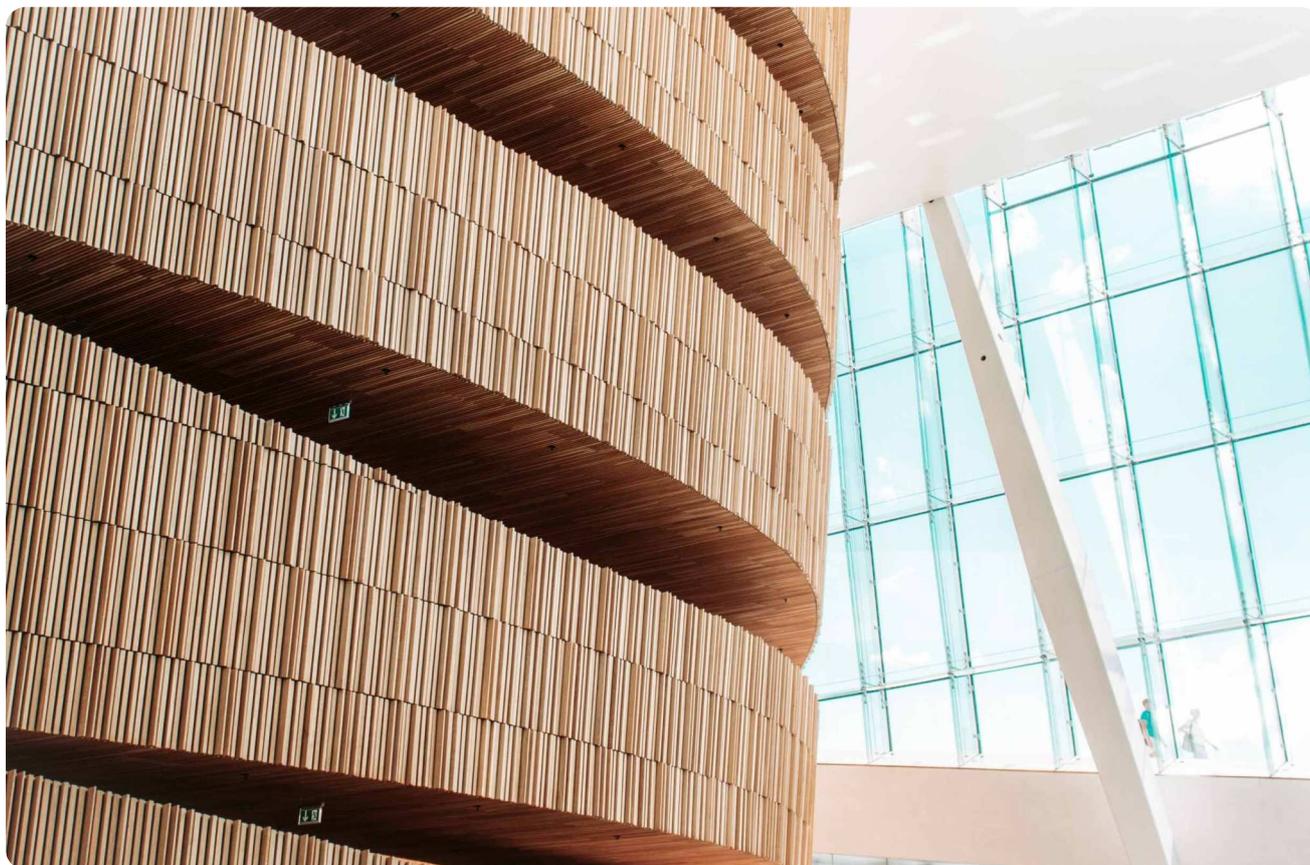
Protection and restoration of biodiversity and ecosystems (DNSH 6)

All of Hafslund's facilities were subject to regulatory approval processes during construction, and environmental impact assessments have been carried out when required by the Norwegian authorities. Necessary mitigating measures have also been implemented for all facilities.

Statutory supervision of the facilities is carried out during the operational phase. This includes inspections and annual reporting on sustainability performance. The district heating and cooling business is ISO 14001-certified, and life cycle assessments of the district heating business have been carried out.

The main facilities are located in urban or industrial areas that are not close to vulnerable nature. For smaller facilities that pass through areas that are of significant importance to biodiversity, several measures are implemented in order to protect the surrounding areas. For example, the district heating network has an electronic leak alarm system. Some district heating systems are located near rivers and streams. All of these are equipped with protection systems that prevent oil and chemicals from leaking out in the event of an accident.

Based on the above and the fact that the activity is carried out in accordance with all relevant legislation, it is Hafslund's assessment that the Group's heating and cooling activities satisfy the criterion for environmental objective number six.



Hafslund’s approach to the Taxonomy criteria: Consulting

Hafslund Rådgivning assists customers with the green transformation, and this business is covered by the EU Taxonomy through economic activity 9.1 “Research, innovation and development”. The reason for this is that the consulting service has the objective of assisting public and private stakeholders with issues that relate to the transition to emission-free solutions.

Assessment of substantial contribution to environmental objective number one

The criteria for substantial contribution to environmental objective number one are met by the service contributing towards reducing life cycle emissions of greenhouse gases. Hafslund’s consulting services result in solutions where customers have reduced their expected emissions, without this having a negative impact on the external environment. Among other things, the consulting ensures that customers reduce emissions through proposed measures related to electrification, the use of charging solutions, or energy analyses that optimise energy consumption. The fact that implementing proposed solutions will result in lower GHG emissions for the customer’s financial activity without being to the detriment of the remaining environmental objectives means that the requirements for substantial contribution are met.

Assessment of significant harm to environmental objectives number two and six

Climate change adaptation (DNSH 2):

In 2023, Hafslund conducted a physical climate risk analysis for the Group's geographical locations nu using climate scenarios. Hafslund Rådgivning's services are not linked to geographical locations, but will be linked to the same geographical locations as the rest of the Group. The analysis that has been conducted at Group level is therefore considered to be adequate for the consultancy services provided.

Sustainable use and protection of water and marine resources (DNSH 3)

Technical screening criteria for environmental objective number three concern addressing the risk of whether the services cause harm to water and marine resources and/or their environmental status. Hafslund Rådgivning conducts initial assessments of customers and projects to avoid a negative impact on environmental objective number three from their project work or proposed solutions.

Circular economy (DNSH 4)

Technical screening criteria for environmental objective number four require that an assessment of whether the service being developed is a hindrance to goals set for the circular economy, for example, ineffective use of materials or an increase in the production, combustion or disposal of waste. Hafslund Rådgivning conducts assessments related to potential harm to the external environment both when selecting customers and projects. Among other things, this process ensures that the projects will not stimulate a weakened circular value chain for the customer.

Pollution prevention and control (DNSH 5)

Technical screening criteria for environmental objective number five involve assessing and addressing the risk of the service resulting in increased pollution into the air, water or land. Hafslund Rådgivning's services are largely focussed on the transition from fossil energy sources to electrical solutions, and will thus lead to a reduction in polluting gases. For projects that do not involve electrification, Hafslund Rådgivning will not propose alternatives that could lead to increased pollution, because this would not align with the vision of contributing to the green transition.

Protection and restoration of biodiversity and ecosystems (DNSH 6)

Technical screening criteria for environmental objective number six require that the risk of causing harm to biodiversity and ecosystems is addressed and taken into account. Hafslund Rådgivning's projects will have little impact on biodiversity and any potential impact will be positive.

Based on the above explanations, Hafslund therefore considers that the criteria for not causing significant harm to environmental objective numbers two to six have been met for Hafslund Rådgivning.

Hafslund's approach to the Taxonomy criteria: Mobile charging solutions

Hafslund Boost provides a service which establishes charging solutions for all types of construction projects. Securing energy needs through battery containers with fast chargers and normal chargers forms part of these services and is considered to be covered by the EU Taxonomy through economic activity 4.10 «Storage of electricity».

Assessment of substantial contribution to environmental objective number one

Hafslund Boost meets the criteria for significant contribution to environmental objective number one by virtue of the nature of the service/ The criterion dictates that the activity must be the construction or operation of electrical storage, which Hafslund Boost satisfies through its battery services that are used on construction sites.



Assessment of significant harm to environmental objective numbers two to six

Climate change adaptation (DNSH 2)

In 2023, Hafslund conducted a physical climate risk analysis for the Group's geographical locations using climate scenarios. Since the battery containers used by Hafslund Boost are mobile, the potential acute climate risk is considered to be most relevant. The batteries planned to be used on construction sites have a robust design and are built to withstand the physical stresses that are common on construction sites. When deploying the battery containers on construction sites, assessments are made of the risk of potential incidents related to climate risk. The robust design, in combination with the mobility of the batteries make it easy to move batteries if this is necessary due to demanding weather. The potential acute climate impact is therefore considered to be manageable.

Sustainable use and protection of water and marine resources (DNSH 3)

Technical screening criteria for environmental objective number three only concern power storage in the form of pump power plants and are thus not relevant for Hafslund Boost.

Circular economy (DNSH 4)

Technical screening criteria for environmental objective number four require a waste management plan to be in place which involves waste being managed in line with the waste hierarchy. Hafslund Boost currently has a conscious relationship to the circular economy when concerning battery containers, which involves these being purchased with an expected useful life of 10-15 years, and efforts are made to extend the useful life for as long as possible. Used batteries will also be purchased if possible. Once the batteries reach the end of their useful life, Hafslund Boost will work to ensure that they are used in their entirety or as components in the second-hand market. If the batteries need to be disposed of, Hafslund will place major emphasis on the choice of supplier, and the use of circularity will be an important assessment criterion. There are currently very few suppliers that offer this type of service, but Hafslund will carry out assessments of waste management solutions as soon as this becomes applicable.

Protection and restoration of biodiversity and ecosystems (DNSH 6)

Technical screening criteria for environmental objective number six require that an environmental impact assessment be carried out for the impact on biodiversity and ecosystems. Hafslund Boost's battery containers are moveable and will only be used at already established construction sites. The products are therefore not considered to cause harm to biodiversity and ecosystems due to an absence of required design and construction that will have an impact on the environment.

Based on the assessments described above, Hafslund finds that the criteria for not causing significant harm to environmental objective numbers two to six are met for mobile charging solutions.

Minimum requirements for social standards

The minimum requirements for social standards are stipulated in the United Nations Guiding Principles on Business and Human Rights ("UNGP") and the OECD Guidelines for Multinational Enterprises ("OECD Guidelines"), as well as the ILO's eight core conventions and the International Declaration of Human Rights. The minimum requirements are twofold, and set requirements for (1) processes and (2) that there is no significant harm. Based on Hafslund's interpretation, the Group satisfies the minimum requirements for social standards.

In accordance with the guide to the minimum requirements for social standards from "Platform on Sustainable Finance", Hafslund has considered the following topics:

- Human rights, including decent working conditions and consumer rights
- Corruption
- Tax
- Fair competition



Basic human rights and decent working conditions

Requirements for adequate due diligence processes

Hafslund's due diligence assessments

Hafslund's work with basic human rights and decent working conditions is regulated in the Group's internal guidelines and procedures. Hafslund's sustainability policy stipulates, at an overarching level, Hafslund's fundamental principles for how the Group should work with due diligence. Responsible supply chain has been established as one of Hafslund's material sustainability topics. Hafslund wants to be an actor that contributes to responsible working conditions, both internally and in the Group's supply chains. «Responsible» is entrenched at the highest level of management, and is one of the Group's core values.

Hafslund's ethical guidelines for employees set expectations for how the Group should conduct itself internally and when working together with business associates. The

[“Ethical guidelines and requirements for suppliers”](#) set out requirements for Hafslund’s supply chain, which includes requirements from the Oslo Model (the City of Oslo’s standard contract terms for the procurement of goods and services and building and construction).

Based on Hafslund’s interpretation, the Taxonomy does not require due diligence of customers and their use of products/services in accordance with the EU’s proposed Corporate Sustainability Due Diligence Directive.

Work with the Transparency Act in autumn 2022 and in 2023

An external assessment of the Group in autumn 2022 and spring 2023 identified significant areas of improvement for compliance with the requirements in the Transparency Act.

As a result of the assessment, Hafslund introduced new governing documents, updated existing governing documents and adjusted the division of roles and responsibilities. Procedures were established for compliance with the Transparency Act, preparation of the report and handling requests for information. Hafslund’s whistleblowing channel was also made available to third parties. Tools were acquired from a third party to ensure there is a risk-based approach to the Group’s suppliers and business partners.

Work with minimum social requirements during the first quarter of 2024

As part of the Taxonomy reporting, Hafslund has assessed compliance with own internal due diligence procedures and the extent to which these meet the requirements for due diligence of third parties.

The assessment found that Hafslund particularly follows up HSE requirements at the Group’s facilities in order to prevent and detect breaches of decent working conditions on the part of suppliers. Information about suppliers is collected through questionnaires, including in Achilles. Supplier visits and audits are also conducted in Norway and abroad, including at facilities and factories in Europe and China. There is a high level of awareness among Hafslund’s employees about significant risks and motivation to prevent, detect and manage risks and actual violations. A review of Hafslund’s [“Ethical guidelines and requirements for suppliers”](#) was commenced in autumn 2023.

The assessment also revealed a lack of systematic work with due diligence.

During the first quarter of 2024, Hafslund has implemented additional measures that strengthen the Group's compliance with the minimum requirements in the Taxonomy and Transparency Act:

- Strengthened roles, responsibilities and training
- Improved tools for due diligence and their integration into internal routines and processes

A more detailed description of Hafslund's work on the Transparency Act can be found on the Group's [website](#), which is published no later than 30 June 2024.

Significant harm

Hafslund did not cause significant harm to basic human rights or decent working conditions in 2023.

Corruption

Requirements for anti-corruption processes

Hafslund has several processes and procedures that are suitable for preventing, detecting and managing corruption.

Hafslund sets requirements through ethical guidelines for employees (including intermediaries) and suppliers. Information on corruption and corruption risk is collected in procurement processes and also included in Achilles audits. Comprehensive procurement processes in connection with framework agreements and procurements exceeding NOK 5 million, the principle of 4-eyes and known knowledge of normal market prices aid in preventing and detecting any corruption. All expenses must be documented with receipts and explanation in Visma Expense, which are reviewed and approved before payment. The whistleblowing system includes whistleblowing about corruption, both in own activities and among Hafslund's third parties. Integrity due diligence processes are also carried out in connection with transactions and joint ventures/cooperative processes that involve corruption.

Although anti-corruption measures are implemented in several areas of the Group, an internal assessment uncovered the need for a more systematised approach to and the implementation of anti-corruption measures, including a systematic assessment of corruption risk and the development of a toolbox for measures in addition to ethical guidelines and terms in supplier contracts. There were no clear roles and responsibilities for anti-corruption work, nor a systematic approach to training.

Significant Harm

Hafslund did not cause significant harm due to corruption in 2023.

In the first quarter of 2024, Hafslund has implemented the following measures that strengthen the Group's compliance with the OECD's Guidelines on anti-corruption.

- Established coordinator responsibility, and assigned responsibilities to the line for anti-corruption work
- Completed training initiatives
- Identified risk of corruption in the Group
- Integrated risk of corruption into the guide on due diligence processes for basic human rights and decent working conditions



Consumer rights

Requirements for adequate due diligence processes

As part of the Taxonomy reporting, an assessment was carried out of the Group's compliance with the OECD Guidelines regarding consumer rights. The only Group company that had private customers when the assessment was carried out was Hafslund Oslo Celsio AS.

Our assessment found that Hafslund Oslo Celsio has the necessary processes and measures in place to detect, prevent and manage potential and actual violations of consumer rights.

Significant harm

Hafslund Oslo Celsio did not cause significant harm to consumer rights in 2023.

Requirements for follow-up of tax obligations as part of corporate governance

Taxation and compliance with tax obligations are key elements of Hafslund's corporate governance. Decisions that have tax implications of significant importance will be adopted by, or discussed with the Board of Directors or other senior executives in the Group. Hafslund also strives to be transparent with the tax authorities, and provide full and correct information in submitted tax returns as well as in other correspondence with relevant authorities.

Hafslund is of the view that the Group has the necessary procedures to ensure timely and correct payment of tax. Hafslund will also continuously improve the Group's procedures and processes to ensure controls and management of tax risk.

Significant harm

Concerning tax, "significant harm" is defined as "finally [been] found violating of tax laws".

In Hafslund's view, the Group has not "finally [been] found violating of tax laws".

However, it should still be noted that, in the amendment decision dated 18 December 2023, which applied to the 2021 and 2022 financial years, Hafslund AS and jointly registered companies were denied a deduction for input value added tax of NOK 2.2 million and were imposed a surcharge of 20 per cent on this amount.

Hafslund has not made a final decision on whether the amendment decision dated 18 December 2023 constitutes "significant harm". There is little guidance on how this condition should be understood, for example, what significance it may have that the amount is low when viewed in the context of Hafslund's business activities. In any event, Hafslund has initiated measures to reduce the risk of equivalent errors occurring again in future financial years. The measures entail that Hafslund does not consider the amendment decision to be a "violation of tax law", irrespective of whether or not the decision is considered, in isolation, to constitute "significant harm". This is in line with the guide from [Platform on Sustainable Finance](#). The guide notes that the status of "non-compliant" only applies to a company that "has proved that its processes have been improved in a way that a repetition of breaches is unlikely".

Fair competition

Requirements to raise awareness of the importance of compliance with competition laws

Our internal assessment found that Hafslund complies with competition laws, and that compliance with competition laws is also emphasised in Hafslund's "[Ethical guidelines and requirements for suppliers](#)". Awareness is promoted through internal and external courses, as well as ongoing attitude work.

Hafslund's assessment is that the Group complies with the OECD's guidelines for fair competition. At the same time, the Group wants to strengthen this work through further development of the Group's internal framework for compliance with competition regulations and contact with competition authorities.

Significant harm

Hafslund has not caused significant harm within competition law.

PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES - DISCLOSURE COVERING YEAR 2023

Financial year 2023	2023		SUBSTANTIAL CONTRIBUTION CRITERIA								DNSH CRITERIA						Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year 2022 (18)	Category (enabling activity) (19)	Category (transitional activity) (20)
	Code(s) (2)	Turnover (3)	Proportional turnover 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)					
Economic activities (1)		MNOK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	1	1	
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Electricity generation from hydropower	CCM 4.5 / CCA 4.5	14 706	84 %	Y	N	N/EL	N/EL	N/EL	N/EL	NA	Y	Y	NA	NA	Y	Y	93 %			
Storage of Electricity	CCM 4.10 / CCA 4.10	0	0 %	Y	N	N/EL	N/EL	N/EL	N/EL	NA	Y	Y	Y	NA	Y	Y	0 %	E		
District heating/cooling distribution	CCM 4.15 / CCA 4.15	2 305	13 %	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	NA	Y	Y	Y	5 %			
Close to market research, development and innovation	CCM 9.1 / CCA 9.2	3	0 %	Y	N	N/EL	N/EL	N/EL	N/EL	NA	Y	Y	Y	Y	Y	Y	0 %	E		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		17 014	97 %																	
Of which enabling		3	0 %																	
Of which transitional																				
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL											
Electricity generation from hydropower	CCM 4.5 / CCA 4.5	28	0 %	EL	EL	N/EL	N/EL	N/EL	N/EL											
Storage of Electricity	CCM 4.10 / CCA 4.10	0	0 %	EL	EL	N/EL	N/EL	N/EL	N/EL											
District heating/cooling distribution	CCM 4.15 / CCA 4.15	5	0 %	EL	EL	N/EL	N/EL	N/EL	N/EL											
Close to market research, development and innovation	CCM 9.1 / CCA 9.2	0	0 %	EL	EL	N/EL	N/EL	N/EL	N/EL											
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		33	0 %																	
A. Turnover of Taxonomy-eligible activities (A.1. + A.2.)		17 046	97 %																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES		0																		
B. Turnover of Taxonomy-non-eligible activities		480	2,7 %																	
Waste incineration		273																		
Electricity generation using waste		155																		
Other (incl. CCS)		4																		
Fiber (ICT)		24																		
Hafslund AS (not assessed)		12																		
Hafslund Vekst		12																		
Total (A + B)		17 526	100 %																	

PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES - DISCLOSURE COVERING YEAR 2023

Financial year 2023	2023			SUBSTANTIAL CONTRIBUTION CRITERIA							DNSH CRITERIA							Minimum Social Standards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) Capex, year 2022 (18)	Category (enabling activity) (19)	Category (transitional activity) (20)
	Code(s) (2)	Capex (B)	Proportion of capex, year 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)						
Economic activities (1)		MNOK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	%	E	T	
A. TAXONOMY-ELIGIBLE ACTIVITIES																					
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
Electricity generation from hydropower	CCM 4.5 / CCA 4.5	617	51 %	Y	N	N/EL	N/EL	N/EL	N/EL	NA	Y	Y	NA	NA	Y	Y	61 %				
Storage of Electricity	CCM 4.10 / CCA 4.10	15	1 %	Y	N	N/EL	N/EL	N/EL	N/EL	NA	Y	Y	Y	NA	Y	Y	0 %	E			
District heating/cooling distribution	CCM 4.15 / CCA 4.15	144	12 %	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	NA	Y	Y	Y	19 %				
Close to market research, development and innovation	CCM 9.1 / CCA 9.2	0	0 %	Y	N	N/EL	N/EL	N/EL	N/EL	NA	Y	Y	Y	Y	Y	Y	0 %	E			
Capex of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		776	64 %																		
Of which enabling		15	1 %																		
Of which transitional																					
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL												
Electricity generation from hydropower	CCM 4.5 / CCA 4.5	6	0 %	EL	EL	N/EL	N/EL	N/EL	N/EL												
Storage of Electricity	CCM 4.10 / CCA 4.10		0 %	EL	EL	N/EL	N/EL	N/EL	N/EL												
District heating/cooling distribution	CCM 4.15 / CCA 4.15	63	5 %	EL	EL	N/EL	N/EL	N/EL	N/EL												
Close to market research, development and innovation	CCM 9.1 / CCA 9.2		0 %	EL	EL	N/EL	N/EL	N/EL	N/EL												
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		69	6 %																		
A. Capex of Taxonomy-eligible activities (A.1. + A.2.)		845	69 %																		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
B. Capex of Taxonomy-non-eligible activities		372	31 %																		
Waste incineration		52	4 %																		
Electricity generation using waste		2	0 %																		
Other (incl. CCS)		279	23 %																		
Fiber (ICT)		36	3 %																		
Hafslund AS (not assessed)		3	0 %																		
Total (A + B)		1 217	100 %																		

PROPORTION OF OPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES - DISCLOSURE COVERING YEAR 2023

Economic activities (1)	2023		SUBSTANTIAL CONTRIBUTION CRITERIA							DNSH CRITERIA					Minimum Social Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) Opex, year 2022 (18)	Category (enabling activity) (19)	Category (transitional activity) (20)	
	Code(s) (2)	Opex (3)	Proportion of Opex (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)					Biodiversity (16)
		MNOK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
<i>Electricity generation from hydropower</i>	CCM 4.5 / CCA 4.5	1 684	74 %	Y	N	N/EL	N/EL	N/EL	N/EL	NA	Y	Y	NA	NA	Y	Y	48 %	E	
<i>Storage of Electricity</i>	CCM 4.10 / CCA 4.10	0	0 %	Y	N	N/EL	N/EL	N/EL	N/EL	NA	Y	Y	Y	NA	Y	Y	0 %		
<i>District heating/cooling distribution</i>	CCM 4.15 / CCA 4.15	266	12 %	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	NA	Y	Y	Y	21 %		
<i>Close to market research, development and innovation</i>	CCM 9.1 / CCA 9.2	0	0 %	Y	N	N/EL	N/EL	N/EL	N/EL	NA	Y	Y	Y	Y	Y	Y	0 %	E	
Opex of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		1 950	86 %																
Of which enabling																			
Of which transitional																			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
<i>Electricity generation from hydropower</i>	CCM 4.5 / CCA 4.5	20	1 %	EL	EL	N/EL	N/EL	N/EL	N/EL										
<i>Storage of Electricity</i>	CCM 4.10 / CCA 4.10		0 %	EL	EL	N/EL	N/EL	N/EL	N/EL										
<i>District heating/cooling distribution</i>	CCM 4.15 / CCA 4.15		0 %	EL	EL	N/EL	N/EL	N/EL	N/EL										
<i>Close to market research, development and innovation</i>	CCM 9.1 / CCA 9.2		0 %	EL	EL	N/EL	N/EL	N/EL	N/EL										
Opex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		20	1 %																
A. Opex of Taxonomy-eligible activities (A.1. + A.2.)		1 970	87 %																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
B. Opex of Taxonomy-non-eligible activities																			
		306	13 %																
Waste incineration		292	13 %																
Fiber (ICT)		8	0 %																
Hafslund AS (not assessed)		5	0 %																
Hafslund Vekst		1	0 %																
Total (A + B)		2 276	100 %																

Template 1: Nuclear and fossil gas related activities

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Hafslund's business areas



Hafslund's business areas

Hydropower: Hafslund Eco Vannkraft

A word from the Managing Director

We work in close proximity with nature, and those of us who work with renewable energy need to respect the natural environment. Climate change means there will be more variable weather in the future, which will make it more challenging to manage the forces of nature.

The extreme weather event “Hans” that occurred last August made it clear as to how nature will test us in the coming years. The failure of the dam at Braskereidfoss power plant, which turned into a crisis-in-a-crisis during “Hans”, demonstrated that we also need to improve our procedures and systems to manage more extreme weather.

During 2023 we again saw major fluctuations between drought and flooding, and cold and heat. This impacts prices – which are increasingly changing in line with the weather. Following the extreme weather event “Hans” we had a long period of power prices being at around zero in Eastern Norway, but towards the end of the year we again saw very high prices as a result of cold and calm weather.

We need to take care of what we have. Both power prices and floods show us that hydropower, and particularly regulated hydropower, is of high value. Among other things, last year saw the completion of the Dokkfløydammen upgrade. This is one of the largest and most important reservoirs in the county of Innlandet. The upgrade allows for better flood management and increased security.

We also need more hydropower. We are working on several projects that can produce new power, and are now preparing a licence application for Sarp 2. This is an expansion of the power generation in Sarpsborg, where power has been produced since 1899. It is still possible to increase power generation, and the power plant can also help to divert flooding at Sarpsfossen.

One thing that does not fluctuate, but unfortunately only keeps rising, is the cost of developing new hydropower. This is a result of factors such as pressured supply chains and high commodity prices. It can be demanding to realise Hafslund’s projects when there are high costs, more uncertain framework conditions and uncertainty regarding developments in Europe.

When things fluctuate the most, it is important to take a breath and follow the procedures which we have in place. Everyone should come home safe and sound from work every day. After 18 months without injuries resulting in absence from work, we unfortunately had some incidents at the end of last year with the potential to cause injury. We take this seriously and have taken action. I am pleased to be part of a team in which we can talk about and learn from the mistakes that we make. This applies to both the big and the little things.

Despite our long history, we are a relatively new company. In the past year, we have streamlined our operational organisation to enable us to become a more holistic company. Our employees go to work every day to produce renewable energy and work hand-in-hand with nature. I am impressed by the efforts being made, the pride in the organisation and how well we are moving forward. Our employees and our shared culture are a good foundation for tackling the challenges that both we and society will be facing in the years to come.

Kristin Lian



A word from the Managing Director

Important events for the hydropower business in 2023

New renewable hydropower

Dam rehabilitation

2023 saw the completion of the dam rehabilitation projects at Viddalsdammen in Aurland municipality and Rødungen Nord in Ål municipality. The total investment was NOK 450 million. Viddalsvatn is the intake reservoir for the Aurland 1 power plant. The Rødungen lake is used in many power plants in Hallingdal.

Ready for Frosen

In June 2023, Hafslund was awarded a licence to build the Frosen power plant between Stolsmagasinet and Rødungen in Ål municipality. The planned power plant is approximately 5 MW and will have an annual production of 26 GWh. The environment has been well-protected through measures such as minimum water flow along the route.

Positive attitude towards Hemsil 3

The hydropower business has submitted a licence application for the Hemsil 3 power plant in Hemsedal municipality. The Norwegian Water Resources and Energy Directorate (NVE) issued a positive recommendation in January 2024 and this raises the hope that a licence will be awarded during autumn 2024. The project was previously subject to a partial licence process in 2013–2015. The Hemsil 3 power plant's intake is from Eikredammen, and has a drop height of 370 metres and an annual production of 106 GWh.

The Sarp 2 power plant – a golden opportunity with a deadline

The hydropower business has plans for a new power plant in Sarpsfossen, and a licence application will be submitted in 2024. The development will involve minimal encroachment on nature and better utilise the rate of flow in the Glomma river, which will in turn mean increased production and better flood attenuation. Hafslund is dependent on the project being fast-tracked due to plans for a bridge in the same area. The Sarp 2 power plant will have an annual production of about 185 GWh.

Other events

Extreme weather event “Hans”, water penetration and dam failure

The extreme weather event “Hans” that occurred in August was a rare weather phenomenon which impacted a large area and brought with it huge amounts of rainfall in almost all of the company's waterways. It created a flood that very rapidly increased in both strength and intensity. On 9 August, the floodgates at the Braskereidfoss power plant were unable to open as the water level increased. This led to water entering the

power plant and eventually to the dam at the power plant bursting under stress from the extreme mass of water. The incident caused major damage to the facility, but no harm to life or health. DNV AS was engaged to conduct an investigation of the incident. The investigation revealed that the company did not have adequate procedures and systems for handling the type of extraordinary situation created by “Hans”. A number of measures have been implemented and a great deal of learning has been obtained from the investigation report. The efforts of our employees during the extreme weather were simply outstanding and Hafslund has conducted a comprehensive evaluation of crisis and emergency response management to improve our emergency response expertise.

Future-oriented solutions for trading and analysis

The IT systems for the Power Market division were improved in 2023. A new Energy Trading and Risk Management System (ETRM) was adopted in September and an automated trading solution (Algotrader) has been established. These systems contribute to more efficient and optimised operations in the power markets. In 2023, a scalable cloud-based environment was also established for Hafslund’s long-term models, which has improved security, stability and transparency.

Greater predictability for investments

The high-price contribution was discontinued from 1 October 2023. This was introduced in 2022 and meant that 23 per cent of revenue from power prices exceeding 70 øre per kWh had to be paid as tax, in addition to resource rent tax (45 per cent) and normal corporate tax (22 per cent). This gave a marginal tax on hydropower of 90 per cent when power prices were high. This tax had adversely impacted security of supply, investments in renewable power, the price level for long-term contracts and financial hedging and risk management. For Hafslund, the scrapping of the high-price contribution will mean a more rational allocation of hydropower and greater predictability for Hafslund’s investments.

New migration record for brown trout

A new migration record was set for brown trout in Hunderfossen. The net increase in 2023 consisted of 1,561 trout larger than 45 cm. The brown trout is one of the world’s largest species of trout, and is highly valued both in Norway and internationally. The large

increase in migration in recent years has primarily been due to the presence of more wild fish, and the County Governor has now lifted the release order. Among other things, wild fish are doing better due to increased minimum rate of flow, easier migration in the fish ladders and optimal gate manoeuvring and decoy flooding.

The Norwegian power system

The Norwegian hydropower system has normal annual production of 137 TWh and total output capacity of 34 GW. In a normal year, hydropower production accounts for approximately 87 per cent of Norway's total power production. A particular feature of Norwegian hydropower is the ability to store energy and to produce as needed. There are currently over 1,000 reservoirs in Norway, which make up about half of Europe's total reservoir capacity. Most of the reservoirs in Norway were constructed before 1990, although upgrades and expansions of the power plants have increased the ability to utilise these.

Norway has both hydropower that is adjustable, in the form of hydropower plants with reservoirs, and non-adjustable hydropower, in the form of run-of-river hydropower plants. Flexible hydropower possesses features that no other renewable production technology presently has, i.e. power production is able to be adapted to demand. Production in non-flexible hydropower is determined by inflow. Most reservoirs are normally drawn down for the spring in order to be filled again during the melting season, and in this way, the reservoirs also have a flood-mitigating effect.

Wind power in Norway has normal annual production of 17 TWh and installed output capacity of 5 GW. The Norwegian power system is closely linked to the Nordic countries and Europe through exchange connections that provide greater security for dry years and better use of energy resources.



A particular feature of Norwegian hydropower is the ability to store energy and to produce as needed.

Hafslund's hydropower

Hafslund's hydropower business is the second largest in Norway, and Hafslund owns, operates and maintains 81 hydropower plants, provides system services to the power system, and sells power in the wholesale market. The hydropower business had 459 employees at the end of 2023. The annual normal power production is approximately 18 TWh (about 13 per cent of the total Norwegian hydropower production), and power plants with a total normal production of approximately 21 TWh per year are operated. That equates to enough electricity to supply more than 2.8 million people. Of the hydropower business' annual normal production, about 60 per cent is adjustable (reservoir-based) and about 40 per cent non-adjustable (river power). Approximately 59 per cent of normal production is in price area NO1 (Southeast Norway), 36 per cent is in price area NO5 (Western Norway), and 5 per cent is in price area NO3 (Central Norway). The largest facility, Aurland 1, is Norway's third largest power plant, with annual normal production of

2.3 TWh and total installed capacity of 840 MW. The plant covers the annual electricity consumption of approximately 115,000 households. The total installed capacity is approximately 5,200 MW. Further information about all of the power plants and their capacity is available at www.hafslund.no.

Norway and Europe have a strong need for new renewable energy, and Hafslund has the goal of increasing renewable power production both organically and structurally. Six new power plants have been completed in recent years that produce a total of over 1 TWh in new renewable power. Work is continuously being carried out on upgrading and expanding Hafslund's power plants, and the equivalent of approximately 20-40 GWh of new renewable energy is added each year. In addition, Hafslund is looking for profitable development projects and there are currently several such projects under development. These projects collectively have the potential to contribute 700 GWh of increased renewable energy and 600 MW in increased output.



Six new power plants have been completed in recent years that produce a total of over 1 TWh in new renewable power.

The Norwegian power market in 2023

Price development

In 2023, electricity prices in Norway and Europe fell significantly from the levels seen in 2022, but were still high in a historical context. The average spot prices for the year for the southern price areas were 76 øre/kWh (194 øre/kWh) for NO1 (Southeast Norway), 90 øre/kWh (213 øre/kWh) for NO2 (Southwest Norway) and 76 øre/kWh (193 øre/kWh) for NO5 (Western Norway). In addition, the prices were 44 øre/kWh (42 øre/kWh) for NO3 (Central Norway) and 34 øre/kWh (24 øre/kWh) for NO4 (Northern Norway).

Price drivers

Continental prices and energy crisis in Europe

Following the most acute phase of the energy crisis in 2022, the prices on the continent also fell in 2023. This was due to somewhat reduced consumption and having been able to import enough LNG to have record high gas stores throughout 2023. Europe's gas stores were completely full at the start of the heating season in winter 2023/2024. Despite this, there is a tight balance in the global LNG market and even minor disruptions in the market have in some cases had significant effects on prices.

Nuclear power in France had a significantly better year in 2023 than in 2022, with a 14 per cent increase in production that was equivalent to 40 TWh. A large amount of new renewable energy was also fed into the European power system. Wind and solar production in Germany, France, Spain and the United Kingdom rose to 436 TWh, an increase of 10 per cent, equivalent to 40 TWh, from 2022.

For 2023, power prices were 109 øre/kWh (237 øre/kWh) in Germany and 123 øre/kWh (244 øre/kWh) in the United Kingdom. This reduction also strongly contributed to lower prices in Norway.

Hydrology

The hydrological situation was generally good in 2023, with only minor discrepancies in the hydrological balance for the country as a whole. The year produced a high level of precipitation, which reached 152 TWh. Based on figures from NVE the historically normal level is 136 TWh. The high precipitation was particularly noticeable during the extreme weather event "Hans". Despite the large amount of precipitation, usable inflow, i.e. the precipitation that could be used for power production, was somewhat below normal at 134 TWh, versus the historically normal level of 136 TWh. The situation was also relatively normal for the individual parts of the country, with the exception of NO1, which had reservoir levels of 102 per cent in week 32. NO5 also had high reservoir levels in autumn, with a new maximum level for week 42 of 92.9 per cent. There were periods in which this resulted in very low power prices, because some run-of-river hydropower plants had to ramp up production to remove water in order to mitigate potential new floods. For NO2, NO3 and NO4, reservoir levels were relatively normal during the year.

Transmission capacity

Due to limited transmission capacity from the north to the south of Norway and Sweden, Central and Northern Norway were not impacted as much by the price drivers on the continent as Southern Norway. There were also periods in which internal restrictions in the transmission capacity in Southern Norway resulted in price differences between the areas in the south.



Statement of value creation

NOK million	2023	2022
Sales revenue	14,611	23,776
Other gain/loss	865	-3,334
Other operating revenue	123	91
Revenues and other income	15,599	20,534
Energy purchases and transmission	-233	-96
Salary and other personnel costs	-579	-526
Property tax and other imposed costs and compensation	-530	-532
Other operating costs	-281	-239
Profit/loss from equity-accounted investees	10	112
EBITDA	13,986	19,253
Depreciation and amortisation	-669	-510
Operating profit (EBIT)	13,317	18,743
Net financial items	163	-144
Profit before tax	13,479	18,599
Income taxes	-8,546	-14,596
Profit after tax	4,933	4,003

NOK million	2023	2022
OTHER KEY FIGURES		
Underlying operating profit/loss (excluding changes in value)	11,998	19,182
Underlying profit after tax (excluding changes in value)	3,947	4,312
Effective tax expense (as a % of pre-tax profit)	63 %	78 %
Investments in property, plant and equipment	623	529
Hydropower production (TWh)	18.5	13.8
Power price achieved (øre/kWh)	73	150
Spot price, price areas (øre/kWh)	74	184
Nordic system price (øre/kWh)	64	137
Number of employees	459	400

The hydropower business had operating revenues of NOK 15.6 billion in 2023 (NOK 20.5 billion in 2022). Revenues and operating profit reflect high power prices in historical terms, but significantly lower prices than were seen in the extreme year of 2022. Hydropower production was 4 per cent higher than normal production, but a full 34 per cent higher than in 2022. The operating profit includes a profit of NOK 9 million (NOK 112 million) from the 20 per cent ownership interests in the Austri Raskiftet DA and Austri Kjølberget DA wind farms.

The achieved power price of 73 øre per kWh in 2023 was a decrease of 77 øre per kWh from the previous year, which, in isolation, contributed to decreasing the operating profit by NOK 10.8 billion in relation to 2022. The achieved power price was 1 per cent lower than the spot prices in the hydropower business' production areas, and in addition to the sale of concessionary power at prices determined by the government, must also be viewed in connection with the hedging activity through the sale of power to the industry at fixed prices and realised losses from financial power hedging. Revenues from the sale of guarantees of origin were NOK 0.8 billion (NOK 0.2 billion). The operating profit includes a change in value of NOK 1.3 billion (NOK -0.4 billion) related to financial power derivatives recognised at market value in profit or loss. When adjusted for changes

in value in the operating profit, the underlying operating profit was NOK 12.0 billion in 2023, a decrease of NOK 7.2 billion from the previous year.

Power production of 18.5 TWh in 2023 was 4.7 TWh higher than in 2022 and 0.8 TWh higher than normal production. In isolation, higher power production contributed NOK 3.5 billion in increased operating profit compared to 2022. The incident at Braskereidfoss in August resulted in the power plant being temporarily out of service due to dam failure and water penetration into the Braskereidfoss 1 and Braskereidfoss 2 power stations. Preliminary assessments are that the power plant may be back online during 2026 at the earliest. Braskereidfoss has an annual normal production of approximately 170 GWh, which is just under 1 per cent of the hydropower business' annual normal production. Other than the incident at Braskereidfoss, there were good operations and resource allocation, as well as a high level of availability at the power plants during the year.

Operating expenses, including depreciation, were NOK 2.3 billion in 2023, an increase of 20 per cent from 2022. It was primarily an increase of 15 per cent in less influenceable costs such as transmission costs and property taxes that contributed to this; however, more employees and general price inflation also contributed to the increase from 2022. The low transmission costs in 2022 must be viewed in connection with a negative variable tariff. In connection with the incident at Braskereidfoss power plant, NOK 130 million was recognised as write-downs in the balance sheet. A further NOK 20 million in clean-up/remediation costs was recognised as expenses. The hydropower business has business interruption insurance and property damage insurance which are not taken into account in the financial statements for 2023, but which will be taken into account when this process is tentatively clarified during 2024.

The tax expense of NOK 8.5 billion (NOK 14.6 billion) corresponds to an effective tax rate of 63 per cent (79 per cent). The high tax rate must be viewed in the context of the special taxation of the hydropower business, which involved resource rent tax of 45 per cent and high-price contribution for power prices above 70 øre per kWh for the first nine months of the year, in addition to the general corporate tax rate of 22 per cent. The reduction in the effective tax rate is also a consequence of results from financial power hedging, which were NOK 0.9 billion (NOK -3.3 billion) in 2023, not being subject to resource rent tax.

The profit after tax of NOK 4.9 billion (NOK 4.0 billion) for 2023 was an increase of 24 per cent from the previous year. The underlying profit after tax for the year (profit after tax, excluding changes in value) was NOK 3.9 billion (NOK 4.3 billion) in 2023.

Hafslund's business areas

District heating and cooling: Hafslund Oslo Celsio

A word from the Managing Director

2023 was an eventful and turbulent year for Celsio.

The company has undergone a major period of change in recent years. Under the new owners, after having been part of the Fortum Group, we have carried out a significant restructuring process and are now standing firmly on our own two feet. We have strengthened our position both in terms of organisation and technology. Day-to-day operations proceeded as normal during the period in which all these changes were being implemented, and several major development and construction projects have progressed well.

At the same time, external factors have contributed to challenges on several fronts. The framework conditions that we are obligated to operate under, such as the electricity compensation scheme, have hit the company hard and had a significant negative impact on the bottom line. The waste incineration tax that was sharply increased at the beginning of 2024 also has a major impact. There is still uncertainty associated with the future price model for district heating while a decision from the government authorities on a proposal for a new model is still pending. With such uncertain framework conditions, it is challenging to lead a capital-intensive energy and infrastructure company like Hafslund Oslo Celsio, and make recommendations for future investments.

We are working hard to get the government authorities to understand the critical role we play for society and there is a serious need for more district heating, which was something the Energy Commission highlighted in its report. The Energy Commission identified the potential to relieve the burden on the power system and the grid by 2-4 TWh if there is a commitment to district heating. This would provide major savings to society in the form of lower energy and grid development costs and also provide a more robust energy system. However, district heating and new climate technology such as carbon capture do not build themselves, and they will not be built if the framework conditions do not allow the sector to have financial sustainability and stable prerequisites that enable new investment decisions to be made. We worked intensively in 2023 to highlight the need for a holistic improvement in the district heating industry's framework conditions and will continue this important work in 2024.

Price rises caused by inflation, geopolitical instability and a weaker Norwegian krone contributed to us moving the carbon capture project at Klemetsrud into a cost-reducing phase in April. This was a setback, but it is also correct and important to control costs and ensure that the project is sustainable. The work on advancing the project towards a new investment decision in 2024 is progressing well.

We experienced a tough year financially, but stood firm together. We have a lot to be proud of. The company is now in better shape than it has been for a long time, and we stand strong as Norway's leading circular energy company.

I have rolled up my sleeves and am ready for a tough but exciting 2024.

Knut Inderhaug



Important events for the district heating business in 2023

Cost-reducing phase for the carbon capture project at Klemetsrud

In April, Hafslund's district heating business made the decision to move the carbon capture project at Klemetsrud into a cost-reducing phase. An updated estimate showed that inflation, geopolitical instability and a weaker Norwegian krone would result in the project exceeding the investment framework. New suppliers were asked to present alternative solutions that could reduce costs. In November, Aker Carbon Capture and Aker Solutions were selected to conduct a preliminary study for a new concept for the project. The district heating business also made the decision to cancel the agreement with the original supplier. The goal is to make a new investment decision for the project in the summer of 2024.

Energy Commission recommends more district heating

In February, the Energy Commission submitted its report to the Norwegian Government, and among the recommendations in the report was the development of more district heating. The Commission noted that district heating is an efficient and important tool for relieving the power grid, freeing up power for future electrification and increasing the security of supply for power.

Further worsening of the framework conditions in the national budget

In 2024, the Norwegian Parliament approved an 85 per cent increase in the waste incineration tax. The tax increase places considerable pressure on the profitability of Hafslund Oslo Celsio, because the tax cannot simply be passed on to waste-generating segments. The intention behind the tax is understandable, by virtue of the fact that making waste management more expensive will create incentives to reduce the amount of waste that is generated. The challenge is that when waste management in Norway becomes more expensive, more operators will choose to transport their waste to Sweden.

The waste incineration tax increase comes on top of already demanding framework conditions for Hafslund Oslo Celsio.

New organisation

In March the district heating business carried out a restructuring of the company. With new owners and a new strategy for the company, it is important to have an organisation that is best aligned to work well across the company in order to achieve the company's ambitious goals.

After having been part of a large corporate group with established systems and group functions at Fortum, Celsio has carried out a significant restructuring process in order to stand firmly on its own two feet. In less than a year, the company replaced the entire technical IT infrastructure, and established a new accounting and payroll function.

New production records

At between 9 am and 10 am on 4 December 2023, Hafslund Oslo Celsio set a new

production record, with an average output of 722 MW. On that particular day, the outside temperature in Oslo was -13°C . Never has so much heat been produced in one year than in 2023. A total of 2 TWh of heat was supplied to the residents of Oslo. The heat supplied from Celsio relieves pressure on the power grid and is especially important during the coldest days when demand is at its highest.

Accumulator tank for storing energy

The accumulator tank at Haraldrud was brought online in October. The 33-metre-high tank acts like a Thermos flask and has space to store more than eight million litres of hot water. Water can be heated during periods with low power prices, such as at night, and can then be stored and used during periods with higher power prices. The tank is decorated with a large work of art signed by the renowned artist Pøbel.

Description of the business area

Hafslund Oslo Celsio supplies the residents of Oslo with heating and cooling. Among other things, district heating is produced by utilising excess heat from the city's waste incineration, data centres and sewage. Hafslund Oslo Celsio owns and operates two waste incineration plants in Oslo and ensures sustainable handling of waste that cannot be recycled. Hafslund Oslo Celsio is also working to realise full-scale carbon capture and storage at the Klemetsrud waste incineration plant.

In addition to being an energy supplier, Hafslund Oslo Celsio is an infrastructure and urban development company that contributes to the development of a greener and smarter Oslo. Hafslund Oslo Celsio also owns 100 per cent of the fibre company Hafslund Fiber, which provides dark fibre in the Oslo area. At the end of 2023, Hafslund Oslo Celsio had approximately 238 employees working at the two waste incineration plants at Klemetsrud and Haraldrud and at the headquarters in Skøyen.

Waste incineration

Hafslund Oslo Celsio owns and operates two waste incineration plants, one of which is located at Klemetsrud and the other at Haraldrud in Oslo. From these plants, the company provides safe and environmentally friendly final treatment of residual waste that cannot or should not be recycled. Hafslund Oslo Celsio incinerated a total of 366,000 tonnes of residual waste in 2023. The excess heat produced from waste incineration is fed into the district heating network.

District heating activities and waste incineration are important and necessary parts of the circular economy. Incineration of this type of waste has a much lower impact on the environment than storing waste in landfill, which is still a common practice in many European countries. The CO₂ emissions emitted by one tonne of waste over the lifetime of the landfill are about 50 per cent higher than the CO₂ emissions emitted from the incineration of one tonne of waste. Incinerating the waste and utilising the energy that is created also reduces society's need for electricity, and relieves pressure on the rest of the energy system.

Heating

Hafslund Oslo Celsio produces, distributes and sells district heating. The production of district heating is largely based on excess heat from the company's waste incineration plant, however also includes excess heat from data centres and Oslo's sewage. Other energy carriers such as bio-oil, electricity and wood pellets are also used during peak-load periods.

Heat production supplied to the district heating network was 1,997 GWh in 2023. Of this total production, 1,014 GWh was from waste heat (excess heat from the incineration of sorted residual waste), 218 GWh was from heat pumps, 208 GWh was from wood pellets, 389 GWh was from electric boilers, 136 GWh was from bio-oil, and 32 GWh was from liquefied natural gas (LNG). Hafslund Oslo Celsio's share of fossil fuels was therefore 1.7 per cent in 2023. At Klemetsrud, 150 GWh of electricity was also produced using excess heat from waste incineration.

Hafslund Oslo Celsio is actively working to increase the use of local excess energy as sources of heat for district heating production. STACK's data centre at Ulven now transfers around 5.0 MW of thermal energy to Hafslund Oslo Celsio's district heating system. This provides heat equivalent to heating and hot tap water for 4,000 Oslo homes, and reduces Celsio's need for an alternative supply of energy by 22 GWh.

Cooling

It is Hafslund Oslo Celsio's plan in the coming years to offer its commercial customers a total thermal energy solution, which is something that requires the company to be able to supply both district heating and cooling. Hafslund Oslo Celsio currently supplies some customers with district cooling via a partner's district cooling centre. The company is also working to establish its own district cooling centres, which will produce district cooling by collecting cold water from the Oslo Fjord and/or by using large heat pumps.

Hafslund Oslo Celsio has thus far identified three areas for commercial growth in Oslo as being the most important market areas for district cooling: City-centre (within Ring 1, including Filipstad), Skøyen and Ulven/Økern. The commercial building Construction City is currently under construction at Ulven/Økern. Through the company Hovinbyen Energy Hub, which Hafslund Oslo Celsio owns together with housing developer OBOS, a new district cooling centre will be established to supply district cooling to the commercial buildings in the Ulven/Økern area.

The district cooling centre at the new Oslo Emergency Ward was completed and brought online in November.

District cooling is an important part of future urban development. When buildings with their own cooling systems are converted to district cooling, roof areas can be freed up for technical installations and used for other purposes, such as living areas and management of urban runoff. Areas inside buildings that were

initially used to house energy systems can also be freed up.

For the city of Oslo, district cooling will make a positive contribution towards infrastructure development and result in lower greenhouse gas emissions. When there is no longer a need for each building to have its own cooling production or energy wells, underground areas can be freed up for other infrastructure, for example, tunnels for public transport. District cooling will also contribute towards phasing out the use of hazardous hydrofluorocarbons (HFCs) in Oslo, in accordance with the climate plan for 2021-2030.

Carbon capture and storage

Hafslund Oslo Celsio's waste incineration plant at Klemetsrud is Oslo's largest emission point and produces a significant proportion of the city's total CO₂ emissions. Without carbon capture at the plant, it will not be possible for the City of Oslo to achieve its ambitious climate targets. The agreement to finance a full-scale carbon capture and storage plant at Klemetsrud was entered into in June 2022 and construction work commenced in August 2022. However, in April 2023 Hafslund Oslo Celsio made the decision to move the project into a cost-reducing phase. Updated estimates showed that sharp price increases for equipment deliveries due to inflation, geopolitical instability and a weaker Norwegian krone would cause the project to exceed the investment framework. At that point in time, the project had used less than ten per cent of the investment framework. As part of the cost-reducing phase, new suppliers were asked to present alternative solutions that could reduce costs. In November, on the basis of concept studies that were carried out, Aker Carbon Capture and Aker Solutions were selected to conduct the engineering and design phase of the project, with the possibility of a contract for the construction and installation of the facility. At the same time, Hafslund Oslo Celsio chose to cancel the agreement with the original supplier.

Throughout 2023, the company had constructive dialogue with stakeholders such as the Ministry of Petroleum and Energy, Gassnova, the City of Oslo and owners regarding how Hafslund Oslo Celsio can best realise a sustainable carbon capture project.

Aker's preliminary study with a new concept for the carbon capture plant will be ready by summer 2024. Hafslund Oslo Celsio has a clear ambition of establishing carbon capture at Klemetsrud. Carbon capture as part of responsible waste management is strategically important for the climate, for Norway, for Oslo and for Hafslund Oslo Celsio. The goal is to make a new investment decision for the project in the summer of 2024.

Hafslund Fiber

Hafslund Oslo Celsio owns 100 per cent of the fibre company Hafslund Fiber, which is a leading player within dark fibre in the Oslo area. Hafslund Fiber is building the next generation fibre network in and around Greater Oslo, and is an operator-neutral infrastructure partner. When Hafslund Oslo Celsio lays district heating pipes to expand the district heating grid, Hafslund Fiber simultaneously lays conduits for fibre beside the district heating infrastructure.

Statement of value creation

NOK million	2023	2022
Sales revenue	2,738	1,707
Other gain/loss	307	-247
Other operating revenue	27	19
Revenues and other income	3,072	1,479
Energy purchases and transmission	-1,251	-647
Salary and other personnel costs	-302	-151
Property tax and other imposed costs and compensation	-5	6
Other operating costs	-729	-293
Profit/loss from equity-accounted investees	-	-
EBITDA	785	394
Depreciation and amortisation	-595	-232
Operating profit (EBIT)	190	162
Net financial items	-291	-148
Profit before tax	-102	14
Income taxes	39	-1
Profit after tax	-62	13

*) Hafslund Oslo Celsio became part of the Hafslund Group on 19 May 2022 and the figures for 2023 are therefore not comparable to figures for 2022.

2023 was a particularly demanding year for the district heating business. The sales volume has been high with 1.8 TWh. However, the profit after tax ended at NOK -62 million in 2023. Framework conditions, price increases on fuels and extraordinary costs had a negative impact on the result.

The business area had total operating revenues of NOK 3,072 million. This primarily related to revenues from district heating.* Despite high sales volumes (11 per cent higher compared to 2022), revenues from underlying operations were not correspondingly high. The district heating price is tied to the electricity price, which was significantly lower in 2023 than in 2022. The district heating prices are also limited by the electricity support scheme, but unlike electricity companies, the district heating operators have not received compensation from the Norwegian State for the lost income this has caused. During the winter months, the price of the input factors is significantly higher than the revenue cap set through the electricity support scheme, and this alone reduced revenues by NOK 227 million in 2023.

Operating costs were impacted by high fuel prices in 2023. At the same time, fixed costs were higher than normal as a result of restructuring and new IT infrastructure, increased maintenance costs and cost-entries associated with the carbon capture project (CCS). The latter applies to ongoing measures to reduce project costs and ensure that the project is profitable.

Write-downs of book values linked to CCS and the «Klemetsrud – Line 4» project totalled NOK 188 million.

Net financial costs amounted to NOK 291 million, and increased as a result of higher average interest rates. A loan of NOK 500 million was taken out in mid-2022.

** Operating revenues also include "Other gains/losses" which, at NOK 307 million, were significant. Much of this gain relates to the correction of hedging accounting from 2022 and was not a result of underlying operations. For further information, see Note 5.6 to the consolidated accounts.*

During the winter months, the price of the input factors is significantly higher than the revenue cap set through the electricity support scheme, and this alone reduced revenues by NOK 227 million in 2023.

Hafslund's business areas

Growth and investments: Hafslund Vekst

The background of the page is a large, faded image of a wind farm. The wind turbines are arranged in a long line across the middle ground, with a large, hazy mountain range in the background under a light blue sky. The overall color palette is muted and blue-toned.

A word from the Managing Director

2023 was a good year for Hafslund Vekst, which produced solid results, good value development in the portfolio, a host of initiatives and high speed. At the same time, 2023 presented challenges to the profitability of several projects. We organised the business in line with the strategic focus areas of investments – offshore wind, solar and onshore wind, and green cities and technology – and laid the groundwork for targeted initiatives in these areas.

Since ending 2022 with around 30 employees, we have grown to become an outstanding group of almost 50 people who possess extensive expertise and experience – and a great deal of energy. I am proud of everything we achieved in 2023. It has been particularly rewarding to see how we work together across specialist fields and departments – something that highlights our strong culture of collaboration and innovation and ability to get the best out of each other.

We made great strides in our focus areas and have very much started to observe the results of the work on new renewable power generation and green and smart urban development. In 2023, we accelerated our work on solar and onshore wind. Our solar activities involve large-scale parks and solar panels on roofs and we ended 2023 with over 1,000 MW in our portfolio, including seven projects in Southern Sweden that we purchased from Helios Nordic Energy in the summer of 2023. In the area of onshore wind, we have started a partnership with Eidsiva Energi to develop new onshore wind projects with a primary focus on Eastern Norway. We have also established exciting positions in secure and energy-efficient data centres, charging stations for heavy transport, zero-emissions construction sites and flexibility/storage.

The portfolio of ownership and investments developed well during the year. The annual valuation of Eidsiva Energi at the end of 2023 was around NOK 60 billion, which was an increase of almost NOK 15 billion from the previous year. In addition, Eidsiva Energi paid solid dividends throughout the year. Fredrikstad Energi also demonstrated solid performance development in 2023 and Norgesnett is entering 2024 as Norway's most efficient grid company. Magnora, a company in which Hafslund Vekst invested NOK 100 million in 2022, increased its share price by 56 per cent in 2023.

2023 was also a demanding year. A complex macroeconomic situation with high inflation, increased global unrest and growing uncertainty challenged the profitability of some projects, particularly those within offshore wind. Ørsted made the decision to withdraw from offshore wind in Norway and thereby also withdraw from the Blåvinge partnership. However, while we may be experiencing challenging times, Hafslund has a long-term focus and can stand firm even through turbulent periods.

2024 is certain to offer many new opportunities, more challenges and a great deal of enjoyment. We will do our part to develop solid and profitable projects and companies that all contribute to a world in balance, with renewables. I look forward to the year ahead!

Martin Sleire Lundby



Important events for Growth and investments in 2023

Investment in seven large-scale solar projects in Sweden

Hafslund Vekst AB acquired seven large-scale solar projects from Helios Nordic Energy AB – an investment that represented total capacity of 252 MW in Southern Sweden. The projects are expected to be constructed between 2024 and 2028.

Hafslund Magnora Sol AS was established in collaboration with Magnora ASA and Helios Nordic Energy AB in 2022 with the goal of developing 1,000 MW of solar power in Norway by 2027. The company has submitted a request to the NVE for licences for four projects that could potentially produce about 330 GWh. The company has a total portfolio in Norway of around 850 MW.

Investing in onshore wind

In 2023, Eidsiva Energi and Hafslund established a joint initiative to develop onshore wind power projects and their goal is to have 1 TWh in ready-to-build projects by 2030. There are also local partnerships with Akershus Energi in and around Akershus County and Skagerak Energi in the Grenlands area.

Challenges with offshore wind

The Blåvinge partnership has worked to prepare bids for the first offshore wind tender on the Norwegian continental shelf. The partnership did not pre-qualify for Sørlige Nordsjø due to the project's weak profitability. In addition, Ørsted decided to end its commitment to offshore wind in Norway, and the company subsequently withdrew from the Blåvinge partnership. Blåvinge is now focusing on Utsira Nord. Hafslund's commitment to offshore wind on the Norwegian continental shelf remains strong and will focus on future rounds of licensing.

Enny completed the first solar panel projects for housing cooperative

In 2022, OBOS and Hafslund started working together on a solar energy company which was originally called Solway, but has now been renamed Enny. Enny stands for a combination of the Norwegian words for "energy" and "new" and signifies the company's efforts to promote self-produced energy. Enny's goal is to install solar panels on 10,000 homes annually and is well underway with this work after having installed the first six projects.

Establishment of Skygard together with Telenor

Telenor, HitecVision, Analysys Mason and Hafslund entered into a partnership to construct secure and environmentally-friendly data centres in Oslo, with the objective of becoming a leader in data storage in the Nordic region. Three data centres are planned in the Oslo area, with a focus on high-tech security, Norwegian ownership and energy recycling for district heating in Oslo. The company has purchased the first site and aims to make an investment decision and commence construction of the first data centre during the first half of 2024.

Establishment of Fastcharge to build one hundred charging points for heavy transport

Hafslund and Obligo joined forces in the summer of 2023 to establish Fastcharge, with the goal of building ten charging stations and one hundred charging points for heavy transport in Southern Norway by 2025. The investment decision for the first charging station was made in December and this will be built at Alnabru in Oslo in the first half of 2024. In December 2023, Fastcharge received NOK 23.5 million in Enova support for an additional five charging stations.

Elaway continues to grow in Europe

Elaway has continued its growth and, in addition to its significant position in Norway, became established in Germany and Sweden during 2023. Elaway has installed its first facilities in Germany and has passed the milestone of 100,000 chargers. Elaway conducted a share issue in 2023 and brought in the Swiss infrastructure fund SUSI Partners as an owner – a move that will support the company's continued international growth in European markets. Following the transaction, Hafslund Invest owns 20 per cent of Elaway.

Description of the business area

Hafslund Vekst works with active industrial ownership, company building and new growth initiatives within the renewable value chain. The company has an important task in managing many of the ownership interests in which Hafslund is not the majority shareholder, including ownership in Eidsiva Energi AS and Fredrikstad Energi AS. Hafslund Vekst has a dedicated group for investments and active ownership follow-up. Hafslund Vekst is also working on company building and new business opportunities related to new renewable production, smart, green urban development, and flexibility and storage. Hafslund Vekst has, within a short period of time, become a medium-sized growth company with an extensive portfolio that includes offshore wind, solar power, onshore wind, electric vehicle charging, zero-emissions construction sites, energy storage, business development, consulting and venture capital. Hafslund Vekst's various initiatives are described below:

Ownership in Eidsiva Energi and Fredrikstad Energi

Hafslund Vekst has a significant ownership interest in grid operations, district heating and broadband as the largest owner of Eidsiva Energi with a 50 per cent stake. Eidsiva Energi owns 100 per cent of Elvia, which is Norway's largest grid company with about 985,000 customers. Elvia builds, operates, maintains and renews the power grid in Innlandet, Akershus, Østfold and Oslo. Eidsiva Energi also owns Eidsiva Bioenergi, which is Norway's third largest supplier of district heating and supplies approximately 520 GWh of district heating via

its own infrastructure to the private and corporate markets in Innlandet. The Eidsivas portfolio also includes Eidsiva Bredbånd, which supplies fibre and broadband to 90,000 customers, primarily in Innlandet. Hafslund Vekst also has a 49 per cent ownership interest in Fredrikstad Energi, which owns Norgesnett. Norgesnett builds, operates, maintains and renews the power grid for more than 100,000 customers in seven municipalities in Eastern and Western Norway. At the start of 2024, Norgesnett is Norway's most efficient grid company.

New renewable energy production

Hafslund Vekst is Hafslund's most important tool for development of renewable power generation. While hydropower growth projects are naturally placed with Hafslund Eco Vannkraft, growth and development projects within all other technologies are placed with Hafslund Vekst.

In the solar energy segment, Hafslund has signed a major agreement with Helios Nordic Energy AB to acquire seven solar park projects in Southern Sweden, with an expected annual production of over 250 GWh. These projects represent an important step in strengthening Hafslund's position as a leading producer of renewable energy in the region. The development of the solar parks, which is planned to take place between 2024 and 2028, will be strategically located in areas linked to Southern Norway, and is expected to play an important role in meeting increasing power demand in these areas with energy deficits.

Hafslund is working on developing new projects within onshore wind and is working together with Eidsiva Energi to develop projects with a primary focus in Eastern Norway that will be able to be realised closer to 2030.

Within offshore wind, Hafslund Vekst has been one of three partners in the Blåvinge partnership, together with Fred. Olsen Seawind and Ørsted. Ørsted withdrew from Norway during the fall of 2023 after making the decision to prioritise investments in the portfolio. However, Blåvinge is maintaining its strong ambitions for offshore wind on the Norwegian continental shelf. Following an extensive assessment, Blåvinge chose not to participate in the competitive tender for phase one of the offshore wind development in Sørlige Nordsjø II, and is now looking towards the competitive tender for Utsira Nord and future rounds of licensing.

Hafslund Vekst made the decision together with Cloudberry Clean Energy to consider alternatives to the Stenkalles Grund project in Vänern, Sweden, due to the project's insufficient profitability.

Green urban development and flexibility

The business developers at Hafslund Vekst place emphasis on identifying and further developing innovative ideas for specific initiatives and projects. Examples of this are the charging company Elaway AS and the solar panel company Enny AS, both of which are the result of the focus on smart, green urban development. This segment also includes Hafslund Rådgivning, which is a specialised advisory group dedicated to emission-free transport and infrastructure, innovative energy systems, zero-emissions construction sites, power grids and strategies for the green transition. The customers are both private and public stakeholders, including Posten Norge and the City of Oslo's Climate Agency, as well as several municipalities and ports.

During the year, Hafslund Vekst signed an agreement with Telenor, HitecVision and Analysys Mason to develop and build secure and sustainable data centres in Norway. The objective is to realise three data centres in the Oslo region and utilise the excess heat in the city's district heating network.

Together with Obligo, Hafslund Vekst has also invested in the charging company Fastcharge AS, which focuses on the development of charging stations and infrastructure for heavy transport. The company has set the goal of establishing ten charging stations and one hundred charging points in Southern Norway by 2025.

Within flexibility, a team was also established in 2023 that is working on the development of a smart control system for energy loads. The aim is to be able to effectively manage both higher and lower consumption and production loads in order to optimise the functionality of the electricity grid and generate revenue from the flexibility markets. In connection with this, Enova has awarded Hafslund and Volte NOK 10 million to explore how small and medium-sized businesses can reduce electricity costs while also generating revenue by utilising grid capacity and contributing to balanced operation of the energy system.

Venture

During the second quarter of 2023, Hafslund Ny Energi AS changed its name to Hafslund Invest AS, marking the start of a new strategy focusing on venture investments. Hafslund Invest makes investments in innovative start-up and growth companies that develop climate and environmental technology and are strategically relevant to their ownership groups. (Hafslund Invest AS is owned 65 per cent by Hafslund Vekst AS and 35 per cent by Eidsiva Energi AS). The company's goal is to be an active owner that creates value and assists its portfolio companies by providing both expertise and resources.

Hafslund Invest's portfolio has developed positively and now consists of seven venture capital investments, in addition to an ownership interest in Elaway AS. During the year, Elaway carried out a major share issue and brought in the Swiss infrastructure fund SUSI Partners as a new owner. This strategic move opens the door for Elaway to expand its business internationally, especially in European markets. Several of Hafslund Invest's portfolio companies have had success in winning relevant projects, which has contributed to the growth of both Hafslund and its owners. Examples include Heimdall Power AS, which has entered into a larger project with Elvia, and Over Easy Solar AS, which has installed its solar panel modules on several "green roofs" owned by the City of Oslo.

Hafslund Invest has also made follow-up investments in Smartwatt AS, which specialises in AI-based control of heating and ventilation in commercial buildings, and Over Easy Solar AS, which develops solar panel modules for green, flat roofs. In addition, the company has during 2023 invested in two new companies: Optimeering AS, which develops software for optimisation of power trading, and Utilifeed AB, which provides software and services to optimise resource and energy consumption in district heating networks. These investments underscore Hafslund Invest's commitment to promoting sustainable and technologically advanced solutions in the energy sector.



Statement of value creation

Hafslund Vekst pursues an ambitious goal of long-term and sustainable value creation in renewable energy. Value creation will be achieved by managing the industrial ownership of the company and through company building and new growth initiatives. These opportunities include a range of initiatives, from direct investments in companies and projects, to partnerships that promote the development of solutions in support of a more sustainable energy system.

The common feature of all Hafslund Vekst's initiatives is that the objective is to be necessary pieces in the energy system of the future and contribute to a world in balance, with renewable energy. In practical terms, this means that the company's initiatives are, and must be, a contribution towards solving the climate problem in a financially viable manner, without significantly compromising other sustainability dimensions such as nature, biodiversity and society. In order to solve the challenges and create targeted growth, Hafslund Vekst invests in an extensive portfolio of initiatives with different business models and risks, and investments are made in several parts of the renewable value chain. This ensures there is a robust portfolio of investments with good diversification and a reasonable balance between capital and risk, and a goal of achieving solid value development over time.

Hafslund Vekst's portfolio of companies and projects has different capital and knowledge requirements. Some investments in mature companies that are now generating solid results and dividends. An example of

this is the ownership interest in Eidsiva Energi. The portfolio also consists of a number of companies and initiatives that are in an early phase, which entails that the costs and investments are initially higher than the earnings, and that positive results and cash flow will be somewhat deferred into the future. The goal is to develop a portfolio of ownership, investments and companies that contribute to value creation through value development and dividends. As a result of the portfolio primarily consisting of investments in associates, large parts of the profit contribution from Hafslund Vekst are in the line item «Profit/loss from equity-accounted investees» in the income statement.

NOK million	2023	2022
Revenues and other income	15	5
Energy purchases and transmission	-2	0
Salary and other personnel costs	-73	-23
Other operating costs	-69	-18
Profit/loss from equity-accounted investees	599	588
EBITDA	470	552
Depreciation and amortisation	0	0
Operating profit (EBIT)	470	552
Net financial items	-338	-240
Profit before tax	131	312
Income taxes	87	60
Profit after tax	218	372

Hafslund Vekst had total operating revenues of NOK 15 million in 2023 (NOK 5 million). Factors such as increased sales from Hafslund Rådgiving resulted in an increase in revenues. Operating expenses ended at NOK 144 million (NOK 41 million). This increase was largely due to greater activity and the number of employees growing from about 30 to just over 50 during the year. The operating profit (EBIT) of NOK 470 million (NOK 552 million) was a decrease of NOK 82 million from the previous year. The increase in costs was offset by an increase in the profit contribution from associates. Results from associates totalled NOK 599 million (NOK 588 million), and were strongly influenced by the solid result delivered by Eidsiva Energi of NOK 692 million (NOK 520 million).

The improvement in the profit from Eidsiva Energi was principally due to reduced tariffs from Statnett, in addition to reduced grid losses as a result of lower power prices. Results from associates were negatively impacted by write-downs. Stenkalles Group owns a licence for the development of a wind farm on Lake Vänern in Sweden. Due to demanding project profitability and high costs, there were write-downs related to Stenkalles Group with a total accounting effect for the Group of NOK 97 million. Furthermore, growth expectations for Volte AS have been downgraded, and previously identified excess value has been written down in connection with this. Total financial expenses amounted to NOK 338 million (NOK 240 million) and primarily consist of interest on internal loans to Hafslund AS. This gives a total profit after tax for Hafslund Vekst of NOK 218 million in 2023 (NOK 372 million).

About Hafslund

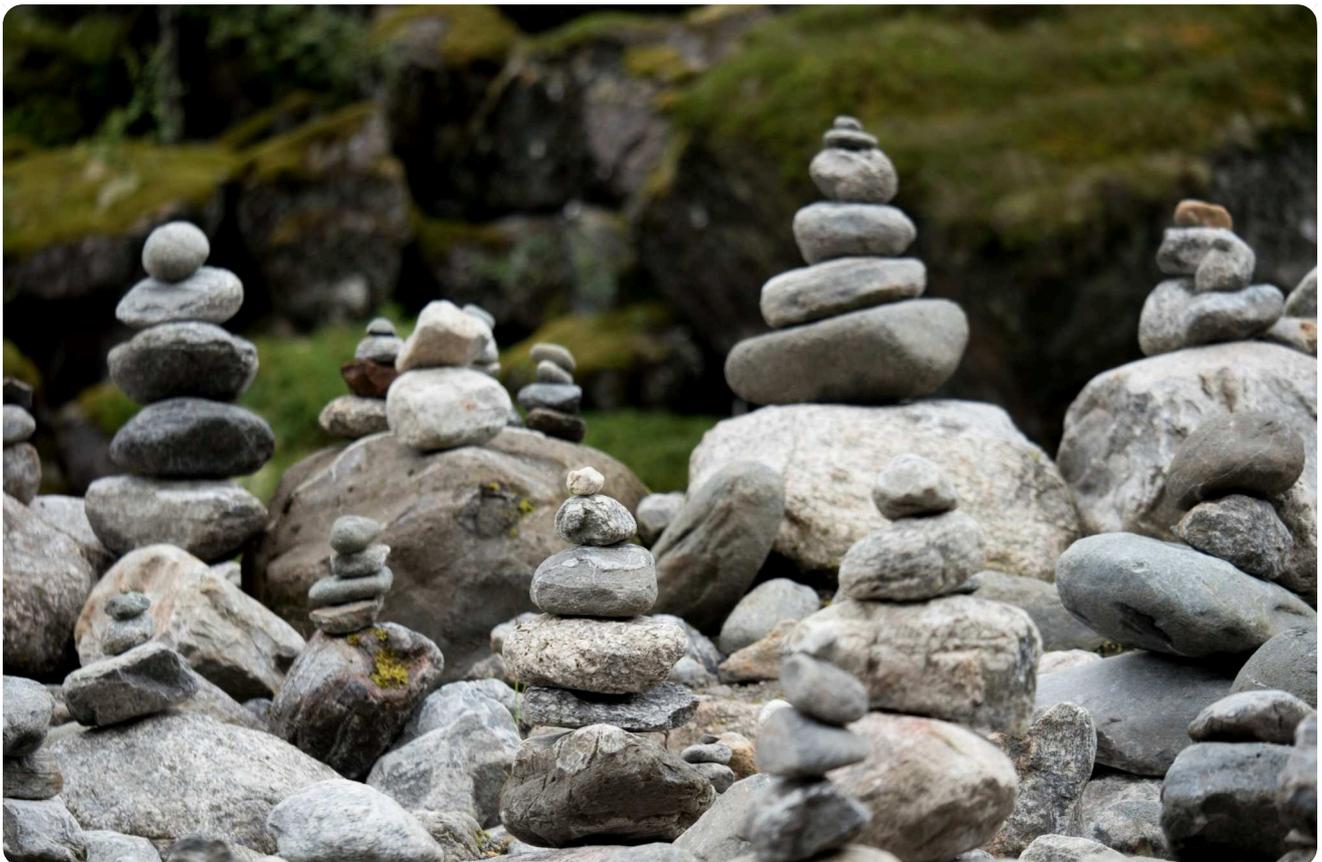
About Hafslund

Vision and values

For a world in balance, with renewables

Hafslund’s vision is “For a world in balance, with renewables”. This vision applies to the entire Group. Hafslund wants a world that is better than the one we have today. The balance in the energy system needs to be restored, and it is more important than ever that this takes place in a sustainable manner. The balance between energy supply and demand, the daily balancing of the power system, and the balance between the development of new renewable energy and the conservation of nature are examples of balancing actions that are important to Hafslund. Hafslund wants to make a contribution towards a better and more balanced world.

The balance in the energy system needs to be restored, and it is more important than ever that this takes place in a sustainable manner.



Hafslund's values

Hafslund's values is «Open», «Innovative» and «Responsible». These values describe who Hafslund is and what we want Hafslund to be. These values must be things that all of us in the Group recognise in ourselves, while also representing something to strive for. The entire Group's culture is based on these values and they guide Hafslund's actions.

Open

«Open» means that we are transparent, share knowledge and information about our activities, seek collaboration across specialist fields and companies, and respect different opinions, differences and diversity. We welcome changes and we know that we do not already have all the answers.

Innovative

«Innovative» means that we want to solve challenges and contribute to value creation. We constantly strive to do better, and we move towards the future with an eager desire to learn.

Responsible

«Responsible» means that we take our social mission seriously and that we do what we can to ensure that we fulfil the responsibility that we have been assigned. We care and make the effort that is required to perform our tasks as best as possible.



About Hafslund

Organisation and management

Legal structure

Hafslund is a renewable energy group made up of three business areas: Hydropower (Hafslund Eco Vannkraft), which is Norway’s second largest power producer, District heating and cooling (Hafslund Oslo Celsio), which is Norway’s largest supplier of district heating, and Growth and investments (Hafslund Vekst), which brings together the Group’s industrial ownership and growth initiatives, including ownership of Eidsiva Energi, which includes Elvia, Norway’s largest grid company. Hafslund is 100 per cent owned by the City of Oslo.



Management

Hafslund is headed by CEO Finn Bjørn Ruyter. The Group had just over 800 employees at the end of 2023. Several changes were implemented within the Group management team during the year. At the end of 2023, the Group management team consisted of seven Executive Vice Presidents. In addition to the CEO, the management team includes three directors who represent the three business areas and three directors who represent Group support units.



Finn Bjørn Ruyter
CEO

Finn Bjørn Ruyter has been CEO of Hafslund since 2012. He was CFO of the company in 2010 and 2011. From 2009 to 2010, he worked at the Filipino hydropower company SN Aboitiz Power. Between 1999 and 2009, he headed the energy division of Elkem ASA, having previously led the power trading business since 1996. Between 1991 and 1996, he worked in oil and power trading at Norsk Hydro ASA. Ruyter holds a Master of Science (MSc) in Mechanical Engineering from the Norwegian University of Science and Technology (NTNU) and an MBA from BI Norwegian Business School. He is Chair of Renewables Norway and serves as a director at Equinor ASA and Cegal AS.



Berit Sande
CFO

Berit Sande took up the position as CFO in August 2022. She previously held the position of EVP Portfolio and Strategy at Norsk Hydro ASA, but also has experience from Hydro Energi. She has extensive experience from Boston Consulting Group (2006-2017), where her principal focus was on the energy industry and renewables. Sande holds a Master of Science (MSc) in Industrial Economics and Technology Management from the Norwegian University of Science and Technology (NTNU).



Elise Horn
Executive Vice President Corporate Development

Elise Horn joined Hafslund's Group management team in October 2022 and is head of strategy. Horn's area of responsibility was expanded in the first quarter of 2023, and she is now EVP Group Development with responsibility for strategy, HR, sustainability and brand. Horn joined Hafslund in 2018 and has since held several roles, such as adviser to the CEO, head of strategy and development for the power market and head of Group strategy. She has previously worked as a strategy consultant at Arkwright Consulting (2016-2018). Horn holds a Master of Science (MSc) in Industrial Economics from the Norwegian University of Science and Technology (NTNU). She is Chair of Ung i Fornybar (Young People in

Renewables).



Toril Benum
Executive Vice President Projects

Toril Benum took up the position of EVP Business Support and Development in September 2021. She was assigned a new area of responsibility during the first quarter of 2023 and is now responsible for projects in the Group management team. She was previously EVP New Energy. She has been Project Director of the AMS Project at Hafslund Nett since May 2015 and Director of Projects and Development at Hafslund Nett since March 2017. She was previously CIO of Veidekke ASA (2010–2015), and also held several management positions at Aker Solutions. Benum holds a Master of Science (MSc) in Mechanical Engineering from the Norwegian University of Science and Technology (NTNU). She is a director at Eidsiva Energi AS.



Martin Sleire Lundby
Deputy CEO and Managing Director of Hafslund Vekst

Martin S. Lundby took up the position of Deputy CEO in September 2021 and was appointed as Managing Director of Hafslund Vekst in September 2022. He came from the position of EVP Growth and Investments, and prior to that was EVP Development and Growth. He has been EVP Projects since September 2019, and prior to that was acting CFO at Hafslund (2018–2019). He was also previously Head of Finance and Investor Relations (2016–2018) and Business Developer focusing on M&A and strategy (2013–2015) at Hafslund ASA. He also worked as a Transaction Adviser at EY (2011–2013). Lundby holds an MSc in Industrial Economics and Technology Management from the Norwegian University of Science and Technology (NTNU).



Kristin Lian
Managing Director Hafslund Eco Vannkraft

Kristin Lian took up the positions of EVP Hydropower and Managing Director of Hafslund Eco Vannkraft in September 2021. From 2019 to 2021, she was Managing Director of Elvia. Lian has a Master of Science (MSc) in Mechanical Engineering from the Norwegian University of Science and Technology (NTNU) and has been working in the energy industry since 1999. She has held various management positions at Hafslund Nett for 20 years, and was EVP and Managing Director of the company from 2013 to 2019. She is Chair of BKK AS and director of Arva AS.



Knut Inderhaug

Managing Director of Hafslund Oslo Celsio

Knut Inderhaug took over as Managing Director of Hafslund Oslo Celsio in September 2022. He had been acting Managing Director of the company since October 2021. Inderhaug has previously held various management positions at Fortum and Hafslund, where he was first employed in 2010. He holds a degree in Business Administration from Sør-Trøndelag University College.

About Hafslund

The Board of Directors of Hafslund

Several changes were made to the Board of Directors during 2023. Jarle Roth and Maria Tallaksen were elected to the Board at the ordinary general meeting in spring 2023, while Bente Sollid Storehaug left her position on the Board. Bård Vegard Solhjell was appointed Acting Board Chair after previous Chair Alexandra Beck Gjørsv was appointed Board Chair at Statkraft in December.

The Board of Hafslund AS consisted of nine directors for most of 2023. Following Alexandra Bech Gjørsv's departure, the Board has consisted of eight directors, three of whom are elected by the employees. During 2023, the employee-elected directors were Ingvild R. Solberg, Håkon Rustad and Vegar Kjos Andersen. Since 1 January 2024, the employee-elected directors have been Halvor Halvorsen, Håkon Rustad and Hilde Veum-Wahlberg. On 1 March 2024, the general meeting elected Jarle Roth as the new Board Chair.

The Board has good representation of both genders. The composition of the Board provides the Group with extensive and in-depth expertise for being able to make important decisions. The Board has appointed a Risk and Audit Committee and Compensation Committee as subcommittees to the Board of Directors.

The Board's work is intended to ensure that the Group develops in the best interests of its owners, employees and other stakeholders.



Jarle Roth
Chair

Jarle Roth is an independent adviser and professional director. Roth is a graduate of the Norwegian Business School (NHH) and has an extensive background from working as board chair and director at a multitude of companies. Roth is Chair of Equinor's nominations committee and corporate assembly, as well as a director at Storebrand, Umoe Gruppen, Norfund and Frammuseet.

Roth has previously served as CEO of Umoe Gruppen, Arendals Fossekompagni, Export Credit Norway and Unitor. He has also served as a director at companies such as Kongsberg Gruppen, Ekornes, Norske Skog, Enova, Aibel, Glamox and Umoe Bioenergy.



Bård Vegar Solhjell
Director

Bård Vegar Solhjell is Director General of Norad (Norwegian Agency for Development Cooperation). He is Deputy Chair of the Fritt Ord (Free Word) foundation, and a member of the Arendalsuka main programme committee. Solhjell was previously a politician at the national level. He was Minister for the Environment, Minister of Education and Research, and State Secretary in Norwegian Prime Minister Jens Stoltenberg's "Red-Green" coalition government. From 2009 to 2017, he was Member of Parliament for Akershus, and between 2007 and 2015 served as Deputy Leader of Norway's Socialist Left Party.

Solhjell is a regular columnist for two Norwegian newspapers, where he writes about the climate, energy, development and other social issues. He has published several books on key topical economic and political issues. Solhjell has a degree in Political Science from the University of Oslo.



Bjørn Erik Næss
Director

Bjørn Erik Næss is a professional director. Næss stepped down as CFO of DNB ASA on 1 March 2017, a position he had held for nine years. He was previously EVP and CFO of Aker Kværner ASA, and held similar positions at Orkla and Carlsberg (Denmark).

He has gained extensive experience of management roles both in Norway and internationally over the past 25 years. Næss is a graduate of the Norwegian School of Economics (NHH) and has completed an executive programme at Darden Business School in the USA.



Mari Thjømøe
Director

Mari Thjømøe is a professional director, investor and consultant. She has management experience from some of Norway's largest companies, was formerly CFO and acting CEO of Norwegian Property, CFO of the life insurance company KLP, and has 17 years of experience from Equinor and Norsk Hydro.

Thjømøe is Chair of Billington Process Technology, Seilspport Maritimt Forlag and ThjømøeKranen, and a director of Norconsult, Ice, the Danish insurance company Tryg, and the Swedish companies TF Bank and FCG Fonder. Thjømøe has a Master's degree in Business Administration from BI Norwegian Business School/American Graduate School of International Business, is a qualified CFA/Authorised Financial Analyst from the Norwegian School of Economics (NHH), and has completed executive management training at London Business School.



Maria Tallaksen
Director

Maria Tallaksen was a partner at Altor Equity Partners until December 2023 – a company she had been with since 2007. Tallaksen has extensive experience in serving as a director in both Nordic and international companies and managing ownership positions.

Tallaksen has also worked at Morgan Stanley and Norges Bank Investment Management. She holds a Master's Degree in Business Administration from BI

Norwegian Business School in Oslo.



Halvor Kr. Halvorsen
Employee-Elected Director

Halvor Kr. Halvorsen joined E-CO Vannkraft AS in 2008. Halvorsen graduated with a degree in civil engineering from the Norwegian University of Science and Technology (NTNU) in 1989 and received an Executive MBA in Financial Management and Governance from the Norwegian School of Economics (NHH) in 2006. He is head of the Department of Watercourse Environment and Safety at Hafslund Eco Vannkraft AS and general manager at the Association for the Regulation of Hallingdal Watercourse. He has previously worked at NVE and Asplan Viak.



Håkon Rustad
Employee-Elected Director

Håkon Rustad joined Eidsiva Vannkraft in 2006. Rustad has a Master's degree in Energy and the Environment from the Norwegian University of Science and Technology (NTNU) in Trondheim. He is currently responsible for the grid and also participates in the company's offshore wind venture. Rustad has extensive experience of the physical management of power production, regulation of grid operations and development of hydro and wind power projects. Rustad is currently an employee representative for Tekna's corporate group at Hafslund.



Hilde Veum-Wahlberg
Employee-Elected Director

Hilde Veum-Wahlberg joined Hafslund Oslo Celsio AS in 2019 and works as a consultant to administration and HR.

She studied at the University of Stavanger Norwegian School of Hotel Management and worked in the tourism industry until 2019, the final 11 years having been spent at the Norwegian Hospitality Association. She is currently responsible for office operations and facility services at Celsio.

About Hafslund

Definitions and alternative performance measures

Definitions

Measure	Definition
EBITDA	Operating profit/loss + depreciation
Net interest-bearing debt	Gross interest-bearing debt - interest-bearing receivables - bank deposit - money market funds
Capital employed	Equity + net interest-bearing liabilities + Tax payable
ROE*	Profit after tax/ Equity
ROCE*	Operating profit / Capital employed
Debt/EBITDA*	Net interest-bearing debt / EBITDA
FFO/Debt*	(EBITDA - interest paid - taxes paid) / Net interest-bearing debt
Hydropower production	Total production in power plants in TWh
Achieved power price	Power production sold in spot market, industrial contracts and concessionary power, and realised results from financial power hedging
District heating sales	Total district heating volume sold in GWh
Underlying results	Result corrected for non-recurring items and unrealised changes in value

*We have changed the calculations of the key figures in the annual report in order to better reflect the Group's financial situation by focusing exclusively on balance sheet values at the end of the period, in contrast to previously when we used average values. We believe this gives a more accurate and relevant indication of the Group's performance and financial situation. The comparative figures have been changed accordingly.

Alternative performance measures

Gross and net interest-bearing debt

NOK million	31.12.2023	31.12.2022
GROSS AND NET INTEREST-BEARING DEBT		
Long-term interest-bearing debt	18,259	20,203
Value change loan portfolio	109	153
Short-term interest-bearing debt	2,205	2,819
Gross interest-bearing debt incl subordinated debt	20,573	23,174
Cash and Cash equivalents	10,239	13,497
Other long-term interest-bearing receivables	726	155
Net interest-bearing debt	9,608	9,523

Capital employed

NOK million	31.12.2023	31.12.2022
CAPITAL EMPLOYED		
Equity	46,706	42,604
Net interest-bearing debt	9,608	9,523
Taxes payable	7,365	13,482
Capital employed	63,679	65,609

Underlying profit

NOK million	2023	2022
UNDERLYING PROFIT		
Operating profit (EBIT)	13,862	19,340
Value changes in power price and foreign exchange contracts	-1,078	435
Value change land compensation rights	-95	8
Result share Eidsiva Energi - excess or defeat revenue after tax	-197	131
Underlying operating profit	12,492	19,914
Profit after tax	5,153	4,344
Value changes and one-offs operating profit	-1,369	574
Tax effects adjustments and one-offs	301	-100
Underlying profit after tax	4,085	4,817

ROCE

NOK million	2023	2022
ROCE		
Operating profit (EBIT)	13,862	19,340
Capital employed	63,679	65,609
ROCE / return on capital employed	21.8 %	29.5 %

ROE

NOK million	2023	2022
ROE		
Profit after tax	5,153	4,344
Equity	46,706	42,604
ROE / return on equity	11.0 %	10.2 %

Debt / EBITDA

NOK million	2023	2022
DEBT / EBITDA		
Net interest-bearing debt	9,608	9,523
EBITDA	15,130	20,087
DEBT / EBITDA	0.6	0.5

FFO / Debt

NOK million	2023	2022
FFO / DEBT		
EBITDA	15,130	20,087
Interest paid	-1,148	-664
Taxes paid	-13,838	-4,701
Net interest-bearing debt	9,608	9,523
FFO / DEBT	2 %	155 %

Accounts with notes

Accounts with notes

Report from the Board of Directors

Hafslund in 2023

2023 was an eventful and demanding year for Hafslund. The Group had record hydropower production of 18.5 TWh and also achieved a record profit after tax of NOK 5,153 billion. Close to 2 TWh in district heating was produced, which is also a production record. A significant contribution to society was made through the production of renewable and circular energy, as well as the payment of record-high taxes and duties to the community and Hafslund's owner, the City of Oslo.

Hafslund's vision is «For a world in balance, with renewables», and the Group consists of three business areas: Hydropower (Hafslund Eco Vannkraft), District Heating and Cooling (Hafslund Oslo Celsio) and Growth and Investments (Hafslund Vekst). Hafslund has a strategy with five focus areas, and the Board will describe the Group's work within the framework of these five focus areas: «Climate- and nature-positivity», «Strong growth in renewable energy», «Balance for the energy system of the future», «Smart, green urban development» and «The best people are the key».

Hafslund's five focus areas



Climate- and nature-positivity

Hafslund will contribute to a climate- and nature-positive world and make a net positive contribution to biodiversity by 2035. In 2023, the Group started work on developing a methodology for calculating nature losses and gains from projects. This will be piloted in several power projects during 2024 before being rolled out for all new projects at the end of the year.

In autumn 2023, Hafslund began formalising the Group's transitional plan for net zero greenhouse gas emissions and affirming contributions towards limiting global warming in line with the Paris Agreement. Standard requirements have been introduced for greenhouse gas emissions and reporting in electrical and mechanical projects in Hafslund's hydropower activities. Studies of alternatives for the development are now being carried out for the Orsendvatn Dam project, where greenhouse gas calculations for the alternatives will be clarified before a final investment decision is made, and, electric machines will be used to reduce diesel consumption in connection with the reconstruction of the Nyhelleren Dam.

The carbon capture project at Klemetsrud is clearly the biggest contribution Hafslund can make towards cutting greenhouse gas emissions and will entail a significant reduction in Oslo's emissions. Intensive work is now being carried out to prepare the project for the investment decision in 2024. This is a decision that Hafslund will have to make together with the other owners of Hafslund Oslo Celsio, Infranode and HitecVision.



Strong growth in renewable energy

Developing, building and operating power plants are at the core of Hafslund's activities. The Group not only has significant hydropower activities, but also has wind power in Eastern Norway and several large-scale solar development projects in Norway and Sweden. The Group is continually working to find good development projects and opportunities to upgrade existing facilities. Hafslund has ten different hydropower projects under development, and is working on realising onshore and offshore wind power projects. In July, Hafslund acquired seven solar park projects in Southern Sweden with a total capacity of 252 MW that are located in areas with attractive conditions for solar power and a lack of energy production.

Hafslund is part of the Blåvinge partnership together with Fred Olsen for the development of offshore wind in the North Sea. Blåvinge did not submit a licence application for Sørlig Nordsjø II due to the project's weak profitability caused by both cost increases and financial framework conditions. The partnership is now working towards upcoming projects and provides input to the government authorities on how framework conditions should be aligned to contribute to the long-term and sustainable development of Norway's offshore wind industry.



Balance for the energy system of the future

Most of the current production technologies within renewable energy are not possible to regulate. The energy system needs to remain in balance, and the flexible sources, such as hydropower plants with reservoirs, are becoming increasingly more valuable as more non-flexible power such as solar and wind is starting to come online. Hafslund is particularly looking for the potential for increasing flexibility during rehabilitation and upgrades. In 2023, the value of flexible hydropower reservoirs was also demonstrated during the extreme weather event “Hans” when advance flood alleviation helped to decisively mitigate the impact of the flood. Advance flood alleviation in the Hallingdal and Drammen watercourses contributed towards preventing a 1,000-year flood, and the actual impact was instead equivalent to that of a 100-year flood.

District heating is also an important flexible source of energy, especially in the cities, where district heating frees up capacity on the grid for other consumption of electricity. Increased use of district heating can therefore reduce consumption peaks, also known as peak loads, on the grid and help to bring down the volatility of electricity consumption. This could be of significant value, and has become particularly relevant in Eastern Norway since Statnett announced that the transmission network to Oslo, Akershus and Østfold is at full capacity. This is an acute situation that has engaged Hafslund. With ownership in district heating, power and also grid through Eidsiva, the Group is well-positioned to identify solutions.



Smart, green urban development

The strategic commitment to smart, green urban development is important for Hafslund, which has an extensive portfolio across the energy system. Ownership in Eidsiva Energi, with its significant grid, broadband and bio-heating activities, Hafslund Oslo Celsio, with district heating and fibre, and Hafslund Vekst, which has a portfolio of growth initiatives at the intersection between renewable energy and green technology, places the Group in a position to succeed with sector coupling and solutions for a smarter and greener city.

A good example of a smart and green solution is the investment in secure and energy-efficient data centres which Hafslund has together with companies such as Telenor, HitecVision and Analysys Mason. The excess heat from the data centres is fed to the district heating network. In addition, the centralisation of computer servers will in itself generate significant energy savings. Furthermore, in 2023, Hafslund scaled initiatives for charging and distributed energy production in the city. Hafslund and Obligo will establish charging stations for heavy transport through the company Fastcharge, and the company Enny, which Hafslund owns together with the housing cooperative OBOS, has signed contracts for the installation of solar panels on roofs in Oslo for NOK 30 million.

Hafslund has an active partnership strategy, particularly in the growth field, and joins forces with complementary partners to ensure the Group has the expertise required for good initiatives to succeed.



The best people are the key

Without the best people – wise minds, skilled hands and warm hearts – Hafslund will not succeed in any of the other ambitious initiatives. The Group had 812 employees at the end of 2023. Ensuring that employees enjoy and are motivated by their work and that each and every employee has the opportunity to achieve their potential is high on the Group’s agenda. The Group actively works with organisational development, leadership and employee development and diversity. The Board is also closely involved, and in 2023, the Board expanded the responsibility of what is now known as the Compensation and Organisational Committee, which cooperates with management on organisational development. The cooperation with elected representatives and trade unions is working well.

Hafslund is an employer with a vast range of employees in terms of age, education and professional background, and place of work, working at facilities and offices across all of Southern Norway. In 2023, Hafslund measured the Group’s diversity maturity and is now in the process of implementing measures to facilitate even greater diversity in the Group. The Group is actively working on life phase policy, and Hafslund strives to be a good place for employees to work throughout all phases of their lives. Health, Safety and the Environment (HSE) is also a very important dimension of the commitment to employees, and the Group takes the clear stance that nothing is so urgent that it cannot be done safely. HSE, gender equality and diversity are described in further detail under «Health, Safety and the Environment (HSE) and Employees».

Other key events from 2023



“Hans” and dam failure at Braskereidfoss

2023 was a year characterised by heavy rainfall, and in August the extreme weather event “Hans” caused historically high levels of water to flow into Hafslund’s watercourses. Hydropower employees made an extraordinary effort to prevent flooding and to ensure that the volumes of water were safely managed. However, a very serious incident occurred at the Braskereidfoss facility, and the dam burst due to floodgates not having been opened.

Efforts to determine the reasons for the floodgates not having been opened and the measures that can be taken to reduce the probability of similar incidents from occurring have been of vital importance to Hafslund in the subsequent period. DNV was promptly commissioned to conduct an investigation in order to understand the incident and to use the results to derive learning and make improvements. The investigation concluded that Hafslund Eco Vannkraft had inadequate procedures and systems for managing the type of extraordinary situation caused by the extreme weather event “Hans”. Hafslund has subsequently adjusted emergency preparedness plans and procedures for managing flood risks, and “Hans” was a clear signal that more extreme weather and changing types of weather will also require a different emergency preparedness around the power plants. Measures that were implemented include increased staffing at the operations centre in emergency response situations, adjusted limit for water flow level for staffing the power plant, expanded monitoring function in the event of major floods and improved overview of facilities that are

particularly exposed to major floods.

The Board was kept closely and continuously informed after the incident took place and is working together with management on efforts to take all possible steps to prevent similar incidents from occurring in the future.



Carbon capture project in cost-reducing phase

In April 2023, it was announced that Hafslund Oslo Celsio had decided to take the carbon capture project at Klemetsrud into a cost-reducing phase. Updated estimates showed sharp cost increases on equipment deliveries due to inflation, geopolitical instability and the exchange rate, and there was a high probability that the project would exceed the investment framework.

A smaller team with project resources was assembled and tasked with conducting a full review of the budget and possible cost reductions. Since April 2023, the project team has been working on optimising the project and this work has now entered an intensive phase towards an investment decision in the first half of 2024. Hafslund Oslo Celsio has partnered with Aker Carbon Capture and Aker Solutions on a new FEED study. The investment decision will be made by Hafslund Oslo Celsio's owners, Infranode, HitecVision and Hafslund.



Importance of framework conditions for more renewable energy

Extreme weather and a wetter climate can also be a reminder of the consequences of the energy transition not happening fast enough. The UN climate reports and the most recent UN Climate Change Conference (COP28) in Dubai highlight the urgency of the transition. As a renewables producer, Hafslund has an important responsibility and opportunity to contribute more renewable energy. Political will, licensing processes, taxes and other framework conditions are also crucial for the ability to develop more renewable energy.

Hafslund is focused on looking at the overall picture. With its extensive portfolio, the Group can identify solutions, but also challenges, across the energy system. Hafslund is now making efforts to reach out to politicians and policymakers to contribute knowledge and input. The Group's positions are further described under 'Market and framework conditions'. At the beginning of 2024, Hafslund has a particular focus on climate and energy policy having to be viewed in context, licensing processes having to be faster and framework conditions having to be amended to facilitate a profitable district heating industry.

Hafslund's business areas in 2023

Hydropower

Hafslund Eco Vannkraft operates and owns 81 hydropower plants that produce approximately 21 TWh of power. The power plants are located primarily in Vestland, Oslo, Akershus, Buskerud, Østfold and Innlandet, and consist of both reservoir and run-of-river power plants. The production of 18.5 TWh in 2023 was 4 per cent higher than production in a normal year. Hafslund directly owns 56 per cent of the hydropower company and Eidsiva owns 44 per cent.

The development of approximately 1 TWh in new renewable power production was completed during the period 2018 to 2022. The hydropower business continuously works to upgrade and expand power plants, and the increase in power production from this work is equivalent to 20-40 GWh per year. There is also a continuous search for new and profitable projects. Hafslund Eco Vannkraft currently has more than ten different projects under development. These projects collectively have the potential to contribute 500 GWh of increased energy production and 1,000 MW in increased output.

Hafslund Eco Vannkraft had 459 employees at the end of 2023.

District heating and cooling

Hafslund Oslo Celsio owns and operates plants in the value chain from final treatment of waste to production, sale and distribution of district heating. In addition, Hafslund Oslo Celsio establishes operations within district cooling, and has 100 per cent ownership in the fibre company Hafslund Fiber. In 2023, the company produced 2 TWh of district heating. This is equivalent to heating and hot water for approximately 160,000 households in Oslo.

Hafslund Oslo Celsio operates two waste incineration plants at Klemetsrud and Haraldrud in Oslo, and excess heat from incineration is used to produce district heating. The company also uses excess heat from sewage and data centres for producing heat. Other energy carriers such as bio-oil, wood pellets and electricity are also used during peak-load periods. In August 2022, construction commenced on a full-scale carbon capture and storage (CCS) facility at the Klemetsrud waste incineration plant. Carbon capture will be an important measure for tackling climate change that can both eliminate a significant proportion of Oslo's annual CO₂ emissions, and the capture of CO₂ from the incineration of biological material will also contribute to removing historical emissions from the system.

Hafslund Oslo Celsio had 239 employees at the end of 2023.

Growth and investments

Hafslund Vekst was established as a separate company in 2022 and consists of the Hafslund Group's industrial ownership and growth initiatives. Investment activities and follow-up of the Group's larger ownership interests, including the Group's important ownership interest in Eidsiva Energi, in addition to the work with new growth within renewable energy, green city development and flexibility, are part of this company. Hafslund Vekst works with both established and new growth initiatives within the renewable value chain and has a clear partnership strategy. Hafslund Vekst collaborates with other companies to secure the

complementary expertise and financial strength in order to make new opportunities a reality.

Hafslund is part of the Blåvinge offshore wind partnership and prepares applications for licences for offshore wind development in the North Sea. Within solar power, Hafslund Vekst has ownership interests in both large-scale solar and solar on buildings. Hafslund has also established a partnership with Eidsiva Energi and Akershus Energi for onshore wind power in Eastern Norway.

The ownership in Eidsiva Energi is followed up by Hafslund Vekst, which is the largest owner with a 50 per cent ownership interest. Eidsiva Energi owns 100 per cent of Norway's largest grid company Elvia, and also has business activities within district heating and broadband. Elvia had around 985,000 customers at the end of 2023 and builds, operates, maintains and renews the power grid in Innlandet, Akershus, Buskerud, Østfold and Oslo. Eidsiva Bioenergi is Norway's third largest supplier of district heating and supplies about 500 GWh of district heating in Innlandet, and Eidsiva Bredbånd supplies fibre and broadband to around 90,000 customers.

Hafslund Vekst had 54 employees at the end of 2023.

Sustainability

At Hafslund, we work "For a world in balance, with renewables". The balance in the energy system needs be maintained, and it is more important than ever that this takes place in a sustainable manner. Regulation and standardisation that make it possible to compare and ensure that capital is directed where it has the greatest effect are important, and Hafslund views the increasing focus on sustainability, for example through the introduction of CSRD, as representing an opportunity.

Hafslund's focus areas and sustainability goals are integrated with the Group strategy. The Group has conducted double-materiality analysis to identify which topics are most important for Hafslund to work on with regard to Hafslund's impact on people and the environment, ESG risks and opportunities. The topics identified as important to sustainability come under the three main categories of environment, social conditions and governance.

Important topics for Hafslund under the environment category are "Climate change", "Biodiversity and ecosystems", and "Resource use and circular economy". Under social conditions, the important topics for Hafslund are "Health and safety", "Expertise and culture", "Human rights", "Contribution to society and local value creation". The important topics for Hafslund under governance are "Ethical business operations", and "Preparedness and cyber security". "Strategy and sustainability" describes in detail how Hafslund works with strategy and sustainability. This description includes the obligation to report on corporate social responsibility efforts pursuant to Section 3-3c of the Norwegian Accounting Act.



Health, Safety and the Environment (HSE) and employees

Hafslund has an overall goal of zero injuries, for both its own employees and suppliers. Thirteen injuries were registered in 2023, including injuries at suppliers, and eight of these resulted in absence from work. The number of injuries per million working hours (H2) for 2023 was 7.6, compared with 2.9 in 2022.

The Hafslund Group experienced a higher level of injuries in 2023 compared to 2022, although the number of injuries was lower than in 2021. The Group has a strong focus on avoiding injuries and our policy is that nothing is so urgent that it cannot be done safely. Measures are now being taken to reverse the negative development from 2022 to 2023 with more injuries. Understanding of risk and planning have been assigned greater priority in recent years. Hafslund also sets clear HSE requirements for suppliers, which include close follow-up of safety and risk management during the process and subsequent evaluation. HSE is at the top of the agenda at management and operations meetings, and it is an important topic in Hafslund's leadership development programmes for highlighting responsibility on the line.

More information about the Group's HSE work can be found in the annual report in the subchapter «Health and safety».

Sick leave

Hafslund's goal is that total sick leave shall not exceed 3.5 per cent. Sick leave was 3.2 per cent in 2023, compared to 3.8 per cent in 2022. Targeted measures, and support and training of managers and employees are implemented to contribute to a low level of sick leave.

Employees, equality and diversity

The Group had 812 (compared to 686 in 2022) employees in majority-owned companies at the end of 2023. The increase in the number of employees is the result of professionalisation of Group functions and the need for greater capacity for growth initiatives at Hafslund Vekst. There were also new hires based on the expected high level of retirements in the coming years.

All work at Hafslund must be based on the Group's values: "Open", "Responsible" and "Innovative". The cooperation between management and employee organisations works well and makes valuable contributions to the development of the Group.

Among other things, the core value of «Open» means that value is placed on differences and diversity. Discrimination on the basis of gender, sexual orientation, ethnicity, religion or age must not occur under any circumstances. The Group is working with a long-term focus on diversity, and the Group's maturity of diversity was measured in 2023. This will enable Hafslund to take active steps and work systematically on diversity in the coming years. The ambition is to develop an organisational culture that recognises differences as a strength. Hafslund strives to be an organisation with a high degree of psychological safety that enables everyone to thrive and realise their potential.

In 2023, 22 per cent of the Group's employees were women, and this percentage has remained unchanged since 2021. The proportion of female employees is 24 per cent at Hafslund Eco Vannkraft, 18 per cent at Hafslund Oslo Celsio, and 48 per cent at Hafslund Vekst. As at 31 December 2023, the Board of Hafslund AS consists of three women and five men, while Group management consists of four women and three men.

New reporting requirements under the Activity and Reporting Obligation (ARP) will help to promote gender equality and prevent discrimination.

Hafslund's gender equality report, which has been prepared in accordance with Section 26 of the Norwegian Equality and Anti-Discrimination Act, is available at [Diversity and gender equality | Hafslund](#).

Obligation to report pursuant to the Norwegian Transparency Act

Hafslund published the first report for the Norwegian Transparency Act in 2023. A report for 2024 will be published on www.hafslund.no by the deadline of 30 June 2024. More information about the Group's work on the Transparency Act can be found [here](#) and can also be found in the annual report in the subchapter «Human Rights».

Market and framework conditions

The power market in 2023

Following the most acute phase of the energy crisis in 2022, the power market normalised somewhat in 2023, with lower prices and better access to energy on the continent and in the Nordic region. However, in historical terms, prices remain at a high level. The energy crisis was primarily caused by the loss of Russian gas, which Europe has dealt with by importing LNG, decreased consumption and more renewable power. In addition, nuclear power in France performed better in 2023 than in 2022. Europe's gas stores were completely full at the start of the heating season in winter 2023/2024, although the situation remains sensitive to minor changes due to the strained global LNG market.

The hydrological situation in Norway was relatively normal in 2023, with minor discrepancies in the hydrological balance and close to normal inflow levels in the different parts of the country. One exception was the extreme weather event "Hans", which produced very heavy precipitation, full reservoirs and a high level of forced production from Hafslund's power plants in Eastern and Western Norway (price areas NO1 and NO5) in August. The extreme weather led to an extended period of very low power prices in these areas. Hafslund also had zero prices in the autumn to ensure there was space in the reservoirs for autumn rain and in the event of more extreme weather. During the autumn and towards the end of the year, the hydrological balance normalised and the prices moved closer to those in NO2 and on the continent.

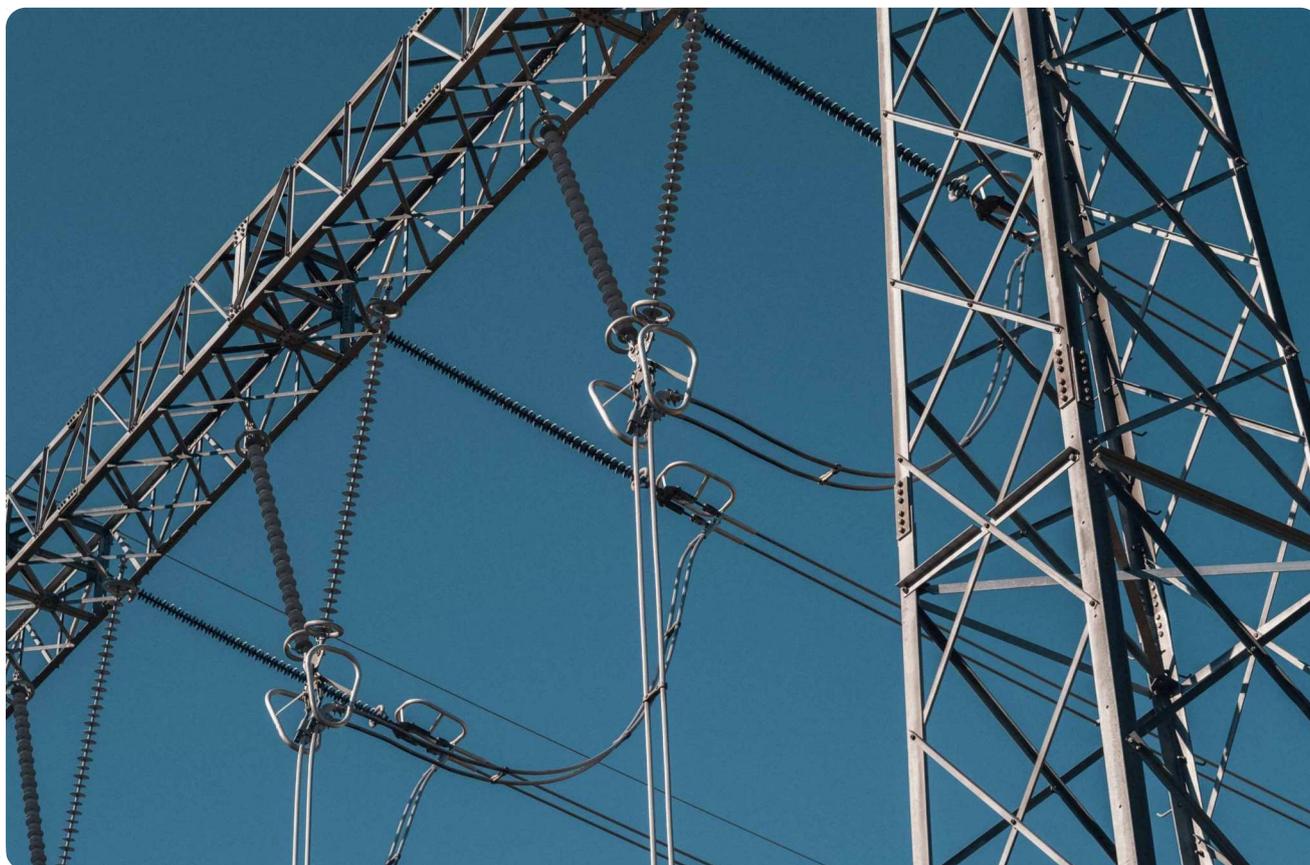
Price hedging

Hafslund has a power price hedging strategy which has the objective of stabilising income and cash flow, and exploiting market opportunities. The Group conducts ongoing analyses to hedge the sale of power, primarily within the Nordic power market. In order to reduce risk, the Group hedges production revenues through financial power contracts for the physical supply of power to the corporate market and through long-term agreements with industrial companies. The hedged share of production is regulated by frameworks and guidelines for risk management and power hedging and will vary in accordance with the expectations for production volume and the assessment of risk and market opportunities.

The high-price contribution, an additional tax on market prices exceeding 70 øre/kwh which was introduced in the autumn of 2022, was discontinued with effect from 1 October 2023. Up until that date, the high-price contribution had meant that when prices were rising, hydropower companies had a marginal tax rate of up to 90 per cent on the physical spot delivery, while profits from financial hedging contracts were taxed at 22 per cent. This asymmetry limited the ability to manage price risk with financial contracts, and made hydropower companies more dependent on contractual forms included in the basis for resource rent tax. This applies to contracts over seven years with power-intensive industries and fixed-price contracts for other industries with durations of three, five or seven years. Physical contracts to the business sector are an important focus area for Hafslund. However, there is limited demand for long-term industrial contracts and the market for physical contracts to the business sector has declined. However, during 2023, the Group was still an active provider of physical contracts and sold fixed-price agreements to a number of companies, both directly and through the companies' electricity suppliers.

The financial market is important for Hafslund's hedging activities. The power exchange for the Nasdaq

Nordic financial market fell sharply in 2022, but developed in a positive direction during the autumn of 2023, despite liquidity still being very low in comparison with historical levels.



Work with framework conditions

In recent years, renewable energy production has been high on the political agenda, both as a result of extraordinarily high price levels and the increasing pressure to succeed with the energy transition and to achieve climate targets that have been adopted. The scarcity of renewable applies to difficult situations that involve everything from national and regional security, impact on climate and the environment, and society's overall economy.

Norway has an efficient power system with a relatively high degree of flexibility and good access to new renewable resources. However, analyses carried out by Statnett in 2023 show that Norway may have a power deficit as early as the second half of the 2020s due to the fact that the increase in consumption is exceeding new production. The framework conditions and the licensing system for new developments are of vital importance if Norway is to succeed in increasing production of renewable energy and facilitating the emergence of new green industry in the country. The development of new capacity within increased renewable energy and power infrastructure is not going fast enough and licensing processes and framework conditions can better facilitate energy transition than is the case today. In 2023, Hafslund worked on framework conditions within the following topics:

Facilitating the development of hydropower and valuable regulation capacity

From 2018 to 2022, Hafslund participated in the development of a total of 1 TWh of new hydropower. The potential for larger hydropower projects is limited under the current framework conditions, and the increased resource rent tax that was introduced in 2022 also raises the tax burden when power prices are low and will impact the rate of investment in new hydropower. Hafslund understands that the Norwegian State wants to impose more tax on the power industry during times of high profits, although the manner in which the new taxes have been arranged is decisive to the ability of the power industry to finance new renewable power development and types of projects that will be profitable. It was important that the extra tax on power prices above 70 øre/kWh was discontinued with effect from 1 October 2023, because this tax had a particularly inhibiting effect on optimal energy allocation, price hedging and investments in capacity. The need for output capacity and regulatory capacity will increase in the coming years because a larger proportion of the energy will come from non-adjustable sources such as solar and wind. Facilitating investments in hydropower and output today may be crucial for there being a good and well-functioning power system in the future.

Facilitating large-scale industrial development of the offshore wind industry

Norway has enormous offshore wind resources, and the government's ambitions for the awarding of offshore wind licences by 2040 are important. Clear ambitions and underlying framework conditions are crucial for large-scale, industrial development and profitable utilisation of offshore wind resources. Hafslund wants to contribute to developing Norwegian offshore wind and has the goal of becoming a significant operator in this sector. Hafslund is a member of the Blåvinge offshore wind partnership, which prepares applications for licences for offshore wind development in the North Sea. The company is working intensively on submitting a competitive bid for Utsira Nord and is focused on this as well as future tenders. In 2023, Blåvinge decided not to apply for pre-qualification for Sørlige Nordsjø II due to increased costs and the fact that the stipulated financial framework conditions meant that the project was not sufficiently profitable. The partnership has contributed input in consultation processes regarding how the awarding of licences for the first fields in the North Sea can be organised in a sound manner that contributes to the long-term and sustainable development of Norway's offshore wind industry.

Facilitating further development of hydronic heating and cooling in Oslo

District heating and cooling can to a large degree cover heating and cooling needs in cities and towns and relieve the power system and power grid. Of particular importance are thermal energy systems that can exploit the large volume of excess heat generated in society from waste incineration and sewage, and not least, from new industries such as data centres and hydrogen production.

A total of 2 TWh in district heating is produced in Oslo, which is equivalent to 28 per cent of the heating needs of the city, and there is potential for developing significantly more capacity. New investments in district heating will require a change in key framework conditions and regulations for district heating that have had weaker profitability in recent years. The district heating tariff is regulated to follow the electricity price, and the price for consumers will always be less than the price of electricity. The price of electricity for consumers has been regulated by the electricity support scheme in recent years. The companies that sell electricity to consumers have received electricity support payments from the Norwegian State to ensure the companies' profitability when revenues were limited by the level of electricity support. The district heating industry has not received equivalent support, and this has resulted in a significant loss of revenue for the district heating industry that has had to finance electricity support to consumers at its own expense. In addition, the increase in the waste incineration tax of over 85 per cent in the 2024 national budget has had a dramatic impact on district heating generated from waste incineration. The increase in the waste incineration tax places considerable pressure on the profitability of district heating production. There need to be framework conditions in Norway, and especially in the larger cities, that provide strong incentives for more district heating and for heat production to be combined with profitable carbon capture and storage.

In 2022, the Norwegian Water Resources and Energy Directorate (NVE) initiated work to assess new price controls for district heating. It is important that the price controls for district heating effectively safeguard customer needs while also providing incentives for both efficient operations and necessary investments in district heating to relieve pressure on the rest of the energy system.

Another decisive framework condition for stimulating increased use of district heating is that the energy labelling scheme must be changed so that it equates environmental grades for supplied energy (electricity and district heating) with so-called internal building solutions, such as heat pumps and solar energy. There is also a need for amendments to building regulations that should set stricter requirements for the use of hydronic heating in buildings. This will facilitate flexible heating solutions over time.

Converting buildings with electrical heating to hydronic heating will involve costs will require investments to be made. However, the conversion will provide significant relief to the power grid, which is particularly urgent in electricity price area NO1, where it has been announced that the power grid will be at full capacity until 2030-2035. Conversion support from Enova may be crucial in order to relieve the grid and free up high-value energy for consumption other than heating, such as the electrification of fossil-based industry.

Facilitating more stable and predictable electricity agreements for end users

The electricity price level has been challenging for households and businesses over the past three years. Hafslund argued that the resource rent tax on fixed-price agreements should be calculated based on a fixed price in accordance with the agreement and not the spot price. Acceptance of this has made it possible for Hafslund to introduce fixed-price agreements that will provide predictable power prices to a wider range of companies.

Ensure balanced assessment of environmental considerations

Hafslund is committed to ensuring that encroachment on nature takes place with the least possible impact. Hydropower is subject to licence conditions which stipulate requirements for water flows in rivers and water levels in reservoirs. The revision of these conditions is a process regulated by the government authorities with the objective of assessing whether the conditions should be adjusted. When such adjustments are necessary, Hafslund proposes knowledge-based environmental improvements that have the least possible negative impact on power production.

Increased electrification and reindustrialisation of society

With new developments of hydropower, wind, solar and grid, a continued high power surplus will lay the groundwork for the increased electrification of society. The development of capacity for increased renewable energy and power infrastructure is unsatisfactory and will not adequately meet societal needs in a future energy market. Electrification of transport, oil and gas, building and construction, and existing and new industry will be, in addition to more efficient energy use, essential if Norway is to succeed with the green transition. Hafslund works actively to ensure that government authorities set conditions for value-creating electrification and is involved in wide-ranging industrial policy cooperation.

Income statement, cash flow, balance sheet and equity

Unless otherwise stated, figures for 2022 are in brackets.

Results and result drivers in 2023

Hafslund's profit after tax in 2023 was NOK 5,153 million (NOK 4,344 million), an increase of NOK 809 million from 2022. High production, high power prices and stable operations contributed to a good result. In 2023, the operating profit was NOK 13,862 million, compared with NOK 19,340 million in 2022. The decrease in operating profit was primarily due to lower power prices in comparison with the extreme situation that characterised 2022.

For Hafslund, the power price is crucial for performance development. The average power price for NO1 was approximately one-third of the corresponding price in 2022, despite power prices still being high from a historical perspective. Future power prices have also fallen. However, this had a positive effect on results in the form of changes in the value of financial power hedging. The achieved power price of 73 øre per kWh was down 77 øre per kWh from the previous year. In addition to sales in the spot market, the power price achieved is influenced by the sale of power to industry and the business sector at fixed prices, realised results from financial power hedging, and the sale of concessionary power at prices determined by the government.

Lower power prices significantly reduced operating profits in 2023 compared to 2022, despite good power production: 18.5 TWh in 2023 versus 13.8 TWh in 2022. Hydropower production in 2023 was a full 34 per cent higher than in 2022, and 5 per cent higher than normal production. The hydrological situation in Norway was relatively normal in 2023, with the exception of the extreme weather event "Hans", which produced very heavy precipitation, full reservoirs and a high level of forced production from Hafslund's power plants in the late summer. However, the prices during this period were very low, and the high production is therefore only reflected in the results to a minor extent.

Operating expenses of NOK 5,432 million were an increase from NOK 3,404 million in 2022. The increase was primarily due to the year-round effect of Hafslund Oslo Celsio, which for 2022 only impacted the result from the acquisition in May. An increase in the number of employees and general inflation also contributed to cost increases from 2022 to 2023.

Results from affiliates and joint ventures amounted to NOK 595 million (NOK 716 million) in 2023. The profit from ownership in Eidsiva Energi was NOK 692 million (NOK 520 million). The increase in the profit contribution from Eidsiva Energi was largely the result of reduced tariffs from Statnett in addition to reduced grid losses due to lower power prices.

Net financial expenses amounted to NOK -230 million (NOK -462 million). The change in relation to the previous year was due to interest rate and exchange rate developments. Higher interest rates and bank deposits during the year increased interest income, which, together with foreign exchange gains, more than offset increased interest costs on the Group's external financing.

The tax expense of NOK 8,478 million (NOK 14,535 million) corresponds to an effective tax rate of 65 per cent (80 per cent) of the pre-tax profit, adjusted for the results from associates and joint ventures. The high tax

rate must be viewed in the context of the special taxation of the hydropower business, which involved resource rent tax of 45 per cent per cent and high-price contribution of 23 per cent for power prices above 70 øre per kWh up to 1 October 2023, in addition to the general tax rate of 22 per cent. The result from financial power hedging is not subject to resource rent tax and contributed to a lower effective tax rate in 2023 in comparison with 2022.

The underlying profit after tax for the year (profit after tax, excluding changes in value and other non-recurring items) was NOK 4,085 million (NOK 4,817 million). The return on equity was 11 per cent (10.2 per cent) in 2023.

Cash flow

Hafslund had a net cash flow from operations of NOK 2,536 million (NOK 11,773 million) in 2023, following payment of tax in arrears for 2022 of NOK 13,838 million (NOK 4,701 million). Cash flows from operations before tax in 2023 of NOK 16,373 million were at the same level as in 2022 (NOK 16,474 million). Tax for 2023 of NOK 7,365 million will be paid in 2024.

Net cash flow from investment activities was NOK 368 million in 2023 (NOK – 2,447 million). 2023 was a year with no major transactions, but high dividends from associated companies, including Eidsiva Energi, of NOK 1,196 million (NOK 450 million). Net cash flow from financing activities was NOK –6,085 million (NOK –2,729 million). Dividends paid to the City of Oslo and minority owners amounted to NOK 3,072 million (NOK 3,033 million). During the period, the Group increased external interest-bearing debt by NOK 2,073 million (NOK 3,380 million), and paid off interest-bearing debt by NOK 4,736 million (NOK 2,553 million), of which NOK 1,917 million was a subordinated loan from Eidsiva Energi to the company Hafslund Eco Vannkraft Innlandet AS.

Balance sheet, financing and equity

As of the end of 2023, Hafslund had total assets of NOK 91 billion (NOK 97 billion) and capital employed of NOK 64 billion (NOK 66 billion). The Group's net interest-bearing debt including subordinated loans was NOK 9.6 billion (NOK 9.5 billion). Gross interest-bearing debt was NOK 2.6 billion lower in 2023 compared to 2022, while bank deposits and other interest-bearing receivables were NOK 2.7 billion lower. The average coupon rate for the loan portfolio, excluding subordinated loans, was 4.8 per cent and the average time to maturity is 5 years. Outstanding subordinated loans amounted to NOK 5.4 billion (NOK 7.3 billion) at the end of 2023.

Hafslund has a robust financing structure with long-term, committed credit facilities and liquidity to cover a minimum of twelve months' loan maturity. At year-end 2023, the Group had unused credit facilities of NOK 3.5 billion (including overdraft facility of NOK 1 billion). Of the Group's overdraft facility of EUR 50 million to cover daily market settlement on Nasdaq OMX, EUR 47 million had not been used at the end of 2023. The Group has loan agreements that do not impose requirements for financial key figures (covenants). During 2023, the Group issued two new green bonds, each of which amounted to NOK 500 million, with respective maturities of 5 and 6 years.

In 2023, Scope Ratings increased Hafslund's rating from BBB+ with a positive outlook to A- with a positive outlook. This increase is a reflection of the Group's strong financial position.

Result Hydropower

In 2023, the business areas Hafslund Eco Vannkraft had operating revenues of NOK 15,599 million (NOK 20,534 million). The operating profit (EBIT) of NOK 13,317 million (NOK 18,743 million) was a decrease of NOK 5,426 million from the previous year. The decrease in operating revenues and operating profit was primarily due to lower power prices in Southern Norway, despite high production and increased earnings from hedging activity.

The power price achieved was halved from 2022 to 2023, and this alone contributed NOK 10 771 million to the reduced operating profit. In 2023, the power price achieved was 1 per cent lower than the average spot prices in the hydropower business' production areas. Revenues from the sale of guarantees of origin were NOK 794 million (NOK 215 million). The operating profit includes a value adjustment for power and currency derivatives of NOK 1,224 million (NOK -431 million), and a value adjustment of liabilities related to compensation/free power of NOK 95 million (NOK -8 million). The effects mainly relate to financial instruments that are measured at fair value with changes in value through profit or loss. When adjusted for this, underlying operating profit was NOK 11,998 million, a decrease of NOK 7,184 million from the previous year.

Power production of 18.5 TWh in 2023 was 4.7 TWh higher than in 2022 and 0.8 TWh higher than normal production. In isolation, higher power production contributed NOK 3,469 million in increased operating profit compared to 2022. The incident at Braskereidfoss in August caused by the extreme weather event "Hans" resulted in the power plant being temporarily out of service due to dam failure and water penetration into the two power stations. Preliminary assessments are that the power plant may be back online during 2026 at the earliest. Braskereidfoss has an annual normal production of 170 GWh, which is just under 1 per cent of the hydropower business' annual normal production. Other than the incident at Braskereidfoss, there were good operations and resource allocation, as well as a high level of availability at the power plants during the year.

Operating expenses, including depreciation, were NOK 2,292 million in 2023, an increase of 20 per cent from 2022. There was an increase of 15 per cent in less influenceable costs such as transmission costs, property taxes and compensation, as well as write-downs related to the Braskereidfoss power plant that contributed to this; however, more employees and general price inflation also contributed to the increase. In connection with the dam failure and water penetration at the Braskereidfoss power plant, NOK 130 million was recognised as write-downs in the balance sheet, as well as NOK 20 million in clean-up/remediation costs.

Result District heating and cooling

2023 was a particularly demanding year for the district heating business. Production was at a high level of 1.8 TWh, but the profit after tax ended at NOK -62 million in 2023. Framework conditions, price increases on fuels and extraordinary costs negatively impacted the result.

The business area had total operating revenues of NOK 3,072 million. This primarily related to revenues from district heating. Despite high sales volumes (11 per cent higher compared to 2022), revenues from underlying operations* were not correspondingly high. The district heating price is tied to the electricity price, which was significantly lower in 2023 than in 2022. The district heating prices are also limited by the electricity support scheme, but unlike electricity companies, the district heating operators have not received compensation from the Norwegian State for the lost income this has caused. During the winter months, the price of the input factors is significantly higher than the revenue cap set through the electricity support scheme, and this

alone reduced revenues by NOK 227 million in 2023.

Operating costs in 2023 ended at NOK 2,287 million and were impacted by high fuel prices in 2023. At the same time, fixed costs were higher than normal as a result of restructuring and new IT infrastructure, increased maintenance costs and cost-entries associated with the carbon capture project (CCS). The latter applies to ongoing measures to reduce costs and ensure that the project is profitable.

Write-downs of book values linked to carbon capture project and the «Klemetsrud – Line 4» project totalled NOK 188 million.

*Operating revenues also include “Other gains/losses” which, at NOK 307 million, were significant. Much of this gain relates to the correction of hedging accounting from 2022 and not a result of underlying operations. For further information, see Note 5.6 to the consolidated accounts.

Result Growth and investments

Hafslund Vekst had operating revenues of NOK 15 million in 2023 (NOK 5 million). Among other things, the growth was due to increased sales of services from Hafslund Rådgivning.

Results from associates and joint ventures were NOK 599 million (NOK 588 million), and were primarily influenced by a positive contribution from Eidsiva Energi of NOK 692 million (NOK 520 million). The increase in the profit contribution from Eidsiva Energi was principally due to reduced tariffs from Statnett, in addition to reduced grid losses as a result of lower power prices.

Operating costs were NOK 144 million (NOK 41 million), with the increase largely explained by increased activity and an increase from around 30 to 50 employees throughout the year. Total financial costs amounted to NOK 338 million (NOK 240 million) and mainly consist of interest on internal loans to the parent company. Operating profit (EBIT) in Hafslund Vekst in 2023 was NOK 470 million (NOK 552 million), and profit after tax of NOK 218 million (NOK 372 million).

Results from other businesses

Other businesses consist of the parent company Hafslund AS, including the management of Hafslund Hovedgård and Group eliminations. The operating profit (EBIT) from other businesses was NOK -115 million (NOK -117 million) in 2023.



Risk management

Hafslund is exposed to risk in a number of areas. The most important risks are of a financial, regulatory, operational and reputational nature. Risk management is an integral part of the Group's business activities and is designed to ensure that strategic, operational and financial objectives are achieved. Hafslund has established guidelines and frameworks for managing risk. The Group's overall risk is continually monitored and assessed by the Risk and Audit Committee and the Board of Directors as part of the annual cycle and in the event of major changes. The Group's risk work is closely linked to the Group's strategy and sustainability work and the financial structure. The purpose of risk management is to take the correct risk based on the Group's appetite and capacity for risk, expertise, financial solvency, development plans and dividend targets. The Group's risk landscape in 2023 was particularly characterised by uncertainty relating to framework conditions, significant movements in power prices and the impact of climate change on the Group's core business activities.

Financial risk – market risk

Due to the Group's hydropower and district heating activities, Hafslund is exposed to movements in market prices. Among the steps the Group takes to manage risk is active participation in different markets. All power

trading is governed by frameworks and followed up through reporting to Group management and the Board. Parts of future exposure are hedged within these frameworks. The Group's power trading unit also actively takes positions in the market. The Group's operations are adjusted in accordance with factors such as the perception of future prices, own production capacity and regulatory conditions.

Hafslund generates substantial revenues in euros through its ownership interest in Hafslund Eco Vannkraft AS, and the Group is an active participant in energy markets where trading takes place in different currencies. Earnings in foreign currencies are converted to Norwegian kroner on an ongoing basis. The Group's costs are primarily in Norwegian kroner.

Hafslund can enter into loan agreements and other agreements in a foreign currency. All long-term loans in foreign currency and some of the power price-hedged volume are currency-hedged. The Group is exposed to interest rate risk on interest-bearing loans, and manages interest rate risk by taking advantage of the natural interest rate hedge between interest rates on debt and the prescribed interest rate used in the calculation of non-taxable resource rent tax for the hydropower business.

In addition to operations, Hafslund is particularly exposed to interest rate risk on loans, for which changing interest rates will have an impact on the Group's financing costs. Hafslund is primarily exposed to interest rate risk through its financing activities in Norwegian kroner and foreign currency. The Group's operating revenues and cash flow from operational activities are also sensitive to changes in interest rates to some extent.

Financial risk – credit and counterparty risk

The Group is exposed to credit and counterparty risk, primarily through the sale of district heating, financial and physical power trading, and in connection with financing activities. For the district heating business, the majority of debtors are public institutions, companies and private companies that purchase district heating. A significant share of hydropower production is sold on an ongoing basis in the spot market. When entering into longer-term physical and financial contracts, counterparty risk is managed using clearing, guarantees and settlement mechanisms. Exposure related to contract counterparties is continually monitored and evaluated. Risk is limited and managed in accordance with the Group's established framework, which includes defined limits for credit ratings of approved counterparties, and diversifying exposure over multiple counterparties. The Group has historically experienced low losses on receivables.

Financial risk – liquidity risk

The Group's cash flows vary in line with factors such as fluctuations in power prices, capital requirements for power hedging, seasonal fluctuations in own production, investment levels and loan maturities. Liquidity risk is managed by maintaining sufficient liquid funds at all times to enable the Group to service all financial liabilities upon maturity, including for extraordinary events, without risking unacceptable loss or damaged reputation. There are continual analyses of ingoing and outgoing payments, and the liquidity risk is minimised by short and long-term borrowing. Hafslund has established long-term, committed credit facilities that ensure access to liquidity.

Regulatory risk

Hafslund is impacted by changes to framework conditions within a number of areas. Regulatory and statutory amendments that have immediate or retroactive effect can have a major impact on financial results and other goal attainment. As mentioned in the chapter entitled «Market and framework conditions», this includes changes in tax levels and new or amended energy market regulations that may impact several of the Group's business areas. Eidsiva Energi, in which Hafslund has a 50 per cent ownership interest, is also particularly exposed to regulatory risks within grid and broadband operations.

Regulatory risk is closely monitored through continuous work on framework conditions. The Group places an emphasis on risk associated with long-term framework conditions in connection with all major investment decisions.

The competitiveness of district heating is highly dependent on regulatory factors relating to both district heating sales and incineration of waste and other input factors used for producing district heating. Changes to regulatory conditions could potentially also limit power production. For the Group's flexible hydropower production, market regulation in the physical and financial power markets is also particularly important.

Operational risk

Hafslund is exposed to operational risk along the entire value chain. The operational risk is greatest within ongoing operational activities and project execution. Line management is responsible for day-to-day risk management. The business areas manage operational risk through measures such as systematic maintenance, detailed procedures for activities, controls and emergency response plans. The Group's infrastructure is exposed to physical risk as a result of climate change. This is witnessed not only acutely in the form of more extreme weather, but also chronically in terms of the impact that changing temperatures have on energy production in subsidiaries and the impact on critical supply chains. The Group has insurance contracts, which include damage to the Group's own production facilities and other property. Liability insurance agreements have been entered into, including dam liability insurance, which covers damage to third parties and third party property. The Group also has insurance related to lost power production in the event of interruptions.

Risk relating to security of supply is of vital importance, and cyber security is a focus area that is closely monitored. The global security situation has given rise to an intensified cyber threat landscape, and the Group has been forced to adapt to the new geopolitical cyber situation. Hafslund continuously follows advice and recommendations given by government authorities and supervisory agencies, and participates in both KraftCERT and the Forum for Information Security in Power Supply (FSK). KraftCERT and FSK are specialist communities within the field of cybersecurity in the power industry that assist their members with advice and management of cyber incidents that are a potential threat to security. The Group did not experience cyber incidents that had serious consequences in 2023.

Hafslund has established systems for the registration and reporting of censurable conditions, undesirable incidents, injuries and improvement measures. Analyses are continually carried out with the aim of assessing risk, prevention and implementing measures when necessary.

Internal control

Internal control is a vital part of risk management at Hafslund. The Group has internal functions for monitoring risk and for compliance with laws and regulations. The Group also has an independent internal audit function, which will contribute to continual improvement and increased goal attainment by carrying out independent assessments and providing advice relating to internal control and risk management. All of the companies in the Group are governed by legislation, regulations, regulatory requirements and internal guidelines. The Group continually works to manage the risk of non-compliance with laws and regulations. Work is carried out in the line with the support of specialist functions. Internal awareness-raising programmes are used to improve knowledge and ensure compliance within focus areas.

The Group has established routines for the implementation of financial reporting across the Group. Controls are particularly targeted at areas that are considered to have the greatest risk of errors in the accounts. Hafslund endeavours to be a responsible actor in all parts of its business activities, and shall ensure compliance by identifying risk and implementing measures that reduce risk.



Corporate governance

Agreements with related parties

Subordinated loans from CCS Finansiering AS

Hafslund AS has three subordinated loans with outstanding loan amounts of NOK 2,347 million, NOK 1,000 million and NOK 2,075 million from CCS Finansiering AS, a company that is 100 per cent owned by the City of Oslo. The latter-mentioned loan was established in connection with the Celsio transaction. The loans were transferred from the City of Oslo to CCS Finansiering AS on 15 December 2022. All of the loans are bullet and have a clause stipulating that if the Group's annual result shows a loss after interest that is charged, the interest rate shall be reduced by either the loss or to 0. The reduction is final and the interest amount will not be payable at a later date. For further information, see Note 9.1 to the consolidated accounts.

CCS Finansiering AS' preference shares

As of 31 December 2023, CCS Finansiering AS has contributed NOK 189.7 million as preference capital in Hafslund Oslo Celsio. The preference shares grant the right to a share of any excess return in the CCS project up to 2051, but do not confer voting rights, the right to ordinary dividends or other financial benefits.

CCS Finansiering AS will provide preference capital in line with the capital requirement in the CCS project, with a maximum limit of NOK 2.1 billion.

The Group has classified the preference shares as debt for accounting purposes and will classify future contributions of preference capital in the same manner. For further information, see Note 4.1 to the consolidated accounts.

Owner

The City of Oslo owns 100 per cent of the shares in the parent company Hafslund AS. The Board has adopted principles for corporate governance in line with the Norwegian Code of Practice for Corporate Governance of 14 October 2021 (the "NCGB Recommendation") and the City of Oslo's principles for sound governance of limited companies. These principles are intended to support the owner's profit goals and contribute to long-term value creation, as well as ensure that owners and other stakeholders have trust in the Board, management and the company. Hafslund's report for compliance with the NCGB Recommendation, and report on corporate governance pursuant to Section 3-3b of the Norwegian Accounting Act, are available at [Corporate Governance | Hafslund](#).

The work of the Board of Directors

The Hafslund Board of Directors comprises eight members, three of whom are elected by the employees. There are currently three female and five male directors. 2023 saw several changes to the composition of the

Board and there were parts of the year when there were nine directors on the Board. Jarle Roth and Maria Tallaksen were elected to the Board at the general meeting in April, while Bente Sollid Storehaug left her position on the Board. In November, Alexandra Bech GjØrv resigned as Board Chair and Bård Vegar Solhjell was appointed acting chair of the Group. In the autumn of 2023, elections were also held for employee representatives on the Board, and Halvor Halvorsen, Håkon Rustad and Hilde Veum-Wahlberg were elected to serve on the Board from 1 January 2024. Håkon Rustad, Vegar Kjos Andersen and Ingvild Marie Rikoll Solberg served as employee-elected directors during 2022 and 2023.

Hafslund's Board of Directors works in accordance with the adopted rules of procedure. The Board is therefore directly accountable to the General Meeting. The Board's Organisational and Compensation Committee prepares matters for review by the Board and resolutions on compensation and organisation. The members of the Compensation Board in 2023 were Alexandra Bech GjØrv (chair), Bård Vegar Solhjell, Bente Sollid Storehaug (until April), Jarle Roth (from and including April) and Håkon Rustad. For information regarding the remuneration of senior executives and directors, and the Board's declaration and determination of salaries and other remuneration for senior executives, see Note 7.1 Remuneration of senior executives and directors. The Board's Risk and Audit Committee assists the Board with the preparation of the financial statements and internal control. The Committee consists of BjØrn Erik Næss (chair), Mari Thjømøe and Maria Tallaksen. The Risk and Audit Committee satisfies the requirement that at least one member must be independent of the Group's operations and have an accounting or auditing qualification. The experience and qualifications of each of the directors are described in the section of the report on the Board of Directors.

The Board held eight regular board meetings in 2023, two extraordinary board meetings, and reviewed four items by email. During the previous year, the Board particularly worked with offshore wind, the carbon capture project at Klemetsrud, transactions, framework conditions, further development of strategy and opportunities for further growth. Organisational work, risk and sustainability were also important topics considered by the Board. The Board's work is intended to ensure that the Group develops in the best interests of its owners, employees and other stakeholders.

As part of the Group's insurance coverage, insurance has been taken out for the directors and the CEO for their potential liability to the company and third parties. The total insurance amount is NOK 200 million.

Parent company Hafslund AS

The parent company Hafslund AS comprises the Group management team and Group and support functions. The Group's debt is largely held by the parent company. The company's income primarily consists of interest income and dividends received. Hafslund AS had an operating profit (EBIT) of NOK -115 million (NOK -89 million) in 2023, and net financial items of NOK 2,743 million (NOK 2,089 million). The annual profit for 2023 was NOK 2,495 million (NOK 2,072 million).

Dividend and allocation of profit for the year

The dividend is determined each year in consultation with the owner and in such a manner that the Group's

capital requirements and credit quality are maintained. During the year, the Board continually monitored the Group's market and operating conditions, the equity and liquidity situation, and the dividend capacity. Based on this, the Board made the decision in August 2023 to propose an additional dividend of NOK 600 million, which brings the total dividend for the 2022 financial year from Hafslund to the City of Oslo to NOK 2,100 million. Good production, stabilisation in the power market and thereby reduced profit risk during the first half of 2023 provided the basis for an additional dividend.

For 2023, the Board has decided to propose a dividend for the financial year 2023 of NOK 2,600 million, of which NOK 1,600 million represents a long-term robust dividend level and NOK 1,000 million reflects very strong results in 2023.

The dividend level reflects the Group's equity situation, liquidity, and future prospects.

The Board proposes that Hafslund AS' profit for the year be allocated as follows:

Profit for the year in Hafslund AS' financial statements	2,495 NOK million
APPROPRIATIONS:	
Dividend allocated from Hafslund AS to the City of Oslo	2,600 NOK million
To/from other equity	-105 NOK million

Going concern assumption

In accordance with the requirements of the Norwegian Accounting Act, the Board confirms that the annual financial statements have been prepared in accordance with the going concern assumption and that the conditions for this have been satisfied.

Events after the reporting period

Skygard is a partnership between Hafslund (31.7 per cent), Telenor (31.7 per cent), HitecVision (31.7 per cent), and Analysys Mason Nordic (5 per cent). During the first quarter of 2024, the parties made a positive investment decision for the construction of a data centre in Hovinbyen, Oslo. The total investment is estimated at NOK 2.4 billion Norwegian kroner, and the first data centre is expected to be completed in 2025.

In February 2024, CCS Finansiering AS contributed NOK 114 million as preference capital to Hafslund Oslo Celsio. In terms of accounting, the capital contribution is presented as a liability in the consolidated financial statements, see note 4.1 Other liabilities.

As of the date the financial statements were prepared there were no significant, known events that occurred after the balance sheet date that would be expected to have an impact on the Group's statement of comprehensive income for 2023, or the financial position as of 31 December 2023.

Outlook

The last few years have been characterised by major changes and, to some extent, unforeseen challenges and some uncertainty. At the same time, many positive developments are taking place in renewable energy, both in terms of technology and falling costs following the increases experienced in recent year. There is a clear need for energy transition in both Norway and Europe, and this will require enormous investments in renewable energy. Ensuring a stable supply of renewable energy is at the heart of Hafslund's operations, and the Group is increasingly able to identify and realise solutions across the energy system, with a portfolio that has been expanded in recent years.

Hafslund will continue to produce renewable energy from water, wind and solar, as well as contribute to the development of hydronic heating and cooling. The continuation of the carbon capture project at Klemetsrud will be one of the Group's most important strategic investment decisions in the coming period, and Hafslund is working together with the other owners of Hafslund Oslo Celsio, Infranode and HitecVision to realise the project.

The Group also has significant ownership interests in grids, fibre, charging infrastructure, energy-efficient data centres and other renewable growth initiatives. This makes Hafslund well-positioned to contribute to smart, green urban development. Partnerships are an important model for the Group, and Hafslund collaborates with actors that have complementary expertise in order to realise new initiatives.

However, the framework conditions around the Group's activities are critical to what is able to be realised, and in recent years changes to framework conditions have had major implications for the Group's activities. Taxation of power generation and the framework conditions for district heating have had the greatest impact. Hafslund engages in dialogue with policymakers and politicians to gain knowledge from the industry and to assist in finding sustainable solutions. The Group believes it is critical to find solutions for the strained energy and grid situation around the NO1 electricity price area. This situation clearly highlights the need for holistic thinking and finding opportunities across the system.

After Statnett announced that the transmission grid into Oslo, Østfold and Akershus is at full capacity, industrial companies applying for connection to the grid for electrification will be rejected and the grid will not be able to be reinforced until 2030-2035. Finding opportunities to relieve the grid, especially during winter when the strain on the grid is at its highest, is critical to prevent electrification from coming to a halt. Increased use of district heating is an example of a very effective measure for relieving the grid and saving energy. Recognising district heating as being an important source of energy and emergency preparedness could be a good strategy for the energy situation in Oslo. In the Norwegian capital, district heating accounts for only 20-30 per cent of heating needs, while the corresponding figure for Stockholm is around 90 per cent. Hafslund is looking for opportunities that can remedy the situation around NO1 and wishes to have dialogue with politicians, regulatory authorities and other parties who are keen to find the solutions.

Heightened geopolitical tensions, increased volatility in commodity markets and greater uncertainty are factors that Hafslund is prepared for in the coming years, but the Group has a strong hope of seeing positive breakthroughs and less unrest. High inflation, strained supply chains and changes in framework conditions are affecting the Group's projects and development activities. Moving forward, the Board will place a strong focus on risk and preparedness, preventive security measures and continuous assessment of future scenarios.

Hafslund's goal is to be a growing renewable energy and infrastructure group that utilises its expertise in order to take an active role in overcoming some of society's greatest challenges. At the same time, the Group must ensure that it has a good level of profitability and the ability to pay a substantial dividend to the owner, the City of Oslo. 2023 was a demanding, but good year for Hafslund, and the Board would like to pay tribute to all of Hafslund's employees for the efforts they make each and every day to enable the Group to operate in the best manner possible.

Oslo, 22 March 2024

The Board of Directors of Hafslund AS



Jarle Roth
(Chair of the board)



Bjørn Erik Næss



Maria Tallaksen



Mari Thjømøe



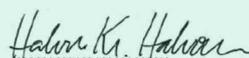
Bård Vegar Solhjell



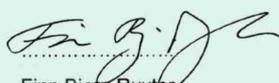
Håkon Rustad



Hilde Veum-Wahlberg



Halvor Kr. Halvorsen



Finn Bjørn Ruyter
(CEO)

Annual report 2023

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Consolidated statement of comprehensive income

1 January - 31 December

NOK million	Note	2023	2022
Sales revenue	2.2	17,349	25,484
Other gain/loss	2.2	1,171	-3,581
Other operating revenue	2.2	177	125
Revenues and other income	2.2	18,698	22,028
Energy purchases and transmission	2.3	-1,486	-743
Salary and other personnel costs	2.4	-1,060	-751
Property tax and other imposed costs and compensations	2.5	-536	-527
Other operating costs	2.6	-1,081	-636
Profit/loss from equity-accounted investees	3.5, 3.6	595	716
EBITDA		15,130	20,087
Depreciation and amortisation	3.1 - 3.4	-1,269	-746
Operating profit (EBIT)		13,862	19,340
Interest income	5.13	448	115
Interest expense	5.13	-1,089	-817
Other finance income/costs	5.13	411	241
Net financial items	5.13	-230	-462
Profit before tax		13,631	18,879
Income taxes	6.1	-8,478	-14,535
Profit after tax		5,153	4,344

NOK million	Note	2023	2022
PROFIT ATTRIBUTABLE TO			
Owners of the parent company		4,273	3,525
Non-controlling interests	8.2	880	819
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS			
Hedging reserve	5.6	2,791	-2,200
Income tax effects	5.6	-1,219	1,258
Translation reserve equity-accounted investees	3.5	50	3
Total items that may be reclassified to profit or loss in subsequent periods		1,622	-939
ITEMS THAT MAY NOT TO BE RECLASSIFIED TO PROFIT OR LOSS			
Actuarial gains (losses) on defined benefit plans		-118	-54
Income tax effects		85	59
Equity-accounted investees - share of OCI	3.5, 7.2	15	-59
Other items that may not be reclassified to profit or loss		-3	-
Total items that may not to be reclassified to profit or loss		-20	-54
Other comprehensive income		1,601	-993
Total comprehensive income		6,754	3,351
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Owners of the parent company		5,546	2,758
Non-controlling interests	8.2	1,208	593

Consolidated statement of financial position

31 December

NOK million	Note	2023	2022
ASSETS			
Deferred tax assets	6.1	187	212
Intangible assets	3.1	37,626	37,562
Property, plant and equipment	3.2	27,600	27,619
Right-of-use assets	3.4	311	339
Equity-accounted investees	3.5	10,557	10,669
Non-current financial derivatives	5.1, 5.6	541	1,098
Other non-current receivables	5.9, 7.2	1,536	1,579
Non-current assets		78,359	79,077
Inventory		64	77
Trade receivables	5.10	741	1,148
Other interest-bearing current receivables	5.1	565	-
Other non-interest-bearing current receivables	5.10	664	1,026
Current financial derivatives	5.1, 5.6	415	2,441
Cash and cash equivalents	5.11	10,239	13,497
Current assets		12,689	18,188
Assets		91,048	97,265

NOK million	Note	2023	2022
EQUITY AND LIABILITIES			
Paid-in capital	5.8	23,594	23,594
Other equity		13,169	9,696
Non-controlling interests	8.2	9,943	9,314
Equity		46,706	42,604
Non-current interest-bearing debt	5.2	18,259	20,203
Lease liabilities	3.4	272	306
Deferred tax liabilities	6.1	10,465	8,598
Pension liabilities	7.2	56	78
Non-current financial derivatives	5.1, 5.3, 5.6	32	337
Other liabilities	4.1	2,786	4,160
Non-current liabilities		31,871	33,682
Trade payables	5.12	478	736
Lease liabilities	3.4	49	40
Other current non-interest-bearing liabilities	5.12	2,151	3,196
Taxes payable	6.1	7,365	13,482
Current financial derivatives	5.1, 5.3, 5.6	224	707
Current interest-bearing debt	5.2	2,205	2,819
Current liabilities		12,472	20,980
Equity and liabilities		91,048	97,265

Consolidated statement of cash flows 1 January - 31 December

NOK million	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		13,631	18,879
Adjustments from:			
Depreciations, amortisations and impairments	3.1 - 3.4	1,269	746
Gains/losses from divestments and disposals of assets		7	-
Profit/loss from equity-accounted investees	3.5	-595	-716
Unrealised changes in derivatives		-1,657	443
Changes in inventories		13	-57
Changes in trade receivables and other non-interest-bearing receivables		110	436
Changes in trade payables and other non-interest-bearing liabilities	5.1	-1,332	-472
Net settlement of futures contracts		4,729	-3,210
Net financial items	5.13	230	462
Other non-cash income and expenses		-30	-36
Cash flows from operating activities		16,373	16,474
Taxes paid		-13,838	-4,701
Net cash flows from operating activities		2,536	11,773

NOK million	Note	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment		-1,217	-870
Cash paid through share issue to equity-accounted investees		-68	-456
Cash paid for shares in new subsidiaries and equity-accounted investees		-65	-185
Cash effect from Celsio transaction		-	-1,607
Dividend received from equity-accounted investees		1,196	450
Interest received		448	115
Other investment activities		75	106
Cash flows from investing activities		368	-2,447
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan proceeds	5.2	2,073	3,380
Loan repayments	5.2	-4,736	-2,553
Effects from currency swaps on loan repayments		310	-
Dividends paid		-3,072	-3,033
Interest paid		-1,148	-664
Other financing activities		488	141
Cash flows from financing activities		-6,085	-2,729
Changes in cash and cash equivalents			
Cash and cash equivalents at 1 January	5.11	13,497	6,988
Currency exchange rate effects on cash and cash equivalents		-75	-87
Cash and cash equivalents at end of period	5.11	10,239	13,497

Consolidated statement of changes in equity

	Note	Share Capital	Share premium	Other equity	Equity attributable to owners of the parent	Non-controlling interests	Total equity
NOK million							
Equity at 31 December 2022		110	23,484	9,696	33,290	9,314	42,604
Profit for the year		-	-	4,273	4,273	880	5,153
Other comprehensive income		-	-	1,273	1,273	328	1,601
Total comprehensive income for the year		-	-	5,546	5,546	1,208	6,754
TRANSACTIONS WITH OWNERS							
Dividends		-	-	-2,460	-2,460	-615	-3,075
Effect of dividends from Hafslund Eco Vannkraft AS to Eidsiva Energi AS	3.5	-	-	360	360	-	360
Transactions with non-controlling interests		-	-	16	16	-16	-
Capital increase		-	-	-	-	53	53
Total transactions with owners		-	-	-2,084	-2,084	-578	-2,662
Other changes in equity		-	-	11	11	-1	9
Equity at 31 December 2023		110	23,484	13,169	36,763	9,943	46,706

Consolidated statement of changes in equity (cont.)

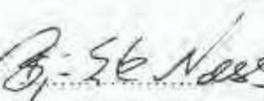
	Note	Share Capital	Share premium	Other equity	Equity attributable to owners of the parent	Non-controlling interests	Total equity
NOK million							
Equity at 31 December 2021		100	15,415	8,550	24,065	2,751	26,816
Profit for the year		-	-	3,525	3,525	819	4,344
Other comprehensive income		-	-	-767	-767	-226	-993
Total comprehensive income for the year		-	-	2,758	2,758	593	3,351
TRANSACTIONS WITH OWNERS							
Dividends		-	-	-2,301	-2,301	-643	-2,943
Effect of dividends from Hafslund Eco Vannkraft AS to Eidsiva Energi AS	3.5	-	-	551	551	-	551
Business combinations		-	-	-	-	6,518	6,518
Transactions with non-controlling interests		-	-	-31	-31	31	-
Capital increase		10	8,069	216	8,295	63	8,358
Total transactions with owners		10	8,069	-1,565	6,514	5,970	12,484
Other changes in equity		-	-	-47	-47	-	-47
Equity at 31 December 2022		110	23,484	9,696	33,290	9,314	42,604

Oslo, 22 March 2024

The Board of Directors of Hafslund AS


Jarle Roth
(Chair of the board)

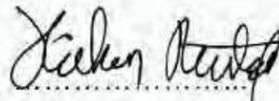

Halvor Kr. Halvorsen


Bjørn Erik Næss

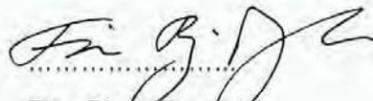

Maria Tallaksen


Mari Thjømmøe


Bård Vegar Solhjell


Håkon Rustad


Hilde Veum-Wahlberg


Finn Bjørn Ruyter
(CEO)

Note 1.1 General information

Hafslund is an energy and infrastructure group made up of three business areas: Hafslund Eco Vannkraft, with Norway's second largest hydropower business, Hafslund Oslo Celsio, which is Norway's largest supplier of district heating, and Hafslund Vekst, bringing together the Group's industrial ownership and growth initiatives, including ownership of Eidsiva Energi, which includes Elvia, Norway's largest grid company. In addition to operating an annual production of more than 21 TWh, the Group owns hydroelectric power plants which together produce approximately 18,5 TWh, enough power to supply more than 2.2 million people. The power plants are mainly in Vestland, Akershus, Buskerud, Østfold, Oslo and Innlandet.

The parent company Hafslund AS is owned 100 per cent by the City of Oslo.

Hafslund AS also has significant ownership in grid operations through its 50 per cent share in Eidsiva Energi AS. Eidsiva Energi AS owns 100 per cent of the shares in the grid company Elvia AS with more than 900,000 customers. Elvia builds, operates, maintains and renews the grid area in Oslo, Innlandet, Akershus and Østfold.

The Group's subsidiaries Hafslund Invest AS and Hafslund Vekst AS utilises the expertise of the Group's to create new growth opportunities, with the main emphasis on renewable power generation and electrification.

The head office is in Oslo. The consolidated financial statements were authorised for issue by the Board of Directors on 22 March 2024.

Note 1.2 General accounting policies

Basis for preparation of the annual financial statements

The consolidated financial statements for Hafslund for 2023 have been prepared in accordance with IFRS® Accounting Standards as adopted by the EU.

The consolidated financial statements have been prepared on the historical cost basis, with the exception of some assets and liabilities that are measured at fair value. See [note 5.5 Fair value](#) for a more detailed description. Preparation of financial statements in accordance with IFRS requires the use of estimates and judgements. Items significantly impacted by judgements or assumptions and significant estimates are described in the relevant notes.

All amounts are stated in NOK million unless otherwise stated.

Currency

The consolidated financial statements are presented in Norwegian kroner (NOK). For the subsidiary Hafslund Vekst AB the functional currency is Swedish kroner (SEK), while for the parent company and the other subsidiaries, the functional currency is Norwegian kroner. For the associated companies Austri Raskiftet and Austri Kjølberget the functional currency is euro (EUR).

Note 1.3 Climate risk

Hafslund Group is directly exposed to risks associated with climate change. Hydropower production is significantly exposed to changes in precipitation and temperature which affects inflow. This can reduce predictability in power prices and makes production planning more challenging. Temperature changes can also affect the Group's snow reservoirs and consumption patterns for electricity and district heating. An increased incidence of extreme weather events and floods may pose a higher risk of physical damage to the Group's facilities. Furthermore, regulatory and policy changes aimed at reducing emissions can impact taxes, fees, and other framework conditions, with potentially significant financial implications for the Group.

The consolidated financial statements include estimates that may be affected by the effects of climate change, including:

- Estimates for the useful life of the Group's assets, see [note 3.2](#) Property, Plant and Equipment.
- Inputs used to estimate fair value at level 3 for financial instruments, see [note 5.5](#) Fair Value.
- Inputs involved in estimating recoverable amounts in impairment testing, see [note 3.3](#) Impairment testing.
- Inputs used to justify the recognition of deferred tax assets, including negative base rent income incurred before 2007, see [note 6.1](#) Taxes.

In the preparation of the consolidated financial statements for 2023, the Management has taken into account the effects of climate risk, including the risks outlined in the Sustainability Report for 2023 combined with the Group's transformation plan to become climate-positive by 2030. The effects of climate risk, including physical climate risk and transition risk, have not had a significant impact on the Management's discretionary judgments and estimates at the time of preparing the consolidated financial statements for 2023.

Physical Climate Risk

Physical risk refers to impacts resulting from climate change and altered weather patterns, such as increased frequency of extreme weather events, floods, and heatwaves. Parts of the Group's infrastructure are located at low geographical levels, making them susceptible to rising sea levels. Increased occurrences of extreme weather events and floods may pose a higher risk of damage and breakdowns in the Group's facilities – the dam break in Braskereidfoss in 2023 serves as an example, see [note 1.6](#) Transactions and Events in 2023.

Scenario analyses have been conducted to model the effects of climate change on the areas where the Group has physical facilities, and a risk assessment has been made based on this. This work is considered in the assessment of the expected useful life of the Group's facilities and is taken into account in estimating recoverable amounts in impairment testing. The assumptions behind the analyses are further described in the Sustainability report.

Transition Risk

Transition risk refers to direct and indirect effects on the Group as a result of the transition to a low-emission society. The transition is expected to bring about changes in legal, technological, political, and market conditions that could potentially have a significant impact on Hafslund.

Hafslund is exposed to changes driven by political measures to reduce emissions from the power sector, district heating operations, waste incineration, and other industrial sectors. This may involve changes in taxes and fees or market changes that have the potential to affect the Group's results. The Group's largest greenhouse gas emissions are related to the waste incineration plants of the district heating operations.

Note 1.3 Climate risk

(cont.)

The planned carbon capture and storage (CCS) facility at the Klemetsrud plant is one of the Group's key strategic initiatives to reduce emissions and is a response to transition risks arising from political and market conditions. The CCS project at Klemetsrud has entered a cost-reducing phase in 2023, and a new investment decision is expected in the summer of 2024. In the estimated recoverable amount in connection with the impairment testing for district heating operations, the CCS project is not reflected as the investment decision has not been made, see [note 3.3 Impairment testing](#).

The Group's long-term power price curves; Management's best estimate

The Group's long-term power price curves, Management's best estimate, are used in the preparation of the financial statements to estimate the fair value of industrial contracts and financial power agreements, as well as compensation to landowners. The Group's long-term power price curves are also a key assumption in the Group's impairment tests in calculating value in use.

The basis for the Group's long-term price curves is prepared by the analysis department in Hafslund Eco Vannkraft. The process is continuously evolving to capture developments in the Nordic and European power markets. The Group's long-term power price curves are benchmarked against prices from external analysis agencies and other players in the power market, and deviations are assessed.

Expected effects due to climate change are reflected in the long-term price curves. It is assumed that Europe will achieve its climate goals and achieve net-zero emissions by 2050, as well as a 55% reduction in greenhouse gas emissions from 1990 to 2030. Proposed price curves are

presented to the Group management, who can provide input and challenge the assumptions. Group management approves the long-term power price curves.

Recent years have shown significant volatility in power prices, and changes due to climate risk can lead to further volatility. Long-term power price curves are subject to considerable estimation uncertainty in the short and long term, and the uncertainty increases the further into the future the projections extend. Management necessarily has to exercise judgment and provide the best estimate for the future based on the information available.

Note 1.4 Changes in accounting policies

There are no changes in accounting policies that have significant effect for the 2023 financial statements.

Note 1.5 Changes in standards and interpretations with future effect

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. The Group does not expect the changes in these standards and interpretations to have a significant impact on the consolidated financial statements but will assess the impact when transactions and events arise that are affected by these changes. The Group's intention is to implement the relevant changes at the effective date provided that the EU adopts the changes prior to the presentation of the consolidated financial statements.

Note 1.6 Transactions and events in 2023

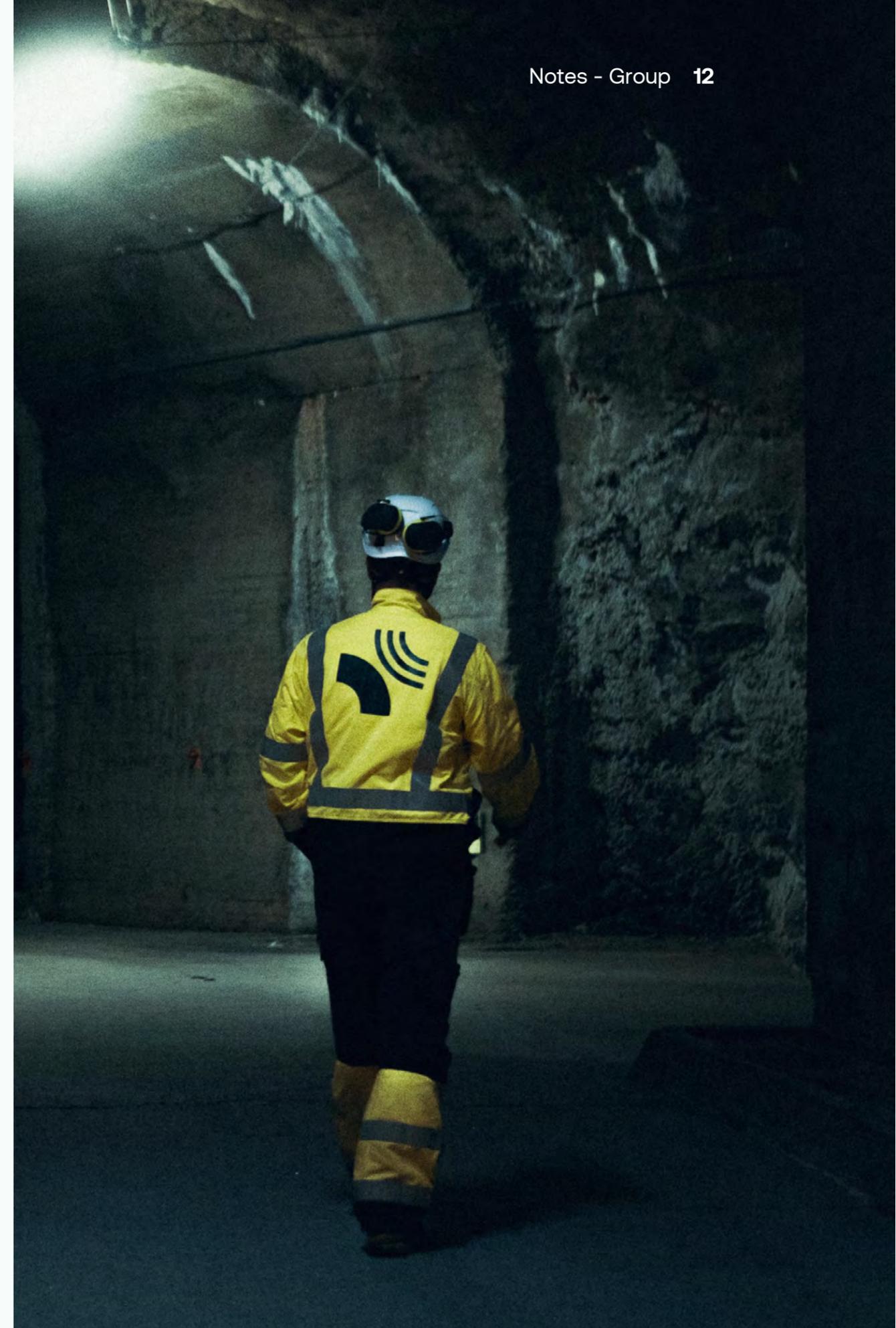
Braskereidfoss

The extreme weather event "Hans" in August was a rare weather phenomenon with large-scale impacts and enormous amounts of precipitation in almost all of Hafslund's watercourses. It created a flood that rapidly increased in strength and intensity. On August 9, the floodgates at the Braskereidfoss power plant did not open as the water level rose. This led to water ingress into the power plant and eventually to the dam breaking.

Preliminary assessments indicate that the power plant may not be operational until at least 2026. Braskereidfoss has an annual normal production of 170 GWh, which is slightly less than 1 percent of the annual normal production of the hydropower operations. In connection with the dam break and water ingress at the Braskereidfoss power plant, asset write-downs of NOK 131 million have been carried out, along with NOK 20 million in clean-up/sanitation costs.

Solar Projects in Sweden

In the summer of 2023, Hafslund signed an agreement with Helios Nordic Energy AB for the purchase of seven solar projects in southern Sweden. Southern Sweden is connected to Southern Norway via the power system, and both of these areas are deficit areas that will need more power in the future. Once completed, the solar parks will have an annual production of approximately 250 GWh. Hafslund will take over the solar projects as they become ready for construction. This is expected to occur between 2024 and 2025.



Note 2.1 Segment information

Operating segments are reported according to the same structure as the management reporting. The Group has three operating segments; Hydropower, District heating and cooling and Growth and investments.

The different segments are mainly linked to three different companies, Hafslund Eco Vannkraft with its hydropower business, Hafslund Oslo Celsio with its district heating and cooling business and Hafslund Vekst, which brings together the ownership of Eidsiva Energi and the other growth initiatives, including the development of offshore wind, onshore wind and solar.

Hydropower:

Hafslund Eco Vannkraft operates and wholly or partially owns 81 hydropower plants with a production of approximately 21 TWh. The power plants are mainly located in Vestland, Akershus, Buskerud, Oslo, Østfold and Innlandet and consist of both reservoir and run-of-river power plants. In 2023, the production was 18.5 TWh, 4 per cent higher than the production in a normal year.

District heating and cooling:

Hafslund Oslo Celsio owns and operates plants in the value chain from final treatment of waste to production, sale, and distribution of district heating. In 2023, the company sold 1.8 TWh of district heating. In addition, Hafslund Oslo Celsio establishes operations in district cooling and is 100 per cent owner of the fibre company Hafslund Fiber.

Growth and investments:

Hafslund Vekst was established as a separate company in 2022 and brings together the Hafslund Group's industrial ownership and growth initiative. This includes investment activities and follow-up of the Group's non-controlling ownership, including ownership interest in Eidsiva Energi. Additionally, through a clear partnership strategy, Hafslund Vekst engages in both new and established growth initiatives related to renewable energy, green urban development and flexibility solutions. Hafslund Vekst collaborates with companies with complementary expertise and financial strength to realise new opportunities.

In addition to the above-mentioned operating segments, the segment reporting includes Other businesses, consisting of Group eliminations and parts of the group that are not included in the other segments. Results from affiliated companies are presented in the respective operating segments Hydropower, District heating and cooling and Growth and investments, under operating profit. Transactions between the business areas are carried out in accordance with the arm's length principle

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

Specification of different revenue types per segment is given in [note 2.2 Revenues and other income](#).

Note 2.1 Segment information

(cont.)

1 January - 31 December

NOK million	Hydropower		District heating and cooling ^{1,2}		Growth and investments		Other		Group	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Sales revenue	14,611	23,776	2,738	1,707	-	-	-	-	17,349	25,484
Other gain/loss	865	-3,334	307	-247	-	-	-	-	1,171	-3,581
Other operating revenue	123	91	27	19	15	5	12	10	177	125
Revenues and other income	15,599	20,534	3,072	1,479	15	5	12	10	18,698	22,028
Energy purchases and transmission	-233	-96	-1,251	-647	-2	-	-	-	-1,486	-743
Salary and other personnel costs	-579	-526	-302	-151	-73	-23	-106	-52	-1,060	-751
Property tax and other imposed costs and compensations	-530	-532	-5	6	-	-	-1	-1	-536	-527
Other operating costs	-281	-239	-729	-293	-69	-18	-3	-86	-1,081	-636
Profit/loss from equity-accounted investees	10	112	-	-	599	588	-13	16	595	716
EBITDA	13,986	19,253	785	394	470	552	-110	-113	15,130	20,087
Depreciation and amortisation	-669	-510	-595	-232	-	-	-4	-4	-1,269	-746
Operating profit (EBIT)	13,317	18,743	190	162	470	552	-115	-117	13,862	19,340
Interest income	530	161	23	18	17	2	-123	-67	448	115
Interest expense	-766	-705	-312	-146	-335	-233	325	267	-1,089	-817
Other finance income/costs	398	401	-2	-20	-19	-8	34	-131	411	241
Net financial items	163	-144	-291	-148	-338	-240	237	70	-230	-462
Profit before tax	13,479	18,599	-102	14	131	312	122	-47	13,631	18,879
Income taxes	-8,546	-14,596	39	-1	87	60	-58	3	-8,478	-14,535
Profit after tax	4,933	4,003	-62	13	218	372	64	-44	5,153	4,344

¹For the period 19 May - 31 December 2022

²NOK 217 million in other gain/loss for the segment District heating and cooling applies to correction of hedge accounting from 2022. Other gain/loss for 2023 are NOK 90 million without the correction. Refer to note 5.6 Derivatives and hedging for further information.

Note 2.1 Segment information

(cont.)

31 December

NOK million	Hydropower		District heating and cooling		Growth and investments		Other		Group	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
ASSETS										
Intangible assets	24,051	24,392	13,746	13,738	139	136	-122	-492	37,813	37,774
Property, plant and equipment	19,877	19,853	7,536	7,593	20	6	166	167	27,600	27,619
Equity-accounted investees	409	378	4	1	10,111	10,243	33	47	10,557	10,669
Other non-current assets	1,091	1,610	340	345	357	247	600	814	2,388	3,016
Non-current assets	45,428	46,234	21,626	21,677	10,628	10,632	677	535	78,359	79,077
Cash and cash pool agreement	10,214	17,302	200	295	145	-741	-320	-3,360	10,239	13,497
Other current assets	2,114	4,327	676	1,056	174	81	-513	-773	2,450	4,692
Current assets	12,328	21,629	876	1,351	319	-659	-833	-4,133	12,689	18,188
Assets	57,756	67,863	22,502	23,028	10,947	9,973	-156	-3,598	91,048	97,265

NOK million	Hydropower		District heating and cooling		Growth and investments		Other		Group	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
EQUITY AND LIABILITIES										
Equity	20,904	18,229	16,160	16,274	4,705	3,670	4,936	4,430	46,706	42,604
Non-current liabilities	26,979	31,544	5,276	5,575	6,006	6,005	-6,390	-9,442	31,871	33,682
Current liabilities	9,872	18,089	1,066	1,178	236	298	1,298	1,414	12,472	20,980
Equity and liabilities	57,756	67,863	22,502	23,028	10,947	9,973	-156	-3,598	91,048	97,265

Note 2.2 Revenues and other income

Key accounting policies

The Group's revenues mainly comprise revenue from sale of power in the wholesale market, guarantees of origin, concessionary power, industrial contracts, and results from financial power hedging. From 19 May 2022, operating revenues also consist of district heating revenues and revenues from waste management.

The main principles for accounting for Hafslund's revenue streams are described below.

Sales revenue

Power revenue

Produced power is mainly sold through the Nord Pool spot exchange and by bilateral agreement to Fortum Hedging AS. The performance obligation is mainly power, and the transaction price is the consideration the Group expects to receive, at either spot price, regulated price or contractual price. The performance obligation is fulfilled over time, which means that the revenue is recognised for each unit delivered, at transaction price. Hafslund applies a practical approach where power revenue is recognised at the amount that the entity is entitled to invoice. The right to invoice arises when the power is produced and delivered, and the right to invoice will normally correspond directly to the value for the customer. The Group takes the view that Nord Pool should be regarded as a customer since the Group has an enforceable contract with Nord Pool AS. The same applies to Fortum Hedging AS. As a principal rule, power revenues from own production are generally presented gross in the income statement.

Guarantees of origin

Hafslund receives guarantees of origin from qualifying production of electrical power and sell these. Revenue from the sales of guarantees is recognised at the time of delivery.

Concessionary power

The Group is obliged to deliver concessionary power to municipalities and county authorities at either a regulated OED (Ministry of Petroleum and Energy) price or the full cost. Hafslund does not consider revenue from delivery of concessionary power to derive from a customer contract as defined in IFRS 15 but applies the principles in IFRS 15 analogically and therefore also presents revenue from the sale of concessionary power as sales revenue.

Industrial contracts

Hafslund has also entered into bilateral agreements for the physical delivery of power to industrial companies. These industrial contracts are recognised under the same principles as other power sales.

District heating revenue

Income from district heating is recognised in accordance with customers' measured consumption of district heating. For commercial buildings, condominiums and housing cooperatives, meter readings are made every hour and customers are invoiced monthly. For private customers, monthly meter readings are made, and customers are invoiced monthly. District heating revenues are calculated by multiplying the measured consumption to customers by the current district heating tariffs for the period. Hafslund is responsible for the delivery of the entire service and has concluded that the distribution and sale of district heating are not separate delivery obligations.

Note 2.2 Revenues and other income

(cont.)

Connection fee

Connection fee is considered a separate delivery obligation and is recognised as income when heating is applied. Until the customer becomes affiliated, the fee is recognised in the balance sheet as deferred income. Expenses related to the connection are capitalised.

Waste management revenue

Revenues from waste management mainly come from the fee the customer pays for Hafslund Oslo Celsio to receive waste. The fee is mainly calculated based on the quality and volume of waste received and there are variable elements in the pricing. Hafslund Oslo Celsio has an obligation to manage the waste, and this delivery obligation is fulfilled when the waste has been processed.

Other gains/losses

Hedging of financial power contracts and foreign currency derivatives

Hafslund uses financial contracts to hedge future revenues from sale of hydropower in euro, and foreign currency derivatives to exchange settlements from hedges in euro to NOK. The Group applies hedge accounting for the basis hedging portfolio, see [note 5.6](#) Derivatives and hedging. Hedging inefficiencies and results from contracts that are not subject to hedge accounting are measured at fair value through profit or loss under Other gains/losses.

Financial power contracts

The group has a financial power contract as compensation for lost production. Revenue from the contract is presented under Other operating income. The contract is measured at fair value through profit and loss, and value adjustments are presented under Other gains/losses.

Revenue and other income

The company's operating revenues consist mainly of power sales at spot prices and sales of district heating. The Group does not have significant contract balances from sale of power, as spot contracts are settled daily. The district heating activities are mainly invoiced monthly.

Delivery obligations and revenue recognition principles:

Performance obligation	Revenue recognition principle
Power revenue	Based on the right to invoice the customer (at the time of delivery)
District heating revenue	Based on the right to invoice the customer (at the time of delivery)
Waste treatment revenue	The time when the waste has been processed
Grid rental/actual revenue	The time of heat application (at the time of delivery)

Note 2.2 Revenues and other income

(cont.)

1 January - 31 December

NOK million	Hydropower		Heating and cooling ^{1,2}		Growth and investments		Profit other business		Group	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
REVENUES AND OTHER INCOME										
Power revenue	12,905	22,631	155	181	-	-	-	-	13,060	22,813
Guarantees of origin	794	215	-	-	-	-	-	-	794	215
Concessionary power	245	347	-	-	-	-	-	-	245	347
Industrial contracts	554	572	-	-	-	-	-	-	554	572
Fixed-price contracts	112	-	-	-	-	-	-	-	112	-
Heat sales	-	-	2,310	1,368	-	-	-	-	2,310	1,368
Waste treatment sales	-	-	273	158	-	-	-	-	273	158
Grid rental/actual revenue	1	11	-	-	-	-	-	-	1	11
Sales revenue	14,611	23,776	2,738	1,707	-	-	-	-	17,349	25,484
Realised gains/losses power derivatives and foreign currency derivatives	-360	-2,939	-32	-243	-	-	-	-	-392	-3,182
Value adjustments power derivatives	1,162	-313	338	-5	-	-	-	-	1,500	-317
Value adjustments currency derivatives	62	-118	-	-	-	-	-	-	62	-118
Other gain/ loss	865	-3,334	307	-247	-	-	-	-	1,171	-3,581
Other operating income	123	91	27	19	15	5	12	10	177	125
Other operating income	123	91	27	19	15	5	12	10	177	125
Revenues and other income	15,599	20,534	3,072	1,479	15	5	12	10	18,698	22,028

¹For the period 19 May - 31 December 2022²NOK 217 million in other gain/loss for the segment District heating and cooling applies to correction of hedge accounting from 2022. Other gain/loss for 2023 are NOK 90 million without the correction. Refer to note 5.6 Derivatives and hedging for further information.

Note 2.3 Energy purchases and transmission costs

1 January - 31 December

NOK million	2023	2022
ENERGY PURCHASES AND TRANSMISSION COSTS		
Energy purchases	30	25
Purchases raw materials	1,244	647
Transmission costs	212	71
Energy purchases and transmission costs	1,486	743

Transmission costs primarily relate to feed-in costs to the transmission grid. Raw materials mainly consist of fuels consumed in the district heating and cooling segment.

The increase in purchase of raw materials compared to 2022 is mainly due to the acquisition of Hafslund Oslo Celsio in medio 2022, 2023 is the first whole year being part of the Hafslund Group.

Note 2.4 Salaries and other personnel costs

1 January - 31 December

NOK million	2023	2022
SALARIES AND OTHER PERSONNEL COSTS		
Wages and salaries	812	582
Employers national insurance contributions	125	83
Pension costs	93	61
Other personnel costs	31	26
Salaries and other personnel costs	1,060	751
Average number of full-time equivalents employed in the Group	740	549

Pension costs are discussed in more detail in [note 7.2 Pensions](#).

The increase in salaries and other personnel costs compared to 2022 is mainly due to the acquisition of Hafslund Oslo Celsio in medio 2022, 2023 is the first whole year being part of the Hafslund Group.

Note 2.5 Property tax and other imposed costs and compensations

Key accounting policies

Property tax

Property tax is classified and recognised under operating expenses in the income statement in the year it is levied.

Concession fees

Concession fees are paid annually to the government and local authorities for the right to use waterfalls. Such fees are recognised as costs in the period to which they relate.

Regulation costs and other compensations

See [note 4.1](#) Other liabilities for a more detailed description of power obligations.

1 January - 31 December

NOK million	2023	2022
PROPERTY TAX AND OTHER IMPOSED COSTS AND COMPENSATIONS		
Property tax	326	218
Concession fees	107	104
Fair value adjustment compensations	-95	8
Regulation costs and other compensations	198	198
Property tax and other imposed costs and compensations	536	527

Property tax is calculated based on valuations determined in accordance with Section 8 of the Norwegian Property Tax Act. The tax rate is a maximum of 0.7 per cent.

Note 2.6 Other operating costs

1 January - 31 December

NOK million	2023	2022
OTHER OPERATING COSTS		
Maintenance	511	362
Purchase of external services	521	322
Office expenses	97	79
Insurance	36	27
Sales and marketing expenses	20	15
Loss on receivables	1	-1
Reimbursement of operating expenses from part- owners	-228	-152
Self-investment work	-121	-94
Other items	245	78
Other operating expenses	1,081	636

The increase in other operating cost compared to 2022 are mainly due to the acquisition of Hafslund Oslo Celsio in medio 2022, 2023 is the first whole year being part of the Hafslund Group. Furthermore, there has been an increase in the need for consultancy services in the segments Hydropower and Growth and investments.

1 January - 31 December

NOK thousand	2023	2022
AUDITOR'S FEES		
Mandatory audit	5,192	4,361
Other assurance services	1,010	441
Tax consultancy services	-	84
Other non-audit fees	1,902	156
Total auditor's fees	8,105	5,042
Of which fees to group auditor	5,946	4,332

The specification includes audit fee for the whole Group. Value added tax is not included in the specified audit fee.

Note 3.1 Intangible assets and goodwill

Key accounting policies

Intangible assets are recognised at cost. Intangible assets with an indefinite useful life are not amortised but tested for impairment each year.

For detailed principles relating to impairment of intangible assets and goodwill, please see [note 3.3 Impairment testing](#).

Key estimates and assumptions

The hydropower business mainly has perpetual licences (no right of reversion to state ownership) and purchased waterfall rights are deemed to be perpetual and are not amortised. Non-perpetual licences are amortised. The rights are classified as intangible assets since the Group takes the view that acquired waterfalls do not have physical substance but that the Group has paid for the right to utilise future precipitation and snow melt to generate power.

NOK million	Waterfall rights	Goodwill	Other intangible assets	Intangible assets
2023				
Balance at 1 January	17,441	20,121	-	37,562
Additions	79	-	6	84
Amortisation	-20	-	-	-20
Balance at 31 December	17,500	20,121	6	37,626
Cost	17,590	20,121	6	37,717
Accumulated amortisation	-84	-	-	-84
Accumulated impairment	-6	-	-	-6
Balance at 31 December	17,500	20,121	6	37,626
2022				
Balance at 1 January	17,292	6,211	-	23,503
Additions	26	-	-	26
Additions regarding transactions of Celsio and Stange Energi	143	13,910	-	14,053
Amortisation	-20	-	-	-20
Balance at 31 December	17,441	20,121	-	37,562
Cost	17,512	20,121	-	37,633
Accumulated amortisation	-65	-	-	-65
Accumulated impairment	-6	-	-	-7
Balance at 31 December	17,441	20,121	-	37,562

Note 3.2 Property, plant and equipment

Key accounting policies

Property, plant and equipment is measured at cost less accumulated depreciation and impairment. Depreciation starts when the asset is completed and available for use as management intended. Facilities under construction are reclassified to district heating plants, power stations and dam facilities when the asset is considered available for use, normally after successful test operation.

The cost of property, plant and equipment is the purchase price, including levies/taxes and costs directly related to making the asset available for use.

Borrowing costs directly attributable to procurement, design or production of a qualifying assets are added to the cost. A qualifying asset is an asset that requires a long time to be prepared for its intended use or sale, for example a hydropower plant.

Expenses incurred after an operating asset has been taken into use, such as ongoing maintenance, are recognised in profit or loss, while other expenses (periodic maintenance) that are expected to generate future economic benefits are capitalised. The carrying amount of replaced parts is deducted and recognised in profit or loss.

Government grants are recognised at fair value when there is a reasonable assurance that the grant will be received, and the Group will comply with all relevant conditions.

Government grants are deferred and recognised in the income statement to match with the related costs. Reimbursements and grants related to investments are accounted for as a reduction of investment cost and recognised as a in the income statement through reduced depreciation of the related asset.

The depreciation method and period are assessed annually, and any changes are recognised as change in estimate.

For details of impairment policies for property, plant and equipment, please see [note 3.3](#) Impairment testing.

Key estimates and assumptions

Property, plant and equipment is depreciated over the asset's expected useful life. Expected useful lives are estimated based on experience, history and discretionary judgements relating to technical use and profitability and are adjusted to reflect any changes in expectations. Residual value is taken into account in determining depreciation, and assessment of residual value is also subject to estimates.

Provisions are not recognised for asset retirement obligations since there is no right of reversion to state ownership for the Group's hydropower plants.

Note 3.2 Property, plant and equipment

(cont.)

NOK million	Power facilities	District heating facilities	Technical equipment and chattels	Other property	Facilities under construction	Property, plant and equipment
2023						
Balance at 1 January	17,196	4,138	4,435	618	1,232	27,619
Operating investments	6	2	53	-	1,204	1,265
Disposals	-1	-7	-1	-	-42	-51
Transfer from facilities under construction	345	64	310	4	-728	-6
Depreciation	-428	-166	-277	-9	-	-880
Impairment (-) / Reversal of impairment (+)	-95	-	-36	-	-188	-319
Other items	-	37	-4	-50	-13	-29
Balance at 31 December	17,023	4,068	4,481	563	1,465	27,600
Cost	29,649	4,330	5,149	716	1,654	41,498
Accumulated depreciation	-12,467	-262	-631	-154	-	-13,514
Accumulated impairment	-160	-	-36	-	-188	-384
Balance at 31 December	17,023	4,068	4,482	562	1,465	27,600
Depreciation period (number of years)	40-100	10-40	3-30	100/No depreciation	No depreciation	

Discussion of key matters

The table above also includes shareholdings in facilities that are owned through joint operations. Details of joint operations are given in [note 3.6](#) Joint operations.

Note 3.2 Property, plant and equipment

(cont.)

NOK million	Power facilities	District heating facilities	Technical equipment and chattels	Other property	Facilities under construction	Property, plant and equipment
2022						
Balance at 1 January	16,910	-	1,714	347	916	19,887
Operating investments	586	53	119	36	755	1,550
Additions regarding transactions Celsio and Stange-Energi	163	4,181	2,782	245	269	7,640
Disposals	-50	-	-3	-1	-	-54
Reclass from facilities under construction	-	-	-	-	-702	-702
Depreciation	-419	-96	-177	-9	-	-701
Impairment (-) / Reversal of impairment (+)	6	-	-	-	-	6
Other items	-	-	-	-	-6	-6
Balance at 31 December	17,196	4,138	4,435	618	1,232	27,619
Cost	29,304	4,234	4,792	763	1,232	40,324
Accumulated depreciation	-12,043	-96	-356	-145	-	-12,640
Accumulated impairment	-65	-	-	-	-	-65
Balance at 31 December	17,196	4,138	4,435	618	1,232	27,619
Depreciation period (number of years)	40-100	10-40	3-30	100/No depreciation	No depreciation	

Note 3.3 Impairment testing

Key accounting policies

Property, plant and equipment, intangible assets, goodwill and equity-accounted investees are monitored on an ongoing basis for indications of possible impairment. Cash-generating units (CGUs) with intangible assets with an indefinite useful economic life and goodwill are considered for indications of impairment semi-annually or if there is a significant change in core value drivers. In the case of indications of impairment, impairment tests are carried out immediately. If the impairment tests indicate that the balance sheet values are no longer justifiable, they are written down to the recoverable amounts. At each reporting date, assessments are made for the potential reversal of previous impairments on property, plant and equipment. Impairments of goodwill are not reversed.

Equity-accounted investees are tested for impairment when there are indications of impairment.

Key estimates and assumptions

Cash-generating units

Power production: Power plants located in the same watercourse and which are managed collectively to optimise power production are regarded as CGUs. In addition to this, each individual power plant constitutes a CGU.

District heating and cooling: Include booked values in the Hafslund Oslo Celsio, which also includes the Carbon capture and storage (CCS) project. The fiber operations is not included.

Fiber: Includes booked values from Hafslund Fiber's operations.

Equity-accounted investees: Each investment is a CGU, the main investments being Eidsiva Energi AS, Fredrikstad Energi AS, and the wind power companies Austri Raskiftet and Austri Kjølberget.

Uncertainty regarding estimates

The Group has significant property, plant and equipment and intangible assets which consist of power plants, dams, waterfall rights and goodwill. There is uncertainty regarding estimates related to property, plant and equipment and intangible assets, since both valuation and estimated useful life of assets are based on future information that is encumbered by a high degree of uncertainty. Intangible assets are considered to represent the greatest uncertainty. The value of the intangible assets is mainly derived from separate valuations and is generally capitalised in connection with business combinations.

Typical indicators of impairment can be negative shifts in future power prices, discount rates, technological or regulatory changes or other events. Whether or not these are indicators that may indicate a need for impairment is a discretionary assessment.

The calculation of value in use is based on several discretionary assessments and assumptions pertaining to future cash flows, where future power prices, production volumes, inflation expectations and the discount rate are critical factors.

Budget and forecast assumptions

Impairment tests are based on the Group's financial plan and long-term price expectations.

Note 3.3 Impairment testing

(cont.)

In the Management's opinion, the long-term price expectations are within a reasonable range compared with power price curves from external players and analysis agencies. See further description of price curves in [note 1.3 Climate Risk](#). Production volume is based on the Group's long-term production plans and the estimated cash flows are calculated after tax.

Discount rate

The impairment assessments of hydropower production plant are based on a nominal after tax discount rate of 6.4 per cent. The discount rate used for district heating and cooling is 5.8 per cent.

Results Power production

Based on the assumptions used, the impairment tests show that the book values of property, plant and equipment, waterfall rights and goodwill for all CGUs in hydropower production can be justified. The sensitivity analyses further indicate no potential impairment for any of the CGUs from a reduction in future power price or an increase in the discount rate. Braskereidfoss is subject to a separate impairment assessment related to the flooding incident. Refer to [note 1.6 Transactions and events in 2023](#).

Booked values for the Group's investments in wind power (Austri Raskiftet and Austri Kjølberget) can be justified – also taking into account the introduction of resource rent tax on wind power from 2024 onwards. Sensitivity analyses indicate limited robustness in the values for wind power.

Results District heating and cooling

The book values in District heating and cooling are supported by the value-in-use results of the impairment test, although with limited head-

room. Central assumptions in the estimated value-in-use calculation are future power price and required rate of return in addition to the importance of changes in framework conditions.

As part of the Celsio-transaction in May 2022, book values were recognised in the Group at fair value. Since then, changes in framework conditions have had a significant effect on the results from district heating. The district heating tariff is regulated to follow the electricity price, and the price to consumers will always be below the electricity price. The introduction of the electricity support scheme for private individuals and housing cooperatives at 70 øre/kWh resulted in a limitation on the price that Celsio can charge its customers for district heating - without the company receiving compensation for this loss of income. Additionally, the incineration tax on fossil waste from 2024 has been increased to 882 NOK/tonne fossil CO₂, a 270 percent increase from the tax in 2023 of 238 NOK/tonne fossil CO₂. Only parts of the increased incineration tax can be passed on to the customer, and the remainder becomes a cost for the district heating operation.

In the impairment test per 2023, it is assumed that the electricity support scheme will be gradually phased out and be discontinued by 2027, and that the incineration tax on fossil waste will gradually increase to a real rate of 2000 NOK/tonne fossil CO₂ by 2030. Also, it is assumed that an export tax on fossil waste will be introduced from 2025, allowing the district heating operation to pass on a larger proportion of the increased incineration tax to customers. Fuel prices are based on observable forward prices, with a fixed inflation adjustment thereafter.

The carbon capture plant at Klemetsrud (CCS project) is in a cost-reducing phase, and a final investment decision is expected in the summer of 2024. Only investment amounts in the cost-reducing phase are included in the calculation, so the potential upside of a completed facility is not considered in the calculation of value in use.

Note 3.3 Impairment testing

(cont.)

There is limited robustness in the book values. A scenario where electricity prices are reduced by 10 percent, all else being equal, indicates a need for write-downs of 2.7 billion Norwegian kroner. Another scenario where the electricity support scheme is continued indefinitely, and no export tax on fossil waste is introduced, shows a decline in value of slightly over 5.5 billion Norwegian kroner. Management closely monitors indicators of impairments for the district heating operation, particularly factors related to key framework conditions.

Results Fiber

The impairment test for Fiber supports the book values and indicates good robustness.

Results Growth and investments

Investments in equity-accounted investees primarily consist of a 50 percent ownership stake in Eidsiva Energi and a 49 percent ownership stake in Fredrikstad Energi AS. As of the end of 2023, no indicators of impairment have been identified for these investments, and sensitivity analyses indicate good robustness in the values.

Other investments in jointly controlled entities include a 50 percent stake in Stenkalles Holding AS and Volte AS. Due to challenging project profitability, impairments have been made related to Stenkalles Holding AS.

The net accounting effect for the group is 97 million Norwegian kroner, consisting of a negative result from associated companies of 18 million and 84 million representing provisions for losses on outstanding loans, of which 5 million are interest income earned during the year. Additionally,

goodwill related to Volte AS has been impaired due to adjusted growth expectations.

The overview below shows recognised values of tested assets:

31 December		
NOK million	2023	2022
Property, plant and equipment	27,600	27,619
Goodwill	20,121	20,121
Waterfall rights	17,500	17,440
Right-of-use assets	311	339
Equity-accounted investees	10,557	10,669
Other intangible assets	6	-
Sum recognised value of tested assets	76,095	76,188

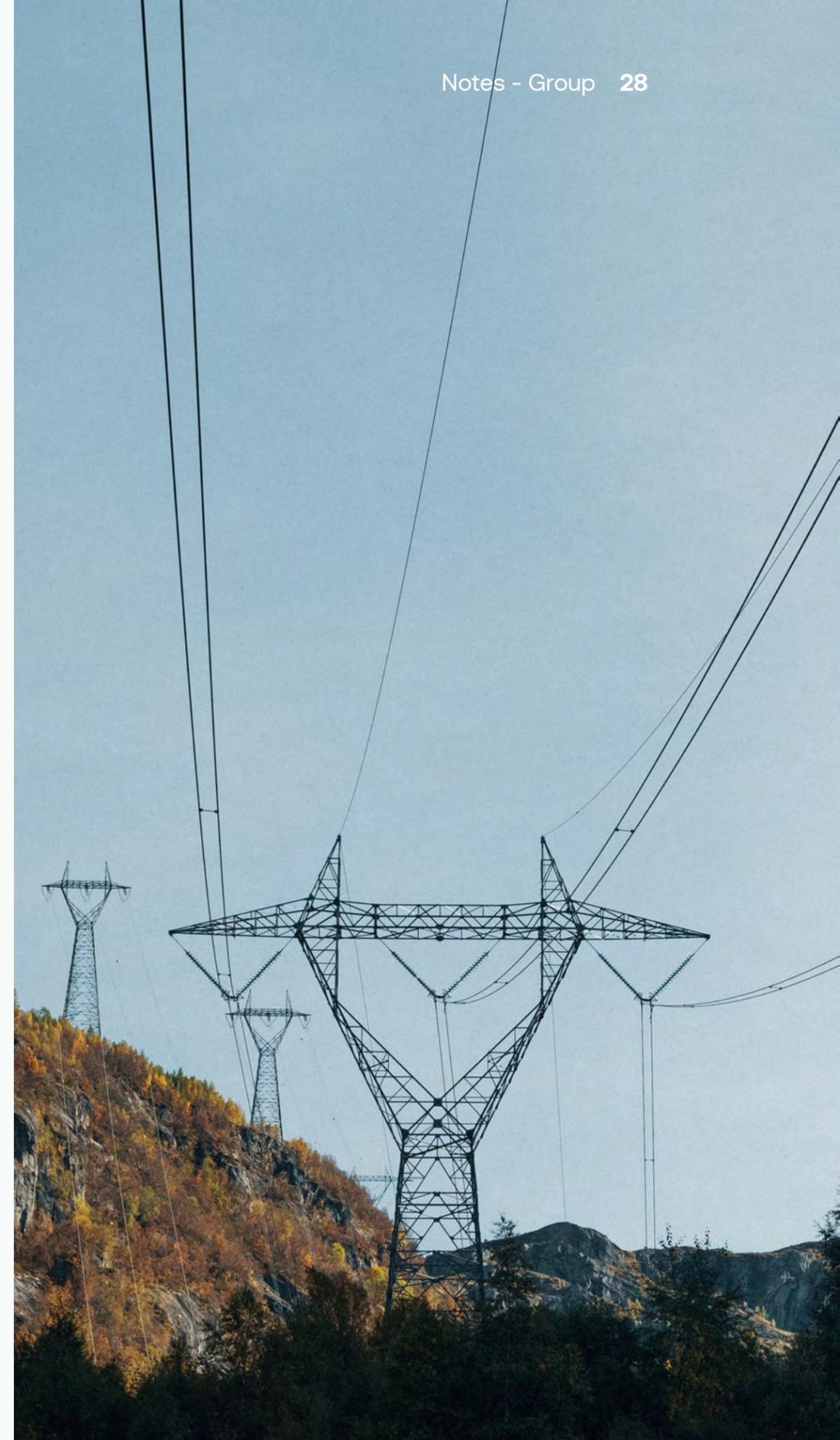
31 December		
NOK million	2023	2022
GOODWILL ALLOCATION PER SEGMENT		
Hydropower	6,361	6,361
District heating and cooling	13,738	13,738
Other	22	22
Sum goodwill	20,121	20,121

Note 3.4 Leases

Hafslund leases office space, cars and other operating equipment.

Mill. kroner	Note	2023	2022
RIGHT-OF-USE ASSETS			
Right-of-use assets at 1 January		339	158
Adjustments		7	4
Additions		65	54
Additions by transactions		-	158
Disposals		-50	-7
Depreciation		-49	-29
Right-of-use assets at 31 December		311	339
LEASE LIABILITIES			
Lease liabilities at 1 January		346	160
Adjustments		7	4
Additions		65	48
Additions by transactions		-	162
Disposals		-51	-
Lease payments		-53	-34
Interest		8	7
Lease liabilities at 31 December		321	346
Hereof current liabilities		49	40
Hereof non-current liabilities		272	306

On 19 May 2022, Hafslund acquired 60 per cent of Hafslund Oslo Celsio AS (formerly Fortum Oslo Varme AS) with subsidiaries. The Group thereby increased its right-of-use assets by NOK 158 million and lease obligations by NOK 162 million on acquisition date. Hafslund Oslo Celsio mainly leases office premises and buildings where production equipment is located.



Note 3.5 Equity-accounted investees

Key accounting policies

The Group's equity accounted investees are entities over which Hafslund has significant influence, but not control. Significant influence will generally exist when the Group has a shareholding of between 20 and 50 per cent of the voting rights. Joint ventures are entities where Hafslund has joint control with one or more other owners. Associates and joint ventures are accounted for using the equity method in the consolidated financial statements.

The Group has 50 per cent ownership in the joint venture Eidsiva Energi and has two subsidiaries where a proportion of the subsidiaries is owned through the joint venture. The Group has chosen to apply the so-called "look-through approach" when calculating non-controlling interests (please see [note 8.2 Non-controlling interests](#)) and the recognition of the share of profit from the subsidiaries coming from the joint venture is treated consistently with this approach. This means that the share of profit that applies to these subsidiaries is eliminated before the share of profit from the joint venture is included in the consolidated financial statements. Hafslund's opinion is that the "look-through approach" gives a more accurate picture of the Group's results and financial position, since under this approach double counting of results of subsidiaries where the joint venture has ownership interests is avoided.

None of the Group's associates or joint ventures are listed or observable market values.

31 December 2023

Company name	Acquisition date	Registered office	Shareholding	Voting rights	Type of investment
Austri Kjølberget DA	2019	Våler	20.0%	20.0%	Associate
Austri Raskiftet DA	2019	Trysil/Åmot	20.0%	20.0%	Associate
Eidsiva Energi AS	2019	Hamar	50.0%	50.0%	Joint venture
Eidsiva Hafslund Vind DA	2023	Hamar	50.0%	50.0%	Joint venture
Elaway AS	2021	Oslo	20.0%	20.0%	Associate
FastCharge AS	2023	Oslo	47.2%	47.2%	Associate
Fredrikstad Energi AS	2014	Fredrikstad	49.0%	49.0%	Associate
Hafslund Magnora Sol AS	2022	Oslo	40.0%	40.0%	Associate
NGK Utbygging AS	2014	Oslo	25.0%	25.0%	Associate
NorthConnect AS	2010	Kristiansand	22.3%	22.3%	Associate
NorthConnect KS	2011	Kristiansand	20.0%	20.0%	Associate
NorthConnect Ltd	2019	Edinburgh	22.3%	22.3%	Associate
Norsk Datalager AS	2023	Oslo	31.7%	31.7%	Associate
OF Energi AS	2022	Oslo	50.0%	50.0%	Joint venture
Enny AS	2022	Oslo	50.0%	50.0%	Joint venture
Smartwatt AS	2023	Oslo	20.4%	20.4%	Associate
Springboard Energy Systems AS	2022	Oslo	50.0%	50.0%	Joint venture
Stenkalles Holding AS	2022	Oslo	50.0%	50.0%	Joint venture
Volte AS	2022	Bergen	50.0%	50.0%	Joint venture

Note 3.5 Equity-accounted investees

(cont.)

NOK million	Eidsiva Energi AS	Other	Total
2023			
BALANCE AT 1 JANUARY	9,683	986	10,669
Share of profit after tax	720	-79	641
Depreciation excess values	-29	-17	-46
Profit/loss from equity-accounted investees	692	-96	595
Equity accounted investees' share of OCI	10	52	62
Additions/disposals	-	63	63
Dividends from Eidsiva Energi	-1,208	-	-1,208
Dividends from Hafslund Eco Vannkraft to Eidsiva Energi (treated as capital increase)	360	-	360
Other equity changes	-35	50	15
Balance at 31 December	9,503	1,055	10,557

NOK million	Eidsiva Energi AS	Other	Total
2022			
BALANCE AT 1 JANUARY	8,782	816	9,597
Share of profit after tax	549	196	745
Depreciation excess values	-29	-	-29
Profit/loss from equity-accounted investees	520	196	716
Equity accounted investees' share of OCI	-54	-4	-59
Additions/disposals	336	-24	312
Dividends from Eidsiva Energi	-470	-	-470
Dividends from Hafslund Eco Vannkraft to Eidsiva Energi (treated as capital increase)	551	-	551
Other equity changes	19	3	21
Balance at 31 December	9,683	986	10,669

Eidsiva Energi is one of Norway's largest energy and broadband groups, with operations in large parts of southern Norway. Following the integration with Hafslund, the company owns 43.5 per cent of Hafslund Eco Vannkraft and is the owner of Norway's largest grid business, Elvia. The head office is in Hamar. The company is owned by Hafslund Vekst AS (50 per cent), Innlandet Energi Holding AS (49.4 per cent) and Åmot municipality (0.6 per cent).

Note 3.5 Equity-accounted investees

(cont.)

The table on the right summarises the financial information of Eidsiva Energi, as presented in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. Hafslund applies the so-called "look-through approach" when recognising the ownership in Eidsiva Energi under the equity method. This means that the effect of the indirect ownership of subsidiaries are eliminated to avoid double counting in Hafslund's consolidated financial statements. The table also shows a reconciliation to the Group's carrying amount of its ownership interest in Eidsiva Energi.

NOK million	2023	2022
Non-current assets	39,781	39,785
Current assets	5,010	4,855
Non-current liabilities	-20,609	-19,447
Current liabilities	-5,177	-5,826
Net assets (100 %)	19,006	19,366
Carrying amount of interest (50 %) in Eidsiva Energi at 31 December	9,503	9,683
Revenues and other income	9,622	10,642
Depreciations and amortisation	-1,742	-1,538
Profit after tax	1,383	1,042
Other comprehensive income	20	-108
Total comprehensive income	1,404	934
The Group's share (50 %) of total comprehensive income 1 January - 31 December	702	466

Note 3.6 Joint operations

Key accounting policies

The Group co-operates with other parties in the development and operation of power plants which are arranged as either a company with divided liability or as a co-ownership. These joint arrangements are split between joint ventures, joint operations and joint operations without joint control. For the two latter arrangements the owner companies are entitled to dispose of their relative share of the power production after the deduction of commitments to deliver concessionary power and the like.

Joint arrangements

A joint arrangement is an arrangement where two or more parties have joint control. Joint control is achieved when decisions about relevant activities require unanimity between the parties that share control. Investments in joint arrangements are classified as either joint operations or joint ventures. Joint ventures are arrangements where the joint venturers are entitled to the net assets and dividends of the arrangement instead of rights to dispose of their proportionate share of the power production and the obligation to cover a share of the costs. Here, the owner companies do not dispose of their proportionate share of the power production. Joint ventures are accounted for using the equity method, please see [note 3.5](#) Equity- accounted investees.

Joint operations are arrangements under which the joint operators have rights to the assets and a responsibility for the obligations, and the right to dispose of their share of the power production and the obligation to cover a share of the costs so that there is a gross settlement of revenues and costs from the arrangement.

For joint operations the Group accounts for its interest in the arrangement's assets, liabilities, revenues and costs. The Group's interest normally coincides with the ownership share.

Joint operations without joint control

Some power plants are organised as either a company with shared liability (DA) or as a co-ownership without joint control. Ownership in these power plants entails that the Group has the right to dispose its share of the power production and an obligation to cover its share of the costs and owns a share in the assets and a share of the liabilities. Joint operations without joint control are accounted for in the same manner as joint operations.

Significant estimates and assumptions

The Group considers the rights and obligations that arise from each arrangement and especially evaluates if there is either a net settlement or an entitlement to a share of the power production and an obligation to cover a share of the costs. The group also assesses whether there is joint control if unanimity is required. The considerations sometimes require judgement and the interpretation of underlying agreements, but the Group also considers how the arrangements are operated in practice.

Note 3.6 Joint operations

(cont.)

The Group has an interest in the following joint operations and joint operations without joint control:

31 December 2023

Company name	Classification	Registered office	Shareholding	Voting rights
Glommens og Laagens Brukseierforening ¹	Joint operations w/o joint control	Lillehammer	-	71.0%
Foreningen til Hallingdalsvassdragets regulering	Joint operations w/o joint control	Oslo	-	65.0%
Forening til Bægnavassdragets regulering ²	Joint operations w/o joint control	Hønefoss	-	41.1%
Vinstra Kraftselskap DA	Joint operations w/o joint control	Lillehammer	100.0%	-
Aurlandsverkene ³	Joint operations w/o joint control	Oslo	93.0%	-
Storbrofoss Kraftanlegg DA ⁴	Joint operations w/o joint control	Lillehammer	80.0%	-
Opplandskraft DA	Joint operations w/o joint control	Lillehammer	75.0%	-
Rosten Kraftverk	Joint operations w/o joint control	Lillehammer	72.0%	-
Lya Kraftverk	Joint operations w/o joint control	Oslo	70.0%	-
Solbergfoss	Joint operations	Oslo	66.7%	-
Usta Kraftverk	Joint operations w/o joint control	Oslo	57.1%	-
Nes Kraftverk	Joint operations w/o joint control	Oslo	57.1%	-
Øvre Otta DA	Joint operations	Lillehammer	55.0%	-
Sarp Kraftverk	Joint operations	Sarpsborg	50.0%	-
Nedre Otta DA ⁵	Joint operations	Lillehammer	50.0%	-
Embretsfosskraftverkene DA	Joint operations	Drammen	50.0%	-
Kraftverkene i Orkla	Joint operations w/o joint control	Rennebu	12.0%	-
Uvdalsverkene	Joint operations w/o joint control	Porsgrunn	10.0%	-

¹The voting right includes the companies Hafslund Eco Vannkraft AS, Hafslund Eco Vannkraft Innlandet AS, Hafslund Produksjon AS and interests in the jointly owned companies Opplandskraft DA, Vinstra Kraftselskap DA and Øvre Otta DA.

²The voting right includes the company Hafslund Eco Vannkraft Innlandet AS and Storbrofoss Kraftanlegg DA.

³The Group has announced that it wishes to redeem the option for 7 % shareholding from Statkraft in 2029 at market price.

⁴The Group has an 80 per cent ownership in Storbrofoss Kraftanlegg DA but has rights to 100 per cent by agreement until 2050. Storbrofoss Kraftanlegg has a 20 per cent ownership in Bagn Kraftverk DA.

⁵Sel and Vågå municipality has a withdrawal right in Hafslunds which makes Hafslund's actual share 47 %. Sel and Vågå municipality do not have ownership in the joint operation.

Note 4.1 Other liabilities

Key accounting policies

Liabilities related to power production

Under various agreements, the Group is obliged to pay compensation and supply free power to compensate for the inconvenience from using the waterfall and the land for hydropower production. The liabilities for annual compensation and free power are classified as non-current liabilities under the line-item Other liabilities and obligations. The contra entry is waterfall rights, which are classified as intangible assets. The effect from changes in the liability is presented in profit or loss as "Property tax and other costs and compensations."

Free power – net financial settlements

Free power contracts which depend on the power price and are settled financially, are recognised at fair value with subsequent measurement at fair value through profit or loss. The liability includes grid rentals for those contracts where the Group also is committed to cover those costs for the recipient, and value added tax where this becomes a cost for the Group.

Free power – settled in kind

The Group considers its contracts related to the physical delivery of free power to fall within the scope of the «own use» exception. The Group recognises a provision equal to the present value of the full cost.

Cash compensations

The Group treats perpetual cash compensations with regular CPI adjusted annual amounts as financial liabilities that are recognised at fair value with subsequent measurement at amortised cost.

Concessionary power

The Group has been awarded perpetual licenses relating to the development and operation of hydropower plants and, as a result of this, the Group has annual obligations to supply concessionary power to municipalities and counties. Parts of the commitment are covered by physical deliveries, while parts have established a practice involving a financial settlement, where the Group pays the difference between the spot price and the concessionary power price to the party entitled to concessionary power. At the end of 2023, concessionary power supplied in return for financial consideration added up to a total volume of 129 GWh (135 GWh). Concessionary power is not recognised as a liability on the balance sheet.

License fees

License fees are not recognised as a liability on the balance sheet. Paid license fees are expensed as they accrue.

Other liabilities

CCS Finansiering AS, a company wholly owned by the City of Oslo, has invested preference capital in Hafslund Oslo Celsio. Due to the terms related to the preference capital, the transaction is accounted for as "Other liabilities" in the Group and is recognised at fair value at the time of investment - with subsequent measurement at amortised cost. Day 1 effects are capitalised on the same accounting line. See also [note 9.1](#) Related party transactions for discussion of the matter.

Other liabilities that do not depend on the power price are recognised at fair value with subsequent measurement at amortised cost.

Note 4.1 Other liabilities

(cont.)

31 December

NOK million	2023	2022
FINANCIAL LIABILITIES TO LANDOWNERS		
Free power - settled in cash	478	588
Cash compensation to landowners	1,403	1,319
Financial liabilities to landowners	1,880	1,907
OTHER FINANCIAL LIABILITIES		
Industrial contracts	685	2,030
Other liabilities	198	200
Other financial liabilities	883	2,230
PROVISIONS FOR LIABILITIES TO LANDOWNERS		
Free power - settled in kind	23	24
Provisions for liabilities to landowners	23	24
Other liabilities	2,786	4,160

Other liabilities are mainly industrial contracts measured at fair value, with a negative value at 31 December 2023. Please see [note 5.5](#) Fair value for a more detailed description.

Note 4.2 Guarantees

In 2023, Hafslund Eco Vannkraft Innlandet AS repaid the subordinated loan of NOK 1,917 million from Eidsiva Energi AS. Consequently, Hafslund Eco Vannkraft AS no longer serves as guarantor for this loan.

To secure certain liabilities, the Group purchase bank guarantees to secure certain liabilities. As of 31 December 2023 these guarantees amounted to NOK 64 million in employee tax deduction guarantees (NOK 56 million) and NOK 30 million in guarantees for power trading (NOK 21 million).

Hafslund AS has issued parent company guarantees on behalf of Hafslund Oslo Celsio. As of 31 December 2023, issued parent company guarantees amounted to NOK 2,078 million.

Note 5.1 Financial instruments

Key accounting policies

Financial instruments are recognised when the Group becomes party to the contractual terms of the instrument.

Classification and measurement

Financial assets and liabilities are classified into three categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The classification depends on the method of initial recognition and the valuation is based on the Group's business model for management of its financial instruments and the characteristics of the cash flows for the individual financial instrument. Financial instruments are not reclassified after initial recognition unless the Group changes its model for management of its financial assets.

Amortised cost

Financial assets that the Group holds to collect contractual cash flows are recognised at fair value and subsequently measured at amortised cost. The main instruments in this category are trade receivables, other receivables and bank deposits.

Financial liabilities are recognised at fair value and as a main rule subsequently measured at amortised cost. Financial liabilities such as CPI-adjusted cash compensations to land owners, trade payables, bond loans, commercial papers and other loans are classified as amortised cost.

Fair value through other comprehensive income

The financial instruments that are measured at fair value with changes in value through other comprehensive income are part of the Group's hedge accounting. This includes the Group's hedging of sales from hydropower and district heating, industrial contracts that do not qualify for the own-use exemption, and contracts for swapping currency for loans denominated in foreign currency to Norwegian kroner. For all these instruments changes in value that are considered to be effective hedging are presented through other comprehensive income. Hedge accounting is further described in [note 5.6 Derivates and hedging](#).

For financial liabilities, changes in fair value attributable to changes in inherent credit risk are recognised through other comprehensive income, while the remaining change in value is recognised through profit or loss.

Fair value through profit or loss

Financial assets that are neither measured at amortised cost nor at fair value through other comprehensive income are measured at fair value through profit or loss. This primarily applies to financial power contracts and currency futures that are not a part of the Group's hedge accounting.

Financial liabilities that are not classified at amortised cost or that are not designated as hedging instruments are initially recognised at fair value and subsequently at fair value through profit or loss. This mainly applies to land-owner compensation dependent on power price, financial power contracts and currency futures that are liabilities in the balance sheet.

Note 5.1 Financial instruments

(cont.)

Derecognition of financial instruments

A financial asset is derecognised if one or more of the following criteria applies:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to collect cash flows from the asset and the Group has transferred all substantive risks and rewards relating to the instrument.
- The Group has transferred its rights to collect cash flows from the asset and the Group has not transferred or retained all substantive risks and rewards relating to the instrument but has transferred control of the asset.

A financial liability is derecognised when it has been redeemed, cancelled or matures. When an existing financial liability is replaced by another liability to the same lender on materially different terms, or the provisions for an existing liability have changed significantly, this is treated as a cancellation of the original liability and a new liability is recognised. The difference between the carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset, and there is an intention to settle the asset and liability net.

31 December	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total
NOK million				
2023				
FINANCIAL ASSETS				
Non-current receivables	889	-	476	1,365
Non-current derivatives	65	476	-	541
Current derivatives	415	-	-	415
Trade receivables	-	-	741	741
Other interest-bearing current receivables	-	-	565	565
Other current receivables	-	-	664	664
Cash and cash equivalents	-	-	10,239	10,239
Financial assets	1,369	476	12,686	14,530
FINANCIAL LIABILITIES				
Current interest-bearing debt	-	-	2,205	2,205
Non-current interest-bearing debt	-	-	18,259	18,259
Current derivatives	135	89	-	224
Non-current derivatives	15	17	-	32
Other liabilities	478	685	1,601	2,763
Trade payables	-	-	478	478
Short-term lease liabilities	-	-	49	49
Long-term lease liabilities	-	-	272	272
Other current non interest-bearing liabilities	-	-	2,151	2,151
Financial liabilities	627	791	25,015	26,433

Note 5.1 Financial instruments

(cont.)

31 December

NOK million	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total
2022				
FINANCIAL ASSETS				
Non-current receivables	952	-	444	1,395
Non-current derivatives	401	697	-	1,098
Current derivatives	2,433	7	-	2,441
Trade receivables	-	-	1,148	1,148
Other current receivables	-	-	1,026	1,026
Cash and cash equivalents	-	-	13,497	13,497
Financial assets	3,786	704	16,114	20,604
FINANCIAL LIABILITIES				
Current interest-bearing debt	-	-	2,819	2,819
Non-current interest-bearing debt	-	-	20,203	20,203
Current derivatives	420	287	-	707
Non-current derivatives	81	256	-	337
Other liabilities	588	2,030	1,519	4,137
Trade payables	-	-	736	736
Short-term lease liabilities	-	-	40	40
Long-term lease liabilities	-	-	306	306
Other current non interest-bearing liabilities	-	-	3,196	3,196
Financial liabilities	1,088	2,573	28,818	32,480

Offsetting futures derivatives

The table below shows gross values of futures derivatives and futures settlements offset in the balance sheet.

EUR million	2023	2022
FUTURES DERIVATIVES AND FUTURES SETTLEMENTS		
Fair value futures derivatives	-12	-456
Futures settlements	12	456
Recognised value futures derivatives and futures settlements	-	-

Note 5.2 Interest-bearing debt

31 December

NOK million	Loan amount in currency	Currency	Due date	2023	2022
Private placement in the American market	75	USD	2023	-	739
Commercial paper issue in the Norwegian market	900	NOK	2023	-	900
Commercial paper issue in the Norwegian market	880	NOK	2023	-	880
Bond issue in the Norwegian market	300	NOK	2023	-	300
Short-term bank loan	53	EUR	2024	592	-
Commercial paper issue in the Norwegian market	500	NOK	2024	500	-
The Nordic Investment Bank	2,665	NOK	2024-2030	2,615	2,615
Bond issue in the Norwegian market	450	NOK	2024	450	450
Bond issue in the Norwegian market	293	NOK	2024	293	293
Private placement in the American market	290	NOK	2024	290	290
Bond issue in the Norwegian market	1,000	NOK	2025	1,000	1,000
Bond issue in the Norwegian market	500	NOK	2026	500	500
Private placement in the American market	25	USD	2026	254	246
Private placement in the American market	910	NOK	2027	910	910
Private placement in the Japanese market	5,000	JPY	2028	360	373
Bond issue in the Norwegian market	500	NOK	2028	500	-
Bond issue in the Norwegian market	250	NOK	2029	250	250
Private placement in the Japanese market	5,000	JPY	2029	360	373
Private placement in the American market	723	NOK	2029	723	723
Bond issue in the Norwegian market	500	NOK	2029	500	-
Bond issue in the Norwegian market	200	NOK	2030	200	200
Bond issue in the Norwegian market	200	NOK	2031	200	200
Private placement in the American market	125	USD	2031	1,269	1,232
Private placement in the German market	30	EUR	2031	337	315
Private placement in the American market	848	NOK	2032	848	848

Note 5.2 Interest-bearing debt

(cont.)

NOK million	Loan amount in currency	Currency	Due date	2023	2022
Private placement in the American market	600	NOK	2033	600	600
Subordinated loan CCS Finansiering AS	2,347	NOK	2037	2,347	2,347
Subordinated loan Eidsiva Energi AS	1,917	NOK	2039	-	1,917
Subordinated loan CCS Finansiering AS	1,000	NOK	2041	1,000	1,000
Subordinated loan CCS Finansiering AS	2,075	NOK	2042	2,075	2,075
Loan HitecVision	800	NOK	2047	800	800
Loan Infranode	800	NOK	2047	800	800
Interest-bearing debt translated to NOK				20,573	23,176
Carrying amount of interest-bearing debt related to fair value hedges				-109	-153
Amortisation of fees				-	-1
Interest-bearing debt, balance at 31 December				20,464	23,022
Hereof current interest-bearing debt				2,205	2,819
Hereof non-current interest-bearing debt				18,259	20,203

Note 5.2 Interest-bearing debt

(cont.)

Loans denominated in foreign currency are hedged into Norwegian kroner by entering combined interest and currency swaps which exchange the principal payments in foreign currency to principal payments in Norwegian kroner. The table above shows the value of the loan translated at the exchange rates as of the balance sheet date, before the effect of combined interest and currency swaps. The Group has three subordinated loans from CCS Finansiering AS, a company 100 per cent owned by the City of Oslo. See also [note 9.1](#) Related party transactions.

NOK million	2023	2022
CHANGES IN INTEREST-BEARING DEBT		
Interest-bearing debt at 1 January	23,022	18,695
Loan proceeds	2,073	3,380
Repayment of interest-bearing debt	-4,736	-2,553
Sum of changes cash flow from financing activities	-2,663	827
Increase in interest-bearing debt without cash effect	-	3,675
Effect of currency fluctuations (without cash effect)	60	229
Effect of fair value hedges (without cash effect)	44	-412
Other changes without cash effect	1	8
Sum changes without cash effect	105	3,500
Interest-bearing debt at 31 December	20,464	23,022

As of 31 December 2023, Hafslund had interest-bearing debt of NOK 20,464 million, of which NOK 2,205 million was current. In 2023, the Group increased external interest-bearing debt by NOK 2,073 million and repaid interest-bearing debt by NOK 4,736 million, of which of NOK 1,917 million was a subordinated loan from Eidsiva Energi AS to its subsidiary Hafslund Eco Vannkraft Innlandet AS.



Note 5.3 Maturity structure financial liabilities

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

The maturity structure for liabilities relating to landowner compensation and free power has not been included in the table below since these are mainly perpetual contracts. Industrial contracts with a negative fair value is excluded from the maturity structure below as the contracts entail physical delivery of power.

31 December					
NOK million	Within 12 months	1 to 2 years	3 to 4 years	From 5 years	Total
2023					
FINANCIAL LIABILITIES RELATED TO DERIVATIVES					
Combined interest and currency derivatives	-	-111	-59	-398	-568
Interest swaps	-	14	-	-	14
Power derivatives	172	18	-	-	190
Currency futures	51	-	-	-	51
Derivative financial liabilities	224	-79	-59	-398	-312
OTHER FINANCIAL LIABILITIES					
Non-current interest-bearing debt	-	2,419	2,740	13,209	18,368
Current interest-bearing debt	2,205	-	-	-	2,205
Trade payables and other current liabilities	2,626	-	-	-	2,626
Lease liabilities	54	78	85	154	371
Other liabilities	-	-	-	200	200
Non-derivative financial liabilities	4,831	2,419	2,740	13,563	23,769

31 December

NOK million	Within 12 months	1 to 2 years	3 to 4 years	From 5 years	Total
2022					
FINANCIAL LIABILITIES RELATED TO DERIVATIVES					
Combined interest and currency derivatives	-310	-	-103	-424	-837
Interest swaps	13	-	-	-	13
Power derivatives	678	324	-	-	1,002
Currency futures	29	-	-	-	29
Derivative financial liabilities	411	324	-103	-424	207
OTHER FINANCIAL LIABILITIES					
Non-current interest-bearing debt	-	2,778	1,726	15,853	20,357
Current interest-bearing debt	2,819	-	-	-	2,819
Trade payables and other current liabilities	3,932	-	-	-	3,932
Lease liabilities	59	76	83	173	391
Trade payables and other current liabilities	-	-	-	200	200
Non-derivative financial liabilities	6,751	2,854	1,809	16,226	27,699

Note 5.4 Financial risk management

Hafslund's business is exposed to risk in several areas across the portfolio. Risk management is an integral part of the Group's business activities and is designed to secure achievement of strategic and operational goals. Guidelines and frameworks are established for the management of risk in the different business segments. The Group's overall risk is assessed by the Risk and Audit Committee and the Board of Directors. The purpose of risk management is to take the right risk based on the Group's risk capacity and ability, expertise, solvency and development plans.

Market risk

As a power producer and district heating provider, Hafslund is exposed to fluctuations in market prices as part of the business model. Managing this risk involves actively participating in the power market.

Power price fluctuations, together with factors that affect production volumes, will be of significant importance for financial results. The Group manages risk through utilisation of water resources in the reservoirs, optimisation of district heating production and from entering physical and financial contracts. Strategies, systems and reporting routines have been established to manage market risk on the Group level and in Group companies. Exposure shall be kept within defined limits and risk management is followed up through reporting to Management and the Board of Directors.

Prices for part of the future hydropower production and district heating sales are hedged within approved limits. Trading with the aim of making a profit is subject to its own limits. Hedge ratios may vary, based on an overall assessment of risk tolerance, market prices and developments in factors that may impact production.

Both contracts for physical delivery as well as financial contracts are used in power price hedging. Physical contracts that meet certain criteria are included in the calculation of the resource rent tax for Group's hydropower companies. Financial contracts are not eligible for the same exemption. The Group's hedging strategy takes into account current tax laws for resource rent taxation. An increase in the spot price for power should have a neutral or positive effect on expected cash flows after taxes.

Financial instruments that may be used to hedge future power production include bilateral price hedging agreements, futures and forward contracts, EPADs (Electricity Price Area Differentials) and options. Hafslund achieves area prices for physical power sales. Use of hedging instruments with other price references could reduce the effectiveness of hedges due to deviations between price reference and the area price where the Group has power production.

The foreign exchange market is used to manage market risk derived from hedging where the value of hedged production can be fully or partly hedged from euro to Norwegian kroner using currency futures.

The Group has the following exposure and sensitivity from financial power contracts at +/- 30 per cent change in power prices:

31 December

Financial power contracts	Fair value		
	2023	+30 %	-30 %
NOK million			
Futures / Forward contracts	161	-1,114	1,114
Industrial contracts	-685	-475	475
Other financial power contracts	504	174	-174
Total effect on profit after tax		237	-237
Total effect on equity		-890	890

Note 5.4 Financial risk management

(cont.)

Regulatory risk

Hafslund is impacted by changes to framework conditions within a number of areas. Changes in Group companies' framework conditions could have significant impact on the Group's financial results. The structure of the tax system is particularly important for the Group's future investments. The hydropower business is highly vulnerable to changes in tax legislation and market regulation. The district heating business is tightly regulated, and the pricing of district heating is governed by the Energy act. Currently, this includes the requirement for district heating providers to offer discounts to private customers on the same terms as the support scheme private electricity customers receive from the government. Changes to district heating price regulation are planned, and the Norwegian Water Resources and Energy Directorate (NVE) has announced its intention to have its recommendation ready by 2024. Changes to this price regulation could potentially have significant consequences for the profitability of the affected companies. District heating businesses that utilise waste incineration are subject to an incineration tax. The government has passed legislation to increase this tax to 485 Norwegian kroner per tonne of waste in 2024, up from 131 Norwegian kroner per tonne of waste in 2023. This increase has a significant impact on the companies' profitability.

Interest rate risk

Hafslund is mainly exposed to interest rate risk through its financing activities in Norwegian kroner and in foreign currency (note 5.2 Interest bearing debt). The Group's operating revenues and cash flows from operations are also sensitive to interest rate fluctuations to some degree. The Group is exposed to fluctuations in interest rates because some of its interest-bearing debt has floating interest rates. This exposure is primarily

managed using instruments that balance the weighting of financing at floating and fixed interest rates.

The Group's loan portfolio has the following distribution of floating and fixed interest rates:

31 December		
Distribution of fixed and floating interest rate on the Group's loan portfolio ¹	Nominal amounts	Nominal amounts
NOK million	2023	2022
FIXED INTEREST RATE		
Debt with fixed interest rate	6,984	8,994
Effect of interest rate swaps	-2,263	-2,693
Loan amount with fixed interest rate after effect of interest rate swaps at 31 December	4,721	6,301
FLOATING INTEREST RATE		
Debt with floating interest rate	5,408	4,408
Effect of interest rate swaps	2,263	2,693
Loan amounts with floating interest rate after effect of interest swaps	7,671	7,101

¹The table above is exclusive of subordinated loans and shareholder loans

Based on the Group's interest rate exposure at 31 December 2023, a change in interest rates of ± 0.5 percentage points over the entire curve would result in a change in the Group's profit after tax of approximately -/+ NOK 30 million (NOK 28 million).

At year end 2023, NOK 7,671 million of the Group's debt was quoted with NIBOR as reference rate including the effect of interest rate swaps. This means that a change from NIBOR to an alternative reference rate would impact the Group's interest rate exposure. A task force initiated by the Central Bank of Norway has suggested that NIBOR should be replaced by a reformed NOWA-rate («Norwegian Overnight Weighted Average»), but a decision on this matter has not yet been made. A central difference

Note 5.4 Financial risk management

(cont.)

between NIBOR and NOWA is that NIBOR is a forward-looking term rate (for instance for 3 or 6 months), while NOWA is a historical overnight rate determined by actual transactions in the market for overnight loans between selected Norwegian Banks. The Group monitors the ongoing discussion and will consider the consequences closely if a more detailed suggestion regarding NIBOR emerges.

Hafslund is exposed to a limited scope of indirect interest rate risk in relation to currency and power derivatives. No correlation has been observed between the interest rate level and prices in the power market.

Currency risk

The Nordic power markets use euro as a trading and clearing currency. This means that the Group receives most of its power revenues from physical and financial trading in euro. Revenues from district heating and most of the Group's incurred costs are in Norwegian kroner. Hafslund uses foreign exchange forwards to reduce/hedge the consequences of mismatches in euro revenues and costs in Norwegian kroner. Foreign exchange hedging is performed for the future sales of power that is hedged. Spot sales of power are recognised at the foreign exchange-rate at the time of the transaction. Other transactions denominated in foreign currency are recognised using the transaction rate. Power production is mainly sold via the Nord Pool Spot exchange or directly to Fortum Hedging AS. Power is sold in euro which is converted to Norwegian kroner on an ongoing basis. In the event of major investments in foreign currency, currency hedging is assessed on the basis of total currency exposure and other relevant factors.

Principal payments for non-current loans denominated in foreign currency are hedged into principal payments in Norwegian kroner by entering

combined interest rate and currency swap agreements at the time of initial borrowing. Monetary items and borrowings in foreign currency are measured at the rate at the balance sheet date. Currency losses or gains are recognised in profit or loss as a currency gain or currency loss, unless the item is part of an accounting hedge, and the hedge is effective (see note 5.6 Derivatives and hedging). Any ineffectiveness is recognised in profit or loss. The Group has entered combined interest rate and currency swaps to reduce currency exposure on borrowings in foreign currency. Fluctuations in foreign currency against Norwegian kroner will therefore not materially impact the Group's borrowing costs.

Credit risk

The Group is exposed to credit risk mainly through trade and other current receivables within its core activities (note 5.10 Trade and other receivables) as well as counterparty risk on entering derivative contracts (note 5.6 Derivatives and hedging).

The Group's main counterparties for physical power sales are Nord Pool and Fortum Hedging AS. Hafslund also sells district heating and incineration services to a large portfolio of costumers, both public and private. Historically, losses on receivables for the business have been very low. The Group has also entered long term bilateral industrial contracts with physical delivery to Norwegian industrial players. Hafslund has also started to offer physical fixed-priced contracts with duration of 3, 5 or 7 years to commercial costumers – either directly or through third parties. Trading in power derivatives consists of both bilateral trading and cleared trading on organised marketplaces (Nasdaq OMX Commodities and the European Energy Exchange). For bilateral financial power derivatives, agreements have been entered into that allow for offsetting gains against losses with all counterparties. The Group also sell green certificates related to power production directly, or through third parties. In the district heating business, bilateral agreements are entered into with future delivery of various fuels, which implies risks related to defaults on deliveries.

Note 5.4 Financial risk management

(cont.)

Credit risk is limited through diversification and by determining a lower limit for approving the creditworthiness of counterparties. Strategies, systems and reporting routines have been established to manage counterparty risk on the Group level and in group companies. The Group assesses credit risk for its actual exposures on an ongoing basis. Counterparties in new exposures are subject to counterparty assessments. There are Interest rate and currency derivatives are only entered into with banks with a minimum “investment grade” rating.

Project risk

Hafslund undertake project risk in several parts of the business. In 2023, the Group had several dam rehabilitation projects in the construction phase and have several projects planned for the future. Hafslund has ownership interest in solar-parks projects in south of Sweden, as well as several hydropower projects under development. Through the ownership interest in Hafslund Oslo Celsio AS, the Group is planning a full-scale carbon capture plant in Oslo. In 2023, the project entered a cost-reducing phase due to forecasts indicating that costs would exceed the investments budget. The decision was made in an early stage of the project, where less than 10 percent of the allocated investment funds had been used. Hafslund has partnered with Aker Carbon Capture and Aker Solutions on a new FEED-study and is working towards an investment decision to realise the project.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to service its financial liabilities as they mature. The Group is exposed to liquidity risk to the extent that cash flows from operations do not correspond with financial liabilities. The cash flows fluctuate in line with factors such as market prices, seasonal variations, and investment levels.

The Hafslund Group has a 50 per cent ownership in Norway’s largest grid company Elvia through its investment in Eidsiva Energi, which contributes to steady earnings. The Group’s strategy for managing liquidity risk is always to maintain sufficient liquid funds and unused credit lines so that financial liabilities can be redeemed at maturity, including for extraordinary events, without risking unacceptable financial or reputational loss.

Liquidity risk arising from participation in trading financial derivatives on organised marketplaces is subject to separate frameworks and is considered in combination with the group's credit risk. Hafslund has certain drawing rights and purchases services from third parties to help mitigate ongoing needs for cash collateralisation.

The maturity structure for debt and other financial liabilities, including derivatives and other current liabilities are presented in note 5.3 Maturity structure financial liabilities. Liquidity risk is minimised through analysing expected inflows and outflows and assumption of current and non-current borrowings. In order to minimise refinancing risk, i.e. the risk of not being able to refinance a loan or cover a short-term liquidity requirement on normal commercial terms, the Group has established long-term, committed credit facilities in order to secure availability of liquidity, also in periods when it may be difficult to obtain financing in the markets. As of 31 December 2023, unused credit facilities amounted to NOK 2,500 million (NOK 2,500 million).

To reduce liquidity risk, the Group also holds a liquidity reserve in the form of bank deposits and short-term liquidity fund investments (note 5.11 Cash and cash equivalents). As additional security against turbulence in the finance markets and potential losses of financing sources, credit lines of NOK 1,000 million (NOK 1,000 million) which was unused as of year-end 2023. In addition, the group has line of credit of EUR 50 million (EUR 50 million) to cover daily settlements of futures on Nasdaq Clearing AB, of which EUR 47 million was unused at year-end 2023.

Note 5.5 Fair value

Key accounting policies

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

Fair value hierarchy:

Fair value measurements are classified at the following levels:

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

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

Key estimates and assumptions

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

For the valuation of financial power contracts and compensation to landowners that depend on power price the Group has applied the Group's long-term power prices curves which represent the Management's best estimate. See further description in [note 1.3 Climate Risk](#).

The reasonableness of the estimated present value of forward exchange contracts, interest rate and currency swaps, as well as interest rate swaps, are assessed against valuations from contract counterparties.

Financial instruments measured at fair value:

31 December

	Level 1	Level 2	Level 3	Fair value	Booked value
NOK million					
2023					
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
Shares	148	-	93	241	241
Other long-term receivables	-	-	648	648	648
Interest and currency derivatives	-	-	476	476	476
Currency futures	-	43	-	43	43
Power derivatives	-	437	-	437	437
Total financial assets measured at fair value	148	480	1,217	1,845	1,845
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE					
Power derivatives	-	190	-	190	190
Currency futures	-	51	-	51	51
Interest rate swaps	-	14	-	14	14
Industrial contracts	-	-	685	685	685
Compensation to landowners and free power	-	-	478	478	478
Total financial liabilities measured at fair value	-	256	1,162	1,418	1,418

Note 5.5 Fair Value

(cont.)

31 December

	Level 1	Level 2	Level 3	Fair value	Booked value
NOK million					
2022					
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
Shares	95	-	93	188	188
Other long-term receivables	-	-	763	763	763
Interest and currency derivatives	-	-	697	697	697
Currency futures	-	15	-	15	15
Power derivatives	-	2,827	-	2,827	2,827
Total financial assets measured at fair value	95	2,842	1,553	4,490	4,490
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE					
Power derivatives	-	1,002	-	1,002	1,002
Currency futures	-	29	-	29	29
Interest rate swaps	-	13	-	13	13
Industrial contracts	-	-	2,030	2,030	2,030
Compensation to landowners and free power	-	-	588	588	588
Total financial liabilities measured at fair value	-	1,044	2,618	3,662	3,662

See [note 5.2](#) Interest-bearing debt for more information about the Group's interest-bearing debt.

For other financial liabilities measured at amortised cost the value is approximately equal to fair value. Financial assets measured at amortised cost primarily consist of accounts receivable and other receivables where amortised cost is approximately equal to fair value.

31 December

	Level 1	Level 2	Level 3	Fair value	Booked value
NOK million					
2023					
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST					
Other current non-interest bearing liabilities	-	-	2,151	2,151	2,151
Trade payables	-	-	478	478	478
Interest bearing debt	-	19,917	-	19,917	20,464
Other liabilities	-	-	198	198	198
Total financial liabilities measured at amortised cost	-	19,917	2,827	22,744	23,291

31 December

	Level 1	Level 2	Level 3	Fair value	Booked value
NOK million					
2022					
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST					
Other current non-interest bearing liabilities	-	-	3,196	3,196	3,196
Trade payables	-	-	736	736	736
Interest bearing debt	-	21,500	-	21,500	23,021
Other liabilities	-	-	200	200	200
Total financial liabilities measured at amortised cost	-	21,500	4,132	25,632	27,153

Note 5.6 Derivatives and hedging

Key accounting policies

Introduction

The Group hedges revenue from both future power production and district heating sales in addition to swapping of interest rate terms and hedging of currency exposure in connection with borrowings.

Revenue from future power production and district heating sales is hedged financially through system price contracts and electricity price area differentials (EPADs). For the hedging of power production, the Group's basis hedging portfolio for hedging of system price is subject to hedge accounting, in addition EPADs entered into from third quarter 2023 are subject to hedge accounting. Other financial power hedging instruments are measured at fair value through profit or loss. For the hedging of district heating sales, both system price contracts and EPADs in the primary hedging portfolio are subject to hedge accounting.

Additionally, the Group hedges revenue from hydropower production by entering industrial power contracts with physical delivery. Industrial contracts with delivery in price areas where the Group has sufficient power production hour-by-hour, are treated under the own-use exemption and are not recognised in the balance sheet. If such contracts are denominated in euro where the functional currency of the counterparty is not euro, an embedded currency derivative is separated from the host contract for accounting purposes. These currency derivatives are measured at fair value through profit or loss and presented as Other gain/loss under Revenues and other income.

Industrial power contracts with physical delivery in price areas where the Group does not have sufficient production hour-by-hour are recognised as financial instruments and measured at fair value in the balance sheet. These contracts are accounted for as all-in-one hedges measured at fair

value through other comprehensive income. Day 1 gains/losses are amortised over the duration of the contract.

Derivatives are both initially and subsequently recognised at fair value. The accounting treatment of associated gains and losses depends on whether the derivatives are designated as hedging instruments and whether the hedging relationship is deemed to be a cash flow hedge or a fair value hedge.

The hedging of currency exposure in connection with borrowings, the hedging of revenue from power production, district heat sales and hedge accounted industrial power contracts are accounted for as cash flow hedges. Changes in fair value that constitute effective hedging are presented through other comprehensive income. Effective hedging is booked as cash flow hedging reserve until the contracts:

1. are delivered,
2. are bought back and the hedged transactions are no longer occur, or
3. if the hedge no longer meet the criteria for hedge accounting.

Hedge accounting

General

The criteria for entering a hedging relationship are determined in the Group's risk management strategy and involve a qualitative and prospective approach to assessing hedge effectiveness. Both the hedged item and the hedging instrument are designated and documented when hedging relationships are established and sources of ineffectiveness are identified. The Group only designates contracts with external parties as hedging instruments.

Note 5.6 Derivatives and hedging

(cont.)

Hedge accounting of financial power contracts for hedging hydropower production

For the hedging of revenue from hydropower production, the Group's basis portfolio for hedging of system price is designated as the hedging instrument. Hedging of the difference between system price and EPADs are subject to hedge accounting for contracts entered into from third quarter 2023.

The hedging instrument can be summarised as follows:

31 December		
EUR million	Contract value EPAD	Contract value system price
2023		
2024	-10	-117
2025-2026	-3	-226
Total	-13	-343

31 December		
EUR million	Contract value EPAD	Contract value system price
2022		
2023	-	-121
2024-2025	-	-117
Total	-	-239

31 December		
NOK million	Fair value of hedging instruments	
	Assets	Liabilities
2023		
Financial hedging	189	-
Total	189	-
2022		
Financial hedging	-	-1,434
Total	-	-1,434

Effects on profit and loss and the balance sheet on the hedge instrument can be summarised as follows:

NOK million	Hedging instrument	Efficient part/ hedging reserve before tax	Inefficient part
Fair value 31 December 2022	-1,434	-1,326	-108
Delivered in 2023	952	902	51
Change in fair value in 2023	670	634	36
Fair value 31 December 2023	189	210	-21
Fair value 31 December 2021	-781	-785	4
Delivered in 2022	663	663	-
Change in fair value in 2022	-1,316	-1,204	-112
Fair value 31 December 2022	-1,434	-1,326	-108

Note 5.6 Derivatives and hedging

(cont.)

The designated hedging item is the highly probable future sales of power in the spot market. The available hedging area is defined as the highly probable future production of hydropower less physical commitments such as industrial power contracts and concessionary power. To ensure reliable measurement of the hedging item, the hedging item is defined as an interval in the hedging area starting from the first hour of the month. A volume equivalent to the hedged volume is distributed over the available hedging area per hour starting from the first hour of the month.

When entering a financial power contract an interval in the hedging area is designated and allocated to the hedging instrument. In the subsequent period, the effectiveness of the hedge is measured by comparing changes in value of the hedging instrument with changes in value of expected future sales of the power for the designated interval. Both the hedging instrument and the hedging item are denominated in euro.

Changes in cash flows from financial power contracts where settlements quote the system price and EPADs are expected to closely match the changes in cash flows from the highly probable future sale of hydropower. This means that there is a strong economic relationship. Nasdaq is the counterparty for financial power hedging and credit risk is not considered to be significant.

A quantitative assessment of hedging effectiveness is carried out for each reporting period where changes in value of the hedging item is compared to changes in value of the hedging instrument. The effective part of the hedge is recognised through other comprehensive income whilst the ineffective part of the hedge is presented as Other gain/loss under Revenues and other income in the profit or loss.

Inefficiencies in the hedge are mainly caused by:

1. Differences between the system price attributed to the hedging instrument and the area price attributed to the hedging item when only the system-price is designated as the hedge instrument. Historically there has been a strong correlation in prices between the price areas NO1 and NO5 and the Nordic system price.
2. Differences in price profiles as the hedging instrument is delivered evenly for each hour of the month, whilst the hedging item is a per-hour allocation starting from the first hour of the month. Effects attributed to differences in price profiles can be the result of price differences between day and night, weekends, and weekdays and between holidays and weekdays.

Over-hedging occurs if the Group has entered financial power contracts for a higher volume than the available hedging area. Over-hedging is presented in profit or loss the same way as inefficiency.

The Group's hedging activities affect other comprehensive income and profit or loss from inception of hedge as follows (accumulated effects):

31 December

NOK million	Change in fair value hedge instrument	Change in fair value hedge item	Efficient hedging through other comprehensive income	Inefficiency through P&L
2023	189	-621	210	-21
2022	-1,434	1,808	-1,326	-108

The hedging item is not recognised in the balance sheet.

Note 5.6 Derivatives and hedging

(cont.)

Hedge accounting of industrial power contracts and related currency futures

The Group has an industrial power contract denominated in euro subject to the own-use exemption, but is designated as fair value measurement in the balance sheet. This contract entails the physical delivery of power for the period 2021-2030 with a total remaining contract value of euro 80 million as per 31. December 2023 (euro 90 million). Of this amount, euro 40 million (euro 45 million) has been swapped to NOK 432 million using (NOK 485 million) currency futures.

The Group has hedge accounted both for the industrial contract and for the currency futures as all-in-one-hedges.

The currency futures are designated as the hedging instrument in a cash flow hedge, while the euro exposure arising from the contract as the designated hedging item. There is not considered to be significant credit risk against the banks which are the counterparties. The hedge is considered to be a perfect hedge.

In addition, the Group has hedge accounted for industrial contracts denominated in euro for the delivery of power from 2024 until 2030, with a total remaining contract value of euro 14 million as per 31. December 2023 (euro 18 million).

These hedging instruments can be summarised as follows:

31 December		Fair value of hedging instruments	
NOK million		Assets	Liabilities
2023			
Industrial contracts	-	-	-685
Currency futures	-	-	-37
Total	-	-	-722
2022			
Industrial contracts	-	-	-2,030
Currency futures	7	7	-
Total	7	7	-2,030

Effects on profit and loss and the balance sheet on the hedge accounting can be summarised as follows:

NOK million	Hedging instrument	Efficient part of hedge instrument	Inefficient part of hedge instrument
Fair value 31.12.2022	-2,022	-2,022	-
Delivered in 2023	450	450	-
Change in fair value in 2023	850	850	-
Fair value 31.12.2023	-722	-722	-
Fair value 31.12.2021	-394	-394	-
Delivered in 2022	74	74	-
Change in fair value in 2022	-1,702	-1,702	-
Fair value 31.12.2022	-2,022	-2,022	-

Note 5.6 Derivatives and hedging

(cont.)

The certain cash flows in euro from the industrial power contracts are designated as the hedging instrument in a cash flow hedge. The hedging item is the future sales of hydropower in euro arising from the contracts. There is not considered to be significant credit risk related to the contracts. The industrial power contracts hedge themselves and are thus considered perfect hedges.

The effect on profit or loss and other comprehensive income from these hedging activities from inception of hedge are as follows (accumulated effects):

31 December

NOK million	Change in fair value hedge instrument	Change in fair value hedge item	Efficient hedging through other comprehensive income	Inefficiency through P&L
2023	-722	722	-722	-
2022	-2,022	2,022	-2,022	-

Hedge accounting of financial power contracts for hedging district heating revenues

For hedging revenue from district heating sales, the Group's hedging portfolio consisting of both system price contracts and EPADs are designated as hedging instruments. The hedging instruments are either financial contracts with Nasdaq as counterparty or bilateral positions. Credit risk is in any case not considered to be significant. The hedge accounting for the Group started when the Group acquired Hafslund Oslo Celsio in May 2022.

The hedging instruments consist of contracts denominated in euro or Norwegian kroner. The tables below shows the contract value of contracts for both EPADs and system price contracts:

31 December

NOK million	Contract value EPAD	Contract value system-price
2023		
2024	-20	-218
2025	-	-40
Total	-20	-258

NOK million	Contract value EPAD	Contract value system-price
2022		
2023	-24	-321
2024-2025	-	-175
Total	-24	-496

¹ The contract value in NOK includes contracts values in euro recalculated to NOK. The amounts in EURO are not material.

² The numbers in 2022 are corrected in 2023. This is a result of the correction in 2023 belonging to 2022.

31 December

NOK million	Fair value of hedging instruments	
	Assets	Liabilities
2023		
Financial hedging	-	-113
Total	-	-113
2022^{1,2}		
Financial hedging	-	-273
Total	-	-273

¹ District heating operations acquired from May 19th 2022

² 2022-number are corrected in 2023, please refer to correction in table on the next page.

Note 5.6 Derivatives and hedging

(cont.)

NOK million	Hedging instrument	Efficient part/ hedging reserve before tax	Inefficient part of hedge instrument
Fair value 31 December 2022	-56	-48	-8
Correction belonging to 2022, booked in 2023	-217	-219	1
Corrected opening balance 1 January 2023	-273	-267	-7
Delivered in 2023	97	90	7
Change in fair value in 2023	64	70	-6
Fair value 31 December 2023	-113	-107	-6
Fair value 31 December 2021	-	-	-
Delivered in 2022	-	-	-
Change in fair value in 2022	-56	-48	-8
Fair value 31 December 2022	-56	-48	-8

In 2023 there is booked a correction belonging to 2022 at NOK 217 million between other gain/losses in the operating result and the hedging reserve in other comprehensive income.

The designated hedging item is highly probable future district heating sales to commercial customers and is based on historical sales data and managements forecasts. To ensure reliable measurement of the hedging item, the hedging item is defined as an interval in the hedging area starting from the first hour of the month. When entering a financial contract an interval in the hedging area is designated and allocated to the hedging instrument. The hedging instrument is denominated in euro or Norwegian kroner, while the hedging item is denominated in Norwegian kroner.

In subsequent periods, the effectiveness of the hedge is measured by comparing changes in value of the hedging instrument with changes in value of expected future district heating sales for the designated interval. The effective part of the hedge is recognised through other comprehensive income whilst the ineffective part of the hedge is presented as other gain/loss under Revenues and other income in the profit or loss. Changes in cash flows from the hedging instruments are expected to closely match the changes in cash flows from the highly probable future district heating sales. This means that there is a strong economic relationship.

Inefficiencies in the hedge is mainly caused by:

1. Differences between the system price attributed to the hedging instrument and the area price when only system price contracts are entered into.
2. Differences in price profiles as the hedging instrument is delivered evenly for each hour of the month, whilst the hedging item is a per-hour allocation starting from the first hour of the month. Effects attributed to differences in price profiles can be the result of price differences between day and night, weekends, and weekdays and between holidays and weekdays.
3. Progressive discounts on district heating sales to commercial customers, affecting only the hedging item. This is not relevant after 31. December 2023.

Over-hedging occurs if the Group has entered financial contracts for a higher volume than the available hedging area. Over-hedging is presented in profit or loss the same way as inefficiency.

The Group's hedging activities affect other comprehensive income and profit or loss as from inception of hedge from inception of hedge follows (accumulated effects):

Note 5.6 Derivatives and hedging

(cont.)

31 December

NOK million	Change in fair value hedge instrument	Efficient hedging through other comprehensive income	Inefficiency through P&L
2023	-113	-107	-6
2022	-273	-267	-7

Hedging related to borrowings

The Group has the following hedging relationships: (nominal value: "+" indicates the principal amounts paid by the Group, and "-" indicates the principal amounts received by the Group).

31 December

NOK million

Reference	Hedged item	Currency	Due date	Nominal amount	Interest rate	Line-item in balance sheet ¹
A	Fixed rate loan	USD	2023	75	4.77%	Non-current interest-bearing debt
B	Fixed rate loan	USD	2026	25	4.95%	Non-current interest-bearing debt
C	Fixed rate loan	JPY	2028	5000	1.51%	Non-current interest-bearing debt
D	Fixed rate loan	JPY	2029	5000	1.38%	Non-current interest-bearing debt
E	Fixed rate loan	NOK	2029	250	4.40%	Non-current interest-bearing debt
F	Fixed rate loan	USD	2031	125	3.14%	Non-current interest-bearing debt
G	Fixed rate loan	EUR	2031	30	2.29%	Non-current interest-bearing debt

¹The first year's instalment is classified as current interest-bearing debt



Note 5.6 Derivatives and hedging

(cont.)

31 December

NOK million

Reference	Hedging instrument	Currency	Due date	Nominal amount	Interest rate	Line-item in balance sheet
A	Combined interest rate and currency swap	USD	2023	-75	4.77%	Non-current financial derivatives
A	Combined interest rate and currency swap	NOK	2023	429	3M NIBOR +0,86%	Non-current financial derivatives
B	Combined interest rate and currency swap	USD	2026	-25	4.95%	Non-current financial derivatives
B	Combined interest rate and currency swap	NOK	2026	143	3M NIBOR +0,86%	Non-current financial derivatives
C	Combined interest rate and currency swap	JPY	2028	-5000	1.51%	Non-current financial derivatives
C	Combined interest rate and currency swap	NOK	2028	301	6M NIBOR +0,92%	Non-current financial derivatives
D	Combined interest rate and currency swap	JPY	2029	-5000	1.38%	Non-current financial derivatives
D	Combined interest rate and currency swap	NOK	2029	296	6M NIBOR +0,87%	Non-current financial derivatives
E	Interest rate swap	NOK	2029	-250	4400.00%	Non-current financial derivatives
E	Interest rate swap	NOK	2029	250	3M NIBOR +2,4 %	Non-current financial derivatives
F	Combined interest rate and currency swap	USD	2031	-125	3.14%	Non-current financial derivatives
F	Combined interest rate and currency swap	NOK	2031	1036	3M NIBOR +1,524	Non-current financial derivatives
G	Combined interest rate and currency swap	EUR	2031	-30	2.29%	Non-current financial derivatives
G	Combined interest rate and currency swap	NOK	2031	237	6M NIBOR +1,1%	Non-current financial derivatives

Note 5.6 Derivatives and hedging

(cont.)

The Group's hedging instruments are presented under the line-item Non-current financial derivatives, and are recognised in the balance sheet at the following amounts:

31 December

NOK million	Fair value of hedging instruments	
	Assets	Liabilities
2023		
Combined interest rate and currency swaps	476	-
Interest rate swaps	-	-14
Total	476	-14
2022		
Combined interest rate and currency swaps	697	-
Interest rate swaps	-	-13
Total	697	-13

Currency risk

The Group's policy is to reduce currency risk by swapping the payments of principal amounts and fixed interest in foreign currency to Norwegian kroner in a 1:1 ratio using combined interest rate and currency swaps. Under the combined swaps, payments of fixed interest are also exchanged to payments of floating interest so that the Group receives fixed interest in foreign currency and pays floating interest in Norwegian kroner. The exchange from fixed to floating interest in foreign currency is treated as a fair value hedge, while the exchange from floating interest payments and principal payments in foreign currency to floating interest and principal payments in Norwegian kroner is treated as a cash flow hedge.

Cash flows from payments of principal amounts and floating interest rates in foreign currency are designated as hedging items, and cash flows from the combined swaps are accordingly designated as hedging instruments. The basis spread is excluded from the designated hedging instrument.

There is an economic relationship between the hedged item and the hedging instrument as the critical terms for exchanging from foreign currency to Norwegian kroner matches. Hedge effectiveness is assessed on a qualitative basis.

Changes in the fair value of the effective portion of the hedge are recognised in other comprehensive income until the period when changes in value of the hedged item affects profit or loss. The ineffective portion of the hedge is expensed under "Other finance income/costs."

Inefficiency in the hedge could arise from the fair value of credit risk affecting the hedging instrument, but not the hedged item.

The ineffective portion of the cash flow hedge recognised through profit or loss was immaterial for 2023 and 2022.

Note 5.6 Derivatives and hedging

(cont.)

Summary of cash flow hedging related to borrowings

The hedged item and hedged instrument affect the balance sheet and profit or loss from inception of hedge as follows:

31 December	Change in fair value hedge instrument	Change in fair value hedge item	Efficient hedging through other comprehensive	Inefficiency through P&L
NOK million				
2023	461	-461	461	-
2022	684	-684	684	-

Movements in the cash flow hedging reserve:

NOK million	Financial hedging portfolio hydro-electric power	Industrial contracts and currency futures	Financial hedging portfolio district heating	Combined interest rate and currency swaps ¹	Total
31 December 2021	-612	-167	-	-31	-810
Reclassified to P&L as a result of delivered in 2022	663	74	-	-	737
Effective share of change in fair value	-1,204	-1,702	-48	18	-2,936
Deferred tax	119	1,132	11	-4	1,258
31 December 2022	-1,034	-663	-38	-17	-1,754
Correction in 2023 before taxes, belongs to 2022	-	-	-217	-	-217
Deferred tax	-	-	48	-	48
Corrected opening balance 1 January 2023	-1,034	-663	-208	-17	-1,923
Reclassified to P&L as a result of delivered in 2023	902	449	90	-	1,440
Effective share of change in fair value	634	850	70	13	1,567
Deferred tax	-338	-891	-35	-3	-1,267
31 December 2023	163	-255	-83	-7	-183

¹13 in 2023 and 18 in 2022 shows net change in and out of the hedging reserve connected to combined interest rate and currency swaps.

For the district heating segment, losses have been locked in on closed positions, therefore the hedging reserve is divided into "open positions" and closed/"locked-in loss repurchased positions" for this segment:

Note 5.6 Derivatives and hedging

(cont.)

NOK million	Open positions	Closed positions	Total
Corrected opening balance 1 January 2023	-132	-76	-208
Reclassified to P&L as a result of delivered in 2023	72	18	90
Effective share of change in fair value	85	-15	70
Deferred tax	-34	-1	-35
31 December 2022	-10	-74	-83

In 2022 the group repurchased positions for 2023 and 2024. In addition there are repurchased positions for 2023 in 2023. As a result there are locked-in loss after taxes at 74 NOK millions at the hedging reserve at 31. December 2023.

When repurchasing hedged contracts, the locked-in gain/loss remains on the hedge reserve until the contracts are delivered - provided that it is still likely that the hedged transaction will occur.

Fair value hedges

The Group's loan portfolio includes loans with both fixed and floating interest rate terms, and the Group has for a few loans used derivatives to exchange interest terms from fixed to floating rates.

Interest rate exposure

Bond loans in Norwegian kroner for which interest rate swaps from fixed to floating interest rates have been entered are recognised as fair value hedges. The same designation applies to interest rate hedges from fixed to floating interest rates in foreign currency from combined currency and interest rate swaps. The Group has adopted the changes regarding the interest rate reform which give temporary relief by allowing the

assumption that specific considerations for hedge accounting is not affected by uncertainty arising from the interest rate reform.

The hedged risk arises from changes in value of fixed interest payments that mainly derive from changes in swap rates (OIS) and NIBOR interest rates.

There is an economic relationship between the hedged item and hedging instrument because the critical terms for exchanging from fixed to floating interest rates match. Hedge effectiveness is assessed on a qualitative basis.

Ineffectiveness in the hedge could arise from differing settlement times for interest payments/establishment of interest rates between the hedged item and the hedging instrument, as well as the fair value of credit risk affecting the hedging instrument, but not the hedged item.

The ineffective portion of the fair value hedge recognised through profit or loss under "Other finance income/costs" was immaterial in 2023 and 2022.

Note 5.7 Capital management

Hafslund's capital management is intended to ensure that the Group has financial flexibility in the short and long term and maintains a high credit rating. The Group aims to achieve cash flows that ensures competitive returns for the owners through dividends and increase in share value without disadvantaging the Group's creditors.

In addition to cash and cash equivalents, the Group's liquidity reserve consists of unused long-term, committed credit facilities. Hafslund has access to diversified loan sources and primarily uses the Norwegian bond market, the bank market and international private placement markets.

The Group has long-term financing and unused credit facilities that together ensures financial room to manoeuvre even when it is difficult to obtain financing in the markets.

The loan portfolio (excluding subordinated loans) comprises a balanced mix of loans with a maturity structure of up to 10 years, with a weighted average term of 5 years. The maturity structure of the Group's interest-bearing debt and other financial liabilities are shown in [note 5.2 Interest-bearing debt](#) and [note 5.3 Maturity structure financial liabilities](#).

At the end of 2023 the Group had unused credit facilities considered sufficient to cover the Group's refinancing requirements over the next 12 months. External borrowing is centralised at parent company level in Hafslund AS, in addition to the loans from the minority owners in Hafslund Oslo Celsio AS. The capital needs of the respective subsidiaries are normally covered through internal loans and through corporate cash pooling systems, in combination with equity. The capital structure in the subsidiaries is adapted to commercial, legal and tax-related considerations. The Group attaches importance to ensuring a balanced and reasonable capital composition that maintains reasonable equity based on the risk and scope of the business.

The Group's loan agreements contain negative pledge clauses. Some loan agreements also stipulate that material assets cannot be disposed of without approval, and one ownership clause requiring more than 50 per cent of shares issued by Hafslund AS to be directly or indirectly owned by the City of Oslo. The Group's loan agreements do not impose any financial covenants.

In 2023, Scope Ratings updated Hafslund AS' corporate issuer rating from BBB+ with positive outlook to A- with positive outlook, and from an S-2 to S-1 short term rating. Hafslund aims to maintain an "investment grade" credit profile and monitors quantitative and qualitative factors that affect creditworthiness by following, among other things, the development of its equity ratio, net interest-bearing debt and cash flows from operations. The Group's capital consists of net interest-bearing debt and equity.

The Group is not subject to any external requirements with regards to the management of its capital structure other than with regards to market expectations and the owner's dividend requirement.

Note 5.7 Capital management (cont.)

31 December		
NOK million	2023	2022
NET INTEREST-BEARING DEBT		
Current interest-bearing debt	2,205	2,819
Non-current interest-bearing debt	18,259	20,203
Fair value adjustment loan portfolio/fair value hedges	109	153
Non-current interest-bearing assets	-160	-155
Cash and cash equivalents	-10,239	-13,497
Net interest-bearing debt	10,173	9,523
Unused drawing rights	4,028	3,500
EQUITY SHARE		
Equity	46,706	42,604
Assets	91,048	97,265
Equity share	51%	44%

Note 5.8 Share capital and shareholder information

NOK million	Number of shares	Share capital	Premium fund	Paid-in capital
PAID-IN CAPITAL				
2022	100,000	110	23,484	23,594
2023	100,000	110	23,484	23,594

All shares are owned by the City of Oslo. Dividends paid during 2023 were NOK 3,072 million, of which NOK 2,100 million were paid to the City of Oslo.

Note 5.9 Non-current receivables

Key accounting policies

All non-current receivables mature more than one year from the balance sheet date.

31 December

NOK million	2023	2022
OTHER NON-CURRENT RECEIVABLES		
Other non-current interest-bearing receivables	160	155
Other non-current non-interest-bearing receivables	964	1,052
Net pension funds	172	184
Non-current equity investments	241	188
Other non-current receivables	1,536	1,579

Note 5.10 Trade receivables and other current receivables

Key accounting policies

Accounts receivables contain both receivables that arising from contracts with customers and other types of receivables. Receivables arising from contracts with customers are recognised at the agreed amount, reduced by expected credit loss. Other receivables and accruals are recognised at fair value and measured in subsequent periods at amortised cost.

Key estimates and assumptions

Inaccurate assessment of the customers' ability to pay could result in losses on receivables that subsequently must be written down through profit or loss. The Group estimates and recognises a provision for expected losses based on historic figures. The Group deems the credit risk to be acceptable.

31 December

NOK million	2023	2022
TRADE RECEIVABLES		
Trade receivables	741	1,148
Trade receivables 31 December	741	1,148
RECEIVABLES		
Dividend	87	-
Other non-interest-bearing current receivables	141	438
Accrued other income/prepaid expenses	436	588
Other non-interest-bearing current receivables	664	1,026

Please see [note 2.2 Revenues and other income](#) for further discussion of revenues.

Note 5.11 Cash and cash equivalents

31 December

NOK million	2023	2022
CASH AND CASH EQUIVALENTS		
Bank deposits	8,104	12,939
Short-term liquidity fund investments	1,799	-
Restricted assets	337	558
Cash and cash equivalents	10,239	13,497

Key matters

The Group's available cash and cash equivalents consist of bank deposits and short-term liquidity fund investments. The Group also has an overdraft facility of NOK 1,000 million, which was unused per 31 December 2023. Furthermore, the Group has an overdraft facility of EUR 50 million (EUR 47 million unused per 31 December 2023) to cover the daily mark to market settlements for futures contracts at Nasdaq Clearing AB.

Hafslund AS has a syndicated credit facility of NOK 2,500 million maturing in November 2028. The credit facility is used as back-stop for loan maturities and as general liquidity reserve and was unused per 31 December 2023.

Note 5.11 Cash and cash equivalents

(cont.)

The Group has corporate cash pooling systems in Nordea, DNB and SEB. A corporate cash pooling system entails joint liability among the participating companies. Hafslund AS's accounts constitute single, direct accounts for transactions with the bank, while deposits into and withdrawals from the respective subsidiaries' accounts are treated as intercompany balances with Hafslund AS.

The Group's other restricted funds, NOK 337 million (NOK 558 million) includes provision of security for power trading activities. The Group purchases bank guarantees as security for withholding tax and other liabilities. Refer to [note 4.2](#) Guarantees, for further information.

Note 5.12 Trade payables and other current non-interest-bearing liabilities

Key accounting policies

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. The main rule is that trade and other current payables are classified as current if they fall due within one year. Trade and other current payables are measured at fair value in the balance sheet on initial recognition and subsequently at amortised cost.

31 December

NOK million

	2023	2022
TRADE PAYABLES		
Trade payables	478	736
Trade payables	478	736
OTHER CURRENT LIABILITIES		
Value added tax	719	1,275
Charges related to salaries	116	51
Accrued interest	523	558
Other accrued costs	90	660
Other short-term liabilities	626	577
Dividend not paid per 31 December	77	75
Other current liabilities	2,151	3,196

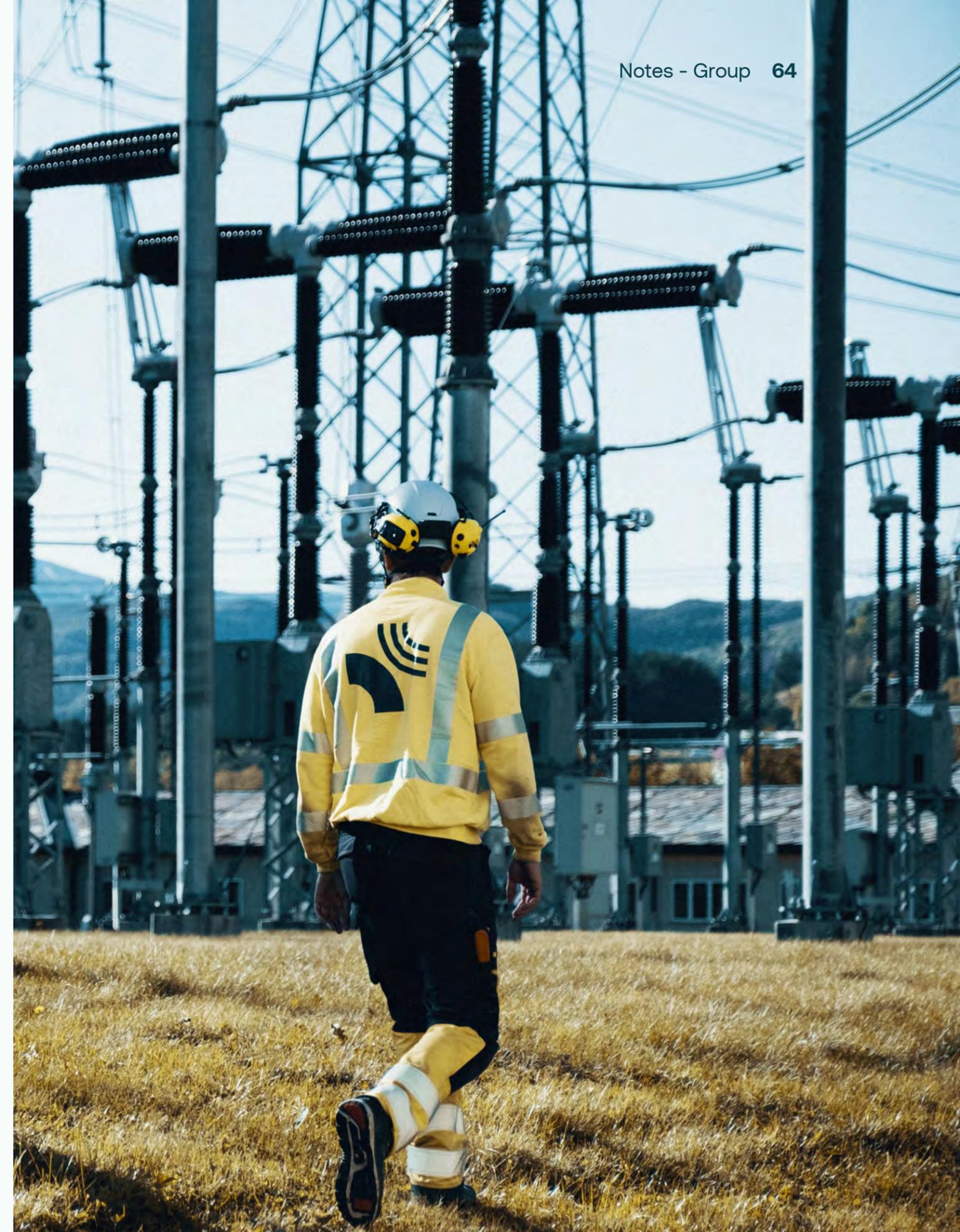
Note 5.13 Financial items

Key accounting policies

Currency gains and losses that derive from operational hedging of power sales are reported under revenues as other gains/losses. Value adjustments of receivables and liabilities in foreign currency are recognised as currency gains/losses under other financial income/financial costs, respectively.

1 January - 31 December

NOK million	2023	2022
INTEREST INCOME		
Interest income	448	115
Interest income	448	115
INTEREST EXPENSE		
Interest expense	-1,126	-819
Capitalised interest expense	45	8
Interest expense IFRS 16	-8	-7
Interest expense	-1,089	-817
OTHER FINANCIAL INCOME/COSTS		
Currency gains or losses	425	310
Change in financial instruments recognised at fair value	-5	56
Profit from investments in shares	-1	-
Other financial income or cost	-43	-120
Fair value adjustment investments	35	-5
Other financial income/costs	411	241
Net financial items	-230	-462



Note 6.1 Taxes

General information

Apart from ordinary income tax, Hafslund's power production activities are subject to separate rules for taxation of hydropower production companies. The Group is therefore also charged resource rent tax and natural resource tax. The Group also paid high-price contribution until it was discontinued as of September 30 2023.

Ordinary income tax

The tax expense primarily consists of taxes payable and changes in deferred tax. Payable income tax is calculated at 22 per cent (22 per cent). Deferred tax is calculated based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, as well as the tax loss carried forward, where a tax rate of 22 per cent (22 per cent) is applied.

Resource rent tax, Hydropower

The resource rent tax depends on the profit and amounts to nominal 57.7 per cent (57.7 per cent) of the net resource rent income for each power plant. The nominal resource rent tax rate is 57.7 per cent, while allowing for the deduction for a resource rent related income tax of 22 per cent. Net resource rent tax is thus 45 per cent (45 per cent).

Resource rent income is calculated based on each power plant's production hour-by-hour, multiplied by the spot price hour-by-hour. The achieved prices are used for deliveries of concessionary power and

industry contracts with more than 7 years duration. The resource rent income is reduced by operating expenses, tax-related depreciation and non-taxable income to arrive at net resource rent income. Non-taxable income is stipulated based on the average tax-related value of production equipment for the year for each power plant, multiplied by a prescribed interest rate. The prescribed interest rate was 3 per cent for 2023 (1.7 per cent). As of 2021 the resource rent tax regime is a cash flow tax, where new investments – with some exceptions – are directly expensed and thereby not included in the basis for non-taxable income.

Income and expenses in the ordinary income related resource rent tax are the same as those included in the resource rent tax, except for new investments which are capitalised and depreciated.

Negative resource rent income that has arisen in a power plant from and including 2007 can be coordinated with positive resource rent income from other power plants. The negative resource rent income that arose prior to 2007, with interest, can be offset against positive resource rent income from the same power plant only. Negative resource rent income is included in the calculation of deferred tax/deferred tax assets in resource rent taxation along with deferred tax/tax assets related to temporary differences pertaining to production equipment in power production to the extent this can feasibly be offset within a 10-year period.

The resource rent tax in the profit or loss consists of this year's payable resource rent tax plus the change in deferred resource rent tax. Deferred resource rent tax is calculated using a nominal resource rent rate of 57.7 per cent (57.7 per cent) reduced by resource rent related income tax of 22 per cent.

Note 6.1 Taxes

(cont.)

Natural resource tax

Natural resource tax is calculated based on the individual power plant's average power production over the past seven years without regard to profitability. The tax rate is set at 0.013 NOK (0.013 NOK) per kWh. Natural resource tax can be offset against taxes payable from ordinary income tax. Natural resource tax carried forward is offset against deferred tax in the balance sheet. If it is likely that the natural resource tax represents a final payment where an offset is not likely, it is expensed through profit or loss.

High-price contribution

For the period 28 September 2022 until 30 September 2023, revenues from the production of power in resource rent-taxable hydropower plants were subject to a tax referred to as "high price contribution". As of January 2023, the tax also applied to onshore wind farms, as well as hydropower plants outside the resource rent tax regime with installed capacity above 1 MW. As of 1 October 2023 the tax was discontinued.

The tax has a monthly resolution and is calculated separately per price area and per category: spot revenues, concessionary power, own power, withdrawal rights and other revenues. The tax amounts to 23 per cent of the tax basis, which is the achieved average price exceeding 0.7 NOK/KWh. The tax basis can be adjusted for gains or losses from financial contracts entered into before 28 September 2022, provided that these constitute actual hedging of spot revenues from power production. Pumping costs are divided on total production and are deductible in the tax basis.

The sum of ordinary income tax of 22 per cent, resource rent tax of 45 per cent and high-price contribution of 23 per cent gives a marginal tax rate of 90 per cent for hydropower activities at achieved power prices above 0.7 NOK/KWh.

The Group has presented the high-price contribution as a tax expense according to IAS 12. This is a result of the Group considering the tax base to represent a net result and that the high-price contribution is imposed on the same tax subjects as for ordinary income tax and resource rent tax. Furthermore, the high-price contribution is not deductible in the income tax.

The Group has adjusted the tax base with gain/loss from financial power hedging from contracts considered to be "actual power-hedging" and which were entered before 28 September 2022.

If the Group had concluded that the tax base did not represent a net result, the tax would have been presented as an operating expense.

Property tax

Power production operations are also subject to property tax, which is up to 0.7 per cent of the taxated value. Property tax is recognised as an operating expense. See [note 2.5](#) Property tax and other imposed costs and compensations.

Resource rent tax, land based wind

With effect from 2024, a resource rent tax is introduced on land-based wind power. Wind power installations consisting of more than five turbines or with a combined installed capacity of 1 MW or higher shall pay a nominal rate of 32 percent, equivalent to an effective tax rate of 25 percent. The tax is structured as a cash flow tax with direct deductions for new investments.

Note 6.1 Taxes

(cont.)

For investments made before January 1, 2024, deductions are granted for depreciations based on the calculated initial value. Deferred resource rent tax on wind power is recognised with effect from the accounting year 2023.

Global minimum tax

The regulations for global minimum taxation, OECD Pillar II, are being introduced with effect from 2024. Hafslund will be subject to the requirement of minimum taxation, which means that the group will be subject to additional tax for subsidiaries with an effective tax rate below 15 percent.

Hafslund applies the mandatory exemption in IAS 12 and does not recognise or disclose deferred tax related to minimum taxation in the financial statements for 2023. However, Hafslund operates only in Norway and Sweden where tax rates exceed the minimum taxation threshold, and the Group does not trigger additional tax as a result of the requirements for minimum taxation at the end of 2023.

Key accounting policies

Deferred tax and deferred tax assets are offset as far as the Group has a legally enforceable right to set off assets and liabilities, and these are levied by the same tax authority. The same applies for deferred tax and deferred tax assets related to resource rent tax. Deferred tax positions related to ordinary income tax cannot be offset against tax positions related to resource rent tax.

Key estimates and assumptions

Management continuously assesses the validity of material assumptions made in the tax assessments where applicable tax laws are the object of interpretation. Provisions are recognised based on the Management's assessment of expected tax payments where this is deemed necessary.

Deferred tax assets arising from negative resource rent income from before 2007 is recognised in the balance sheet as a deferred tax asset for the portion that is expected to be deductible during a 10-year period. The timing for when negative resource rent income can be offset is estimated based on the expectation of normal production volumes and forward curves. See also [note 1.3](#) Climate Risk for description of the Group's long-term power price curves.

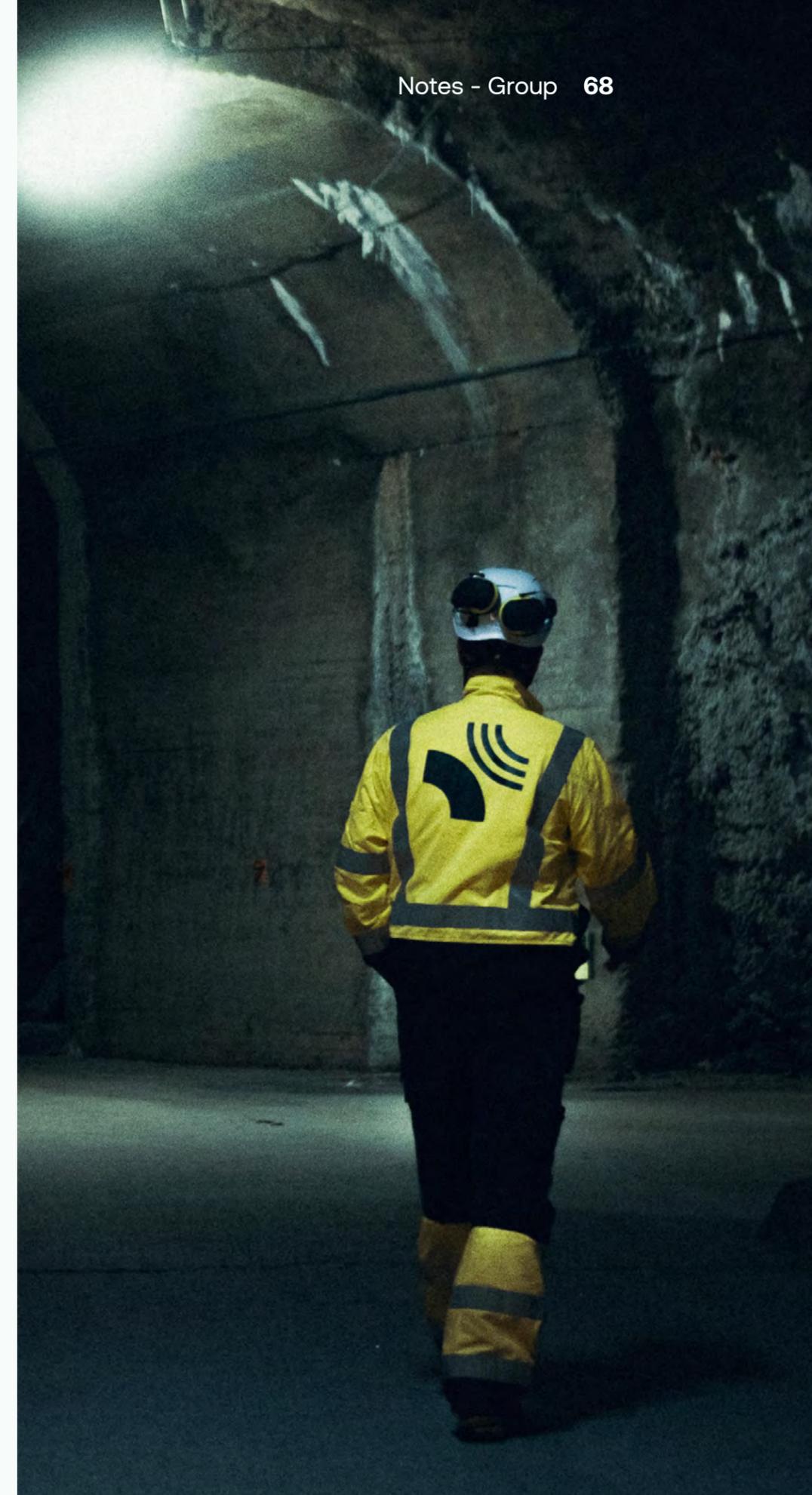
1 January - 31 December

NOK million	2023	2022
TAX EXPENSE		
Income tax payable	2,694	4,200
Changes in deferred tax	360	-121
Resource rent tax payable	4,550	7,996
Changes in deferred resource rent tax, hydropower	300	1,416
Natural resource tax	212	209
Natural resource tax offset against income tax	-212	-209
Too little/much tax set aside in previous years	-58	7
High-price contribution	617	1,030
Changes in deferred resource rent tax, land based wind	17	-
Other	-2	7
Tax expense for the year	8,478	14,535

Note 6.1 Taxes

(cont.)

NOK million	2023	2022
DEFERRED TAX THROUGH OTHER COMPREHENSIVE INCOME		
Hedging reserve 22 %	614	-484
Hedging reserve 45 % (37 %)	605	-774
Actuarial gains and losses 22 %	-26	-12
Actuarial gains and losses 45 % (37 %)	-59	-47
Deferred tax through other comprehensive income	1,134	-1,317
RECONCILIATION OF NOMINAL TAX RATE AGAINST EFFECTIVE TAX RATE		
Profit before tax	13,631	18,879
Profit/loss from equity-accounted investees	595	716
Profit before tax adjusted - basis for calculation of effective tax rate	13,036	18,163
22 % (22 %) of profit before tax adjusted	2,868	3,996
22 % (22 %) of permanent differences	142	71
22 % (22 %) of actuarial gains and losses	26	12
Payable resource rent tax	4,550	7,996
Change in deferred tax negative resource rent tax carried forward (45 %)	20	69
Change in deferred resource rent tax (45%)	280	282
Change in deferred resource rent tax related to change in tax rate	-	1,064
Too little/much tax set aside in previous years	-58	7
High-price contribution	617	1,030
Changes in deferred resource rent tax, land based wind	17	-
Other	16	7
Tax expense for the year	8,478	14,535
Effective tax rate	65%	80%



Note 6.1 Taxes

(cont.)

31 December

NOK million	2023	2022
DEFERRED TAX		
General income tax		
Derivatives	69	-2,337
Receivables	279	210
Power contracts	-683	-1,633
Property, plant and equipment	19,842	19,332
Provisions for liabilities	-1,037	-2,112
Pensions	115	106
Other	-332	-22
Tax losses carried forward	-948	-643
Total	17,304	12,901
Tax rate	22 %	22 %
Deferred tax liability/-asset	3,807	2,838
Natural resource rent tax carried forward	-	-
Net deferred tax liability/-asset	3,807	2,838
Of which deferred tax asset	-	-
Of which deferred tax liability	3,807	2,838

NOK million	2023	2022
DEFERRED TAX		
Resource rent tax on hydropower		
Property, plant and equipment	16,274	15,661
Pensions	146	145
Industrial contracts	-638	-1,985
Provisions for liabilities	-1,324	-1,349
Total	14,457	12,472
Deferred resource rent related income	-2,948	-2,489
Basis for deferred resource rent tax	11,509	9,982
Tax rate	57.7%	57.7%
Deferred resource rent tax	6,641	5,760
Resource rent tax carried forward, including interest	-325	-360
Unrecognised resource rent tax carried forward	-	-
Sum resource rent tax carried forward, expected utilisation within 10 years	-325	-360
Deferred tax asset	-187	-212
Resource rent tax on land based wind		
Tax rate	32%	-
Deferred resource rent tax	17	-
Carrying amount of deferred tax liability/-asset		
Deferred tax asset	-187	-212
Deferred tax liability	10,465	8,598
Total	10,278	8,386

Note 7.1 Remuneration to senior executives and Board members

The overview below shows the remuneration to senior executives in the Hafslund Group for 2023 and 2022, and are stated in NOK.

Remuneration to senior executives in 2023

From date	Up to and including date	Name	Position	Salaries, holiday pay and fees	Bonus	Benefits in kind	Pension costs	Borrowings 31 December
01.01.2023	31.12.2023	Finn Bjørn Ruyter	CEO	5,364,283	-	479,554	808,117	-
01.01.2023	31.12.2023	Berit Sande	Group CFO (Chief Financial Officer)	2,326,497	-	127,341	341,804	-
01.01.2023	31.12.2023	Martin S. Lundby	EVP Corporate Development and Growth	3,129,684	-	158,962	429,905	-
01.01.2023	31.12.2023	Knut Inderhaug ¹	Managing Director Hafslund Oslo Celsio	2,968,009	542,937	116,317	158,234	113 750
01.01.2023	31.12.2023	Toril Benum	EVP Projects	2,670,730	-	255,031	400,269	-
01.01.2023	31.12.2023	Kristin Lian ²	Managing Director Hafslund Eco Vannkraft	4,056,001	-	342,239	607,921	-
01.01.2023	16.08.2023	Eirik Folkvord Tandberg	EVP Energy Markets and Public Relations	1,510,152	-	106,172	223,452	-
01.01.2023	31.12.2023	Elise Horn	EVP Corporate Development	2,195,870	-	26,939	293,900	-

¹The bonus payment to Inderhaug is for bonuses earned in Hafslund Oslo Celsio in 2022. Hafslund Oslo Celsio terminated all bonus schemes in 2022.

²Lian, Managing Director Hafslund Eco Vannkraft, received a significant increase in area of responsibility during 2022, including responsibility for Hafslund's power trading environment, as well as the staff areas (IT and development, communication and framework and finance) in the hydropower company. Today, Lian is in charge of what can be considered a complete power production company. At the start of 2023, Lian therefore received a boost in basic salary that reflects the significant increase in responsibilities..

Remuneration to senior executives in 2022

From date	Up to and including date	Name	Position	Salaries, holiday pay and fees	Bonus ¹	Benefits in kind	Pension costs	Borrowings 31 December
01.01.2022	31.12.2022	Finn Bjørn Ruyter	CEO	5,157,663	-	433,561	779,607	-
01.09.2022	31.12.2022	Berit Sande	Group CFO (Chief Financial Officer)	766,666	-	40,317	104,210	-
01.01.2022	31.12.2022	Martin S. Lundby	EVP Corporate Development and Growth	2,690,369	61,419	158,980	384,818	-
19.05.2022	31.12.2022	Knut Inderhaug	Managing Director Hafslund Oslo Celsio	1,501,859	-	55,776	101,162	148,750
01.01.2022	31.05.2022	Anders Østby	EVP Power Market	904,730	61,419	73,147	121,091	-
01.01.2022	31.12.2022	Toril Benum	EVP Projects	2,403,074	61,419	231,331	356,903	-
01.01.2022	31.12.2022	Kristin Lian	EVP Hydropower	2,814,050	7,910	306,592	454,562	-
01.06.2022	31.12.2022	Eirik Folkvord Tandberg	EVP Energy Markets and Public Relations	1,246,023	-	90,244	201,536	-
01.10.2022	31.12.2022	Elise Horn	EVP Corporate Development	437,500	-	2,322	53,112	-

¹Applies to collective bonus for 2021. Collective bonus was terminated in 2022.

Note 7.1 Remuneration to senior executives and Board members

(cont.)

Board remuneration and remuneration for work in the audit and compensation committee apply to Hafslund AS, and are stated in NOK.

Remuneration to Board members of Hafslund AS

From date	Up to and including date	Name	Position	2023	2022
01.01.2022	30.11.2023	Alexandra Bech Gjørsv ^{1,2}	Chair	533,900	512,200
01.01.2022	31.12.2023	Bård Vegar Solhjell ^{1,2}	Acting chair / Board Member	275,700	263,900
01.01.2022	17.04.2023	Bente Sollid Storehaug ¹	Board Member	144,850	263,900
01.01.2022	31.12.2023	Bjørn Erik Næss ¹	Board Member	304,200	291,650
01.01.2022	31.12.2023	Mari Thjømøe ¹	Board Member	304,200	291,650
17.04.2023	31.12.2023	Jarle Roth ¹	Board Member	172,600	-
17.04.2023	31.12.2023	Maria Tallaksen ¹	Board Member	196,667	-
01.01.2022	31.12.2023	Håkon Rustad ¹	Board Member (employee representative)	275,700	218,450
01.01.2022	31.12.2023	Vegar Kjos Andersen	Board Member (employee representative)	258,300	202,250
01.01.2022	31.12.2023	Ingvild Marie Rikoll Solberg	Board Member (employee representative)	258,300	202,250

¹ Includes remuneration for work in the Audit Committee and Compensation Committee.

² On 30 November 2023, Alexandra Bech Gjørsv resigned as chair, and Bård Vegar Solhjell took over as acting chair.

Note 7.1 Remuneration to senior executives and Board members

(cont.)

Senior executives in 2023:

Name	Position
Finn Bjørn Ruyter	CEO
Martin S. Lundby	EVP Corporate Development and Growth
Berit Sande	Group CFO
Knut Inderhaug	Managing Director Hafslund Oslo Celsio
Eirik Folkvord Tandberg ¹	EVP Energy markets and public relations
Toril Benum	EVP Projects
Kristin Lian	Managing Director Hafslund Eco Vannkraft
Elise Horn	EVP Corporate development

¹ Up to and including 16.08.2023

The Board's Compensation Committee

The Board of Hafslund AS has a dedicated Compensation Committee. The Compensation Committee advises the Board on all matters pertaining to the company's remuneration paid to the CEO. The Committee keeps up to date on and proposes guidelines for determination of remuneration paid to senior executives in the business. In addition, the Committee functions as the advisory body for the CEO regarding compensation schemes that essentially cover all employees. The Committee also advises the Board on matters concerning organisational development and employees in Hafslund AS.

Declaration on the determination of salaries and other remuneration

Remuneration paid to senior executives at Hafslund complies with guidelines and the declaration on determination of salaries and other remuneration paid to senior executives. The Board issues a declaration on the determination of salaries and other remuneration paid to the CEO and Group management. This is included below.

Guidelines for remuneration paid to senior and other executives in the Hafslund Group

The guidelines shall form the basis for determining remuneration to the CEO and the Group management in the Hafslund Group. The guidelines must be consistent with the City of Oslo's guidelines for compensation schemes for senior executives in limited companies that are majority owned by the City of Oslo.

The Board of Directors

The Board adopts the CEO's terms and conditions of employment and oversees the general terms and conditions of other senior Group executives. These terms are evaluated and adopted by the Board each year. If the CEO wishes to offer members of Group management or other senior executives' remuneration not covered by these guidelines, this must be presented to the Board for approval. In such cases, the Board must justify and minute why the guidelines have been deviated from in each case. The Board also determines the terms for the company's incentive scheme for managers and key individuals based on a recommendation from administration and the Compensation Committee.

Note 7.1 Remuneration to senior executives and Board members

(cont.)

Terms and conditions, CEO

Remuneration paid to the CEO must be competitive in relation to responsibilities and the industry in general and reflect the employee's experience and level of expertise. The remuneration in 2023 comprised a fixed salary and a pension plan in accordance with the Group's prevailing schemes for Group management, in addition to an operating subsidy for the use of a car. The CEO receives benefits in kind on a par with other senior Group executives. The retirement age is 70, and the CEO is a member of the Group's mandatory occupational pension plan (OTP) which provides 6 per cent of salary between 1 and 7.1 times the National Insurance Scheme's basic amount (G) and 18 per cent of salary between 7.1 and 12 G.

Pension compensation providing a gross additional income of 16 per cent will be paid for basic salary over 12 G on the condition that the CEO is a member of the defined contribution scheme. The CEO has the right to terminate his employment with an early retirement plan (AFP), in accordance with the prevailing regulations at any point in time. The CEO has a disability pension plan providing compensation of 66 per cent of salary over 12 G and is also covered by a collective accident insurance plan.

The CEO has a six-month notice period. On leaving the company, he is entitled, on certain conditions, to continue receiving salary payments for 12 months (after the end of the notice period). Severance pay is reduced by any salary received from a new employer during the severance pay period. In such cases, severance payments are reduced by 66 per cent of the lower of the monthly severance pay and the new salary.

Terms and conditions, other Group management

Remuneration for other Group management in 2023 comprised a fixed salary, an operating subsidy for the use of a car and pension under the Group's prevailing schemes for Group management. Group management receives benefits in kind on a par with other senior Group executives. Group management covered by the defined contribution plan receive pension compensation providing a gross additional income of 16 per cent for salary over 12 G. The plan is similar to the plan for other employees in the Group with salaries over 12 G and a defined contribution plan. Group management receives a disability pension providing compensation of 66 per cent of salary between 12 G and 30 G. Group management has a six-month notice period. On leaving the company, Group management is entitled, on certain conditions, to continue receiving salary payments for up to 12 months (after the end of the notice period). Severance pay is reduced by any salary received from a new employer during the severance pay period. In such cases, severance payments are reduced by 66 per cent of the lower of the monthly severance pay and the new salary.

Fixed salary

Group management's fixed salary is based on the duties performed and level of responsibility, as well as the employee's expertise and length of service in the position. Salaries should be competitive in relation to responsibilities and industry levels.

Bonus

Senior executives and Board members of Hafslund have no form of bonus scheme. In the Group, there are bonus schemes for individual employees where it is expedient, for example in power trading and sales. The bonus schemes are limited to a maximum of 25 per cent of the annual salary.

Note 7.1 Remuneration to senior executives and Board members

(cont.)

Pensions

Senior and other executives should have a pension plan in accordance with the prevailing pension plan for the Group. Group employees who are members of the mandatory occupational pension are covered by an additional pension plan for salaries over 12 G. Pension compensation providing a gross additional income of 16 per cent will be paid for salary over 12 G. The retirement age for managers is 70. Managers are entitled to take early retirement in accordance with the prevailing AFP-agreement at any one time. Group management has a disability pension providing compensation of 66 per cent of salary between 12 G and 30 G.

Period of notice and severance pay

Senior and other executives have a notice period of six months. In specific cases and depending on the position, salary payments may continue for 6 to 12 months beyond the ordinary notice period. Severance pay is not included in the basis for calculation of holiday pay or pension benefits. If the employee should begin a new job while receiving such pay, severance payments will be reduced by 66 per cent of the lower of the monthly severance payments and the new monthly salary. If a manager takes up a new position before the end of the notice period, the reduction mechanism applies to the entire severance pay period. In accordance with section 15 of the Norwegian Working Environment Act, severance pay entitles the employer to terminate the employment relationship at any time without further justification on full payment of severance pay.

Car allowance

An operating subsidy for the use of a car can be awarded.

Benefits in kind

Benefits in kind mainly relate to expenses for broadband (home office), mobile phones and newspapers.

Holidays

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

Note 7.2 Pensions

Hafslund is obligated to have pension schemes for its employees according to the Occupational Pensions Act. The Group's pension schemes, which include both defined benefit and defined contribution plans, satisfy the requirements of the law. As of 31 December 2023, 809 employees were covered by the Group's pension schemes, of which 96 in public defined benefit plans, 14 in private defined benefit plans and 699 employees in defined contribution plans. The defined benefit plans entitle employees to defined future benefits. These are essentially depending on the number of years of service and the salary level at retirement age. The pension schemes are organised in Hafslund Pension fund and insurance companies. In addition, some pensions are provided directly from the companies.

31 December

NOK million	2023	2022
CARRYING AMOUNT PENSION LIABILITIES		
Present value of accrued pension liabilities for funded defined benefit plans	2,101	2,051
Fair value of pension assets	-2,238	-2,188
Actual net pension liabilities for funded defined benefit plans	-137	-137
Present value of pension liabilities for unfunded plans	22	32
Net pension liabilities recognised (incl. Employer's National Insurance contributions)	-115	-106
Carrying amount net pension liabilities	-56	-78
Carrying amount net pension assets	172	184

NOK million	2023	2022
CHANGES IN DEFINED PENSION LIABILITIES DURING THE YEAR		
Pension liabilities at 1 January	2,083	1,866
Employer's National Insurance contribution	3	2
Present value of accrued pension entitlements for the year	20	17
Interest cost	59	31
Changes in estimates	78	-45
Pension liabilities on settlements and acquisitions	-7	305
Benefits paid	-113	-94
Pension liabilities at 31 December	2,122	2,083

NOK million	2023	2022
CHANGE IN FAIR VALUE OF PENSION ASSETS DURING THE YEAR		
Fair value of pension assets at 1 January	2,188	2,025
Interest income	63	33
Changes in estimates	-41	-93
Total contributions	136	84
Pension assets on settlements and acquisitions	-	231
Total payments from fund	-109	-91
Fair value of pension assets at 31 December	2,238	2,188

Note 7.2 Pensions

(cont.)

The following financial assumptions have been applied:	2023	2022
Discount rate	3.10%	2.90%
Yield	3.10%	2.90%
Annual salary increase	3.50%	3.75%
Adjustment of National Insurance Scheme's basic amount (G)	3.25%	3.50%
Adjustment of current pensions, public plan	2.80%	2.75%

Applied assumptions follow recommendations provided by the Norwegian Accounting Standards Board as of 31 December 2023.

Demographic assumptions used in the calculations are based on the IR73 disability rate converted to intensity method and K2013BE mortality table.

1 January - 31 December

NOK million	2023	2022
Accrued pension liabilities for the year	20	17
Net interest cost	-4	-2
Employer's National Insurance contribution	3	2
Pension costs	19	17
Pension costs defined contribution plans	74	44
Total pension costs	93	61

Sensitivities of pension liabilities to changes in the weighted financial assumptions are:

31 December

Financial assumptions	Impact on gross pension liabilities		
	Change	Increase in assumption	Decrease in assumption
Discount rate	0.5%	-6.6%	7.4%
Salary increase	0.5%	0.4%	-0.4%
Adjustment of National Insurance Scheme's basic amount (G)	0.5%	6.5%	-5.9%
Life expectancy	1 year	5.1%	-4.4%

Note 7.2 Pensions

(cont.)

Pension funds are invested in bonds, money market placements, shares and real estate. The bonds and money market instruments are issued by Norwegian and foreign states, municipalities, finance institutions and enterprises. Bonds in foreign currency are currency hedged to NOK. Equity investments include both Norwegian and foreign shares.

The real estate investments are in Norwegian commercial property. Any estimate deviation is distributed proportionally between the individual asset classes.

Pension assets comprise:

31 December

NOK million	2023		2022	
	Value	%	Value	%
Equity instruments	904	40%	885	40%
Interest-bearing instruments	1,173	52%	1,113	51%
Property	161	7%	190	9%
Fair value of pension assets	2,238	100%	2,188	100%

In 2023, plan contributions were invested as follows:

	Level 1 Listed prices	Level 2 Observable prices	Level 3 Non-observable prices	Total
NOK million				
Equity instruments	-	904	-	904
Interest-bearing instruments	-	1,173	-	1,173
Property	-	-	161	161
Total	-	2,077	161	2,238

In 2022, plan contributions were invested as follows:

	Level 1 Listed prices	Level 2 Observable prices	Level 3 Non-observable prices	Total
NOK million				
Equity instruments	-	885	-	885
Interest-bearing instruments	-	1,113	-	1,113
Property	-	-	190	190
Total	-	1,998	190	2,188

Note 8.1 Consolidated companies

Key accounting policies

The consolidated financial statements include Hafslund AS and its subsidiaries. Subsidiaries are all companies over which the group exercises control.

Hafslund normally deems that it has control when the Group holds at least 50 per cent of the voting rights in a company.

On 19 May 2022, Hafslund AS took over 60 percent of the shares in Hafslund Oslo Celsio AS (formerly Fortum Oslo Varme AS) with the subsidiaries Hafslund Fiber AS and Hovinbyen Energy Hub AS.

31 December 2023

Subsidiaries directly owned by Hafslund AS	Registered office	Ownership interest	Voting rights
Hafslund Vekst AS	Oslo	100.0%	100.0%
Hafslund Eco Vannkraft AS	Oslo	56.5%	56.5%
Hafslund Produksjon Holding AS	Oslo	90.0%	90.0%
Oslo Lysverker AS	Oslo	100.0%	100.0%
Hafslund Oslo Celsio AS	Oslo	60.0%	60.0%

31 December 2023

Companies controlled by subsidiaries	Registered office	Ownership interest	Voting rights
Hafslund Invest AS	Oslo	65.0%	65.0%
Hafslund Handel AS	Oslo	100.0%	100.0%
Hafslund Eco Vannkraft Innlandet AS	Lillehammer	100.0%	100.0%
Hafslund Produksjon AS	Askim	100.0%	100.0%
Sarp Kraftstasjon AS	Askim	100.0%	100.0%
Mork Kraftverk AS	Oslo	67.0%	67.0%
Hallingfisk AS	Hol	68.5%	68.5%
Hafslund Fiber AS	Oslo	100.0%	100.0%
Hovinbyen Energy Hub AS	Oslo	51.0%	51.0%
Hafslund Vekst AB	Stockholm	100.0 %	100.0 %
Hafslund Hav Utsira AS	Oslo	100.0 %	100.0 %

Hafslund AS owns 56.5 per cent of the shares in Hafslund Eco Vannkraft AS. Eidsiva Energi AS owns the remaining 43.5 per cent. Through its 50 per cent ownership in Eidsiva Energi AS, the effective ownership share is 78.2 per cent. See also [note 3.5](#) Equity-accounted investees for how ownership is reflected in the consolidated financial statements.

Note 8.2 Non-controlling interests

Key accounting policies

IFRS does not regulate how to treat instances where a parent company owns a subsidiary where a share of the subsidiary is owned through a company that is recognised using the equity method.

The Group has chosen to use the “look-through approach” – meaning that the share that is owned indirectly is included in the share of the parent company when calculating the non-controlling interests.

There is a non-controlling interest in Hafslund Eco Vannkraft AS amounting to 21.8 per cent (21.8 per cent) as of 31 December 2023, which is calculated as follows using the “look-through approach”:

Non-controlling interests (NCI) using the "look-through approach"	Shareholding
The Group's direct shareholding	56.5 %
The Group's shareholding through 50 % shareholding in Eidsiva Energi	21.8 %
The Group's shareholding, "look-through approach"	78.2 %
Total shareholdings	100.0 %
Non-controlling interests, "look-through approach"	21.8 %

The table below presents an overview of information related to the Groups' subsidiaries where there are substantial non-controlling interests, before Group eliminations. Hafslund Eco Vannkraft, Hafslund Produksjon and Hafslund Oslo Celsio are subgroups of Hafslund Group and the disclosed amounts are for each subgroup.

31 December

NOK million	Hafslund Eco Vannkraft	Hafslund Produksjon Holding	Hafslund Oslo Celsio	Other	Group
2023					
NCI percentage	21.8 %	10.0 %	40.0 %		
Non-current assets	34,568	10,738	21,626		
Current assets	9,910	2,199	876		
Non-current liabilities	-23,719	-3,241	-5,276		
Current liabilities	-8,403	-1,456	-1,115		
Net assets	12,356	8,239	16,111		
Net assets attributable to NCI	2,696	882	6,491	-126	9,943
Revenue	12,116	2,380	2,738		
Profit	3,920	681	-99		
OCI	1,480	-	16		
Total comprehensive income	5,400	681	-82		
Profit allocated to NCI	853	71	-37	-6	880
OCI allocated to NCI	322	-	6	-1	328

Note 8.2 Non-controlling interests

(cont.)

31 December

NOK million	Hafslund Eco Vannkraft	Hafslund Produksjon Holding	Hafslund Oslo Celsio	Other	Group
2022					
NCI percentage	21.8 %	10.0 %	40.0 %		
Non-current assets	35,278	10,833	21,677		
Current assets	16,058	5,083	1,280		
Non-current liabilities	-28,273	-3,251	-5,575		
Current liabilities	-14,458	-3,562	-1,203		
Net assets	8,605	9,103	16,179		
Net assets attributable to NCI	1,882	965	6,603	-136	9,314
Revenue	18,439	5,011	1,707		
Profit	2,442	1,108	13		
OCI	-528	-	-		
Total comprehensive income	1,915	1,108	13		
Profit allocated to NCI	561	155	5	-14	708
OCI allocated to NCI	-115	-	-	-	-115



Note 9.1 Related party transactions

All subsidiaries, associates and joint arrangements as specified in the notes [8.1 Consolidated companies](#), [3.5 Equity-accounted investees](#) and [3.6 Joint operations](#) are deemed to be related parties of the Group. The Group's management and Board are also defined as related parties, as specified in [note 7.1 Remuneration to senior executives and Board members](#). Transactions with subsidiaries are eliminated in the consolidated financial statements and are not disclosed in this note.

The City of Oslo owns 100 per cent of Hafslund AS.

Subordinated loan from CCS Finansiering AS

Hafslund AS has three subordinated loans from CCS Finansiering AS, a company 100% owned by the City of Oslo. The loans were transferred from the City of Oslo to CCS Finansiering AS on 15 December 2022. All the loans are interest-only loans and have a clause stating that if the annual result for the group shows a deficit after charged interest, the interest must be reduced by either the deficit or to zero. The reduction is final and the interest amount shall not be paid at a later date.

The first loan had an outstanding balance as of 31 December 2023 of NOK 2,347 million (NOK 2,347 million). Accrued interest on the loan was NOK 157 million (NOK 135 million) as of 31 December 2023. The loan had an interest rate of 6.7 per cent and matures on 31 December 2037.

The second loan had an outstanding balance as of 31 December 2023 of NOK 1,000 million (NOK 1,000 million). Accrued interest on the loan was NOK 55 million (NOK 45 million) as of 31 December 2023. The loan had an interest rate of 5.5 per cent and matures on 31 December 2041.

The third loan had an outstanding balance as of 31 December 2023 of NOK 2,075 million (NOK 2,075 million) and was established in 2022 in connection with the transaction in Hafslund Oslo Celsio. Accrued interest on the loan was NOK 123 million (NOK 64 million) as of 31 December 2023. The loan had an interest rate of 5,9 per cent and matures on 19 May 2042. In this loan, the debtor can make a claim for the payment of an extraordinary instalment that corresponds to any payment obligation the City of Oslo or CCS Finansiering AS receives in connection with the external financing of the CCS project.

CCS Finansiering AS' preferred shares

As of 31 December 2023, CCS Finansiering AS has invested NOK 189,7 million (NOK 189,7 million) as preference capital in Hafslund Oslo Celsio AS. The preference shares are entitled to a share of any excess return in the CCS project up to 2051, but do not confer voting rights, the right to ordinary dividends or other financial benefits.

CCS Finansiering AS will inject preference capital in line with the capital requirement in the CCS project, up to a maximum of NOK 2.1 billion. No capital were injected during 2023.

The Group has classified the preference shares as debt for accounting purposes and will classify future deposits of preference capital accordingly (see further discussion in [Note 4.1 Other liabilities](#)).

Subordinated loan from Eidsiva Energi AS

Hafslund Eco Vannkraft Innlandet AS had a subordinated loan that was paid back to the 50 per cent owned joint venture Eidsiva Energi AS in full on 14 April 2023, in an extraordinary instalment of NOK 1,917 million. The loan had an interest rate of 5.7 per cent, no instalments and matures on 31 December 2039.

Note 9.1 Related party transactions

(cont.)

Receivable on Fredrikstad Energi AS

The Group has a long-term receivable from the associate Fredrikstad Energi AS, with a principal amount of NOK 49 million (NOK 49 million), in the form of a bond listed on the Nordic ABM. The loan matures on 19 December 2114. Fredrikstad Energi AS can redeem the loan for the first time on 29 December 2025 (call date), and then every 5 years until maturity.

The interest rate is 7 per cent until the call date in 2025 and thereafter 1-year NOK swap rate plus a margin of 3.5 per cent. As of 10 years after the call date in 2025, the margin is increased to 4.5 per cent. The loan has a condition of so-called bypassed coupon payment if the interest coverage ratio falls below 2.5 per cent. For 2022 no interest was paid.

Receivable on Stenkalles Holding AS

At the same time that Hafslund Vekst AS entered into an agreement to purchase 50 per cent of the shares in Stenkalles Holding AS in September 2022, Hafslund Vekst AS also acquired 50 per cent of a credit facility loan to Stenkalles Holding AS. The outstanding loan amount as of 31 December 2023 is NOK 101 million (NOK 55 million). Accrued interest on the loan is NOK 5 million (NOK 1 million) per 31 December 2023. The loan has an interest rate of 8.0 per cent, and matures on 19 September 2027. Hafslund has made provisions of NOK 84 million in losses on outstanding loan amounts at the end of 2023. See [note 3.3](#) Impairment testing for more information.

Receivable on Elaway AS

A short-term loan of NOK 60 million was granted by Hafslund Invest AS to Elaway AS in 2023 in expectation of a share issue. The loan had an interest rate of 3 months Nibor + 3.0 per cent, and the latest maturity was 31 December 2023. The loan, including interest of a total of NOK 2 million, was paid back in full on 24 August 2023.

Note 9.2 Contingencies

Hafslund Energy Trading

Hafslund Energy Trading LLC (“HET”), which is owned by Hafslund Produksjon Holding, performed power trading activities in California (USA) between 1999 and 2001. During this period, a power crisis occurred, and since 2001 HET and the public authorities in California (“California Parties”) have been in dispute, with the latter claiming that HET must repay capital. The Group's assessment is that there is a low probability that the Norwegian parent company will be held liable, and has consequently not recognised a provision in the financial statements.

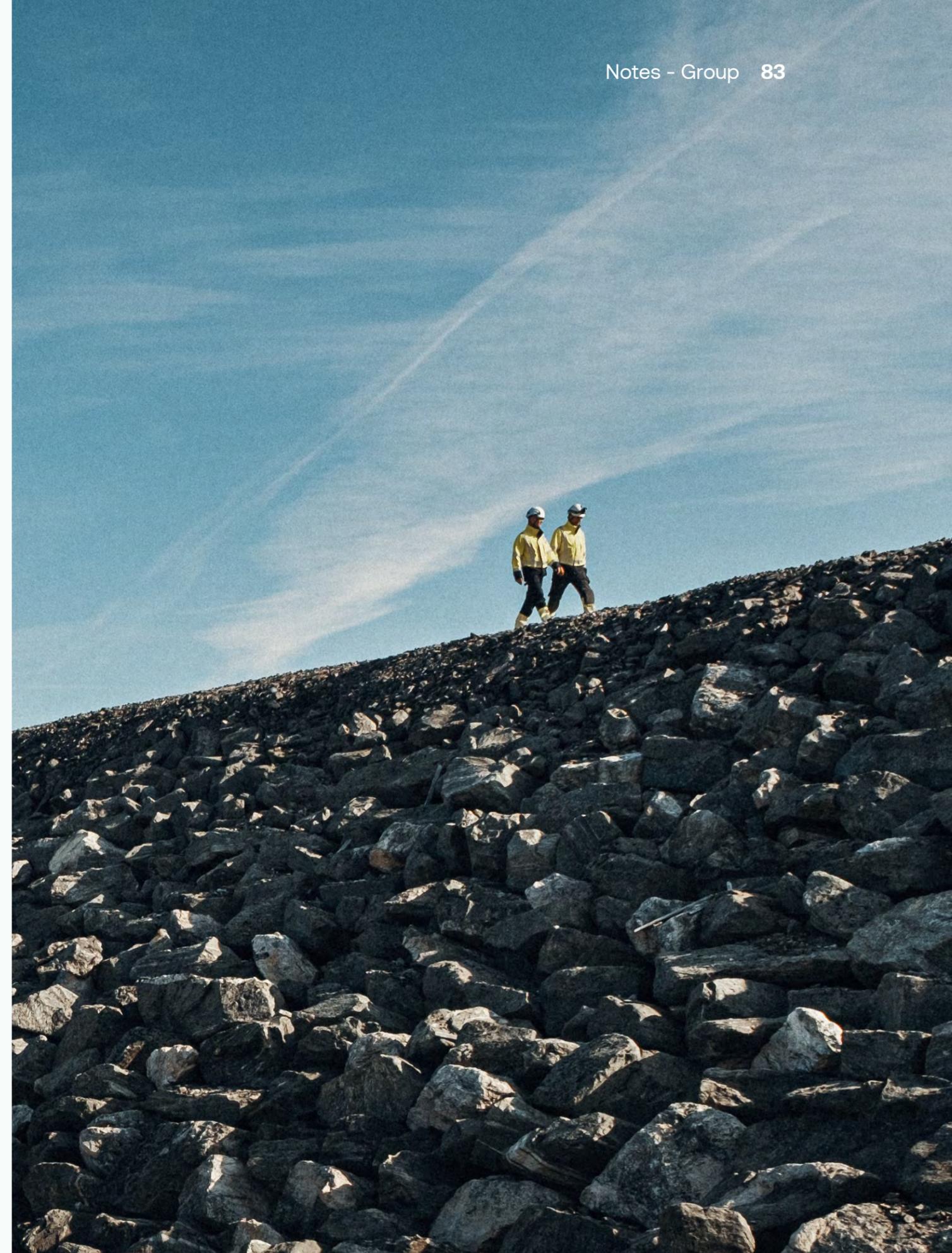
Note 9.3 Events after the reporting period

The financial statements are considered authorised for issue once they have been approved by the Board of Directors. After this point, the General Meeting and regulatory authorities may refuse to approve the financial statements but may not change them. Events that take place before the financial statements are authorised for issue and related to matters that were known at the end of the reporting period, will be included in the information basis for determining accounting estimates and therefore be fully reflected in the financial statements. Events relating to matters that were not known at the end of the reporting period are disclosed if they are material.

Skygard is a partnership between Hafslund (31.7 per cent), Telenor (31.7 per cent), HitecVision (31.7 per cent), and Analysys Mason Nordic (5 per cent). During the first quarter of 2024, the parties made a positive investment decision for the construction of a data centre in Hovinbyen, Oslo. The total investment is estimated at NOK 2.4 billion, and the first data centre is expected to be completed in 2025.

In February 2024, CCS Finansiering AS contributed NOK 114 million as preference capital to Hafslund Oslo Celsio. In terms of accounting, the capital contribution is presented as a liability in the consolidated financial statements, see [note 4.1 Other liabilities](#).

At the time of the authorisation of the financial statements, there were no known material events after the reporting period that were expected to have an impact on the Group's income statement for 2023 or its statement of financial position as of 31 December 2023.



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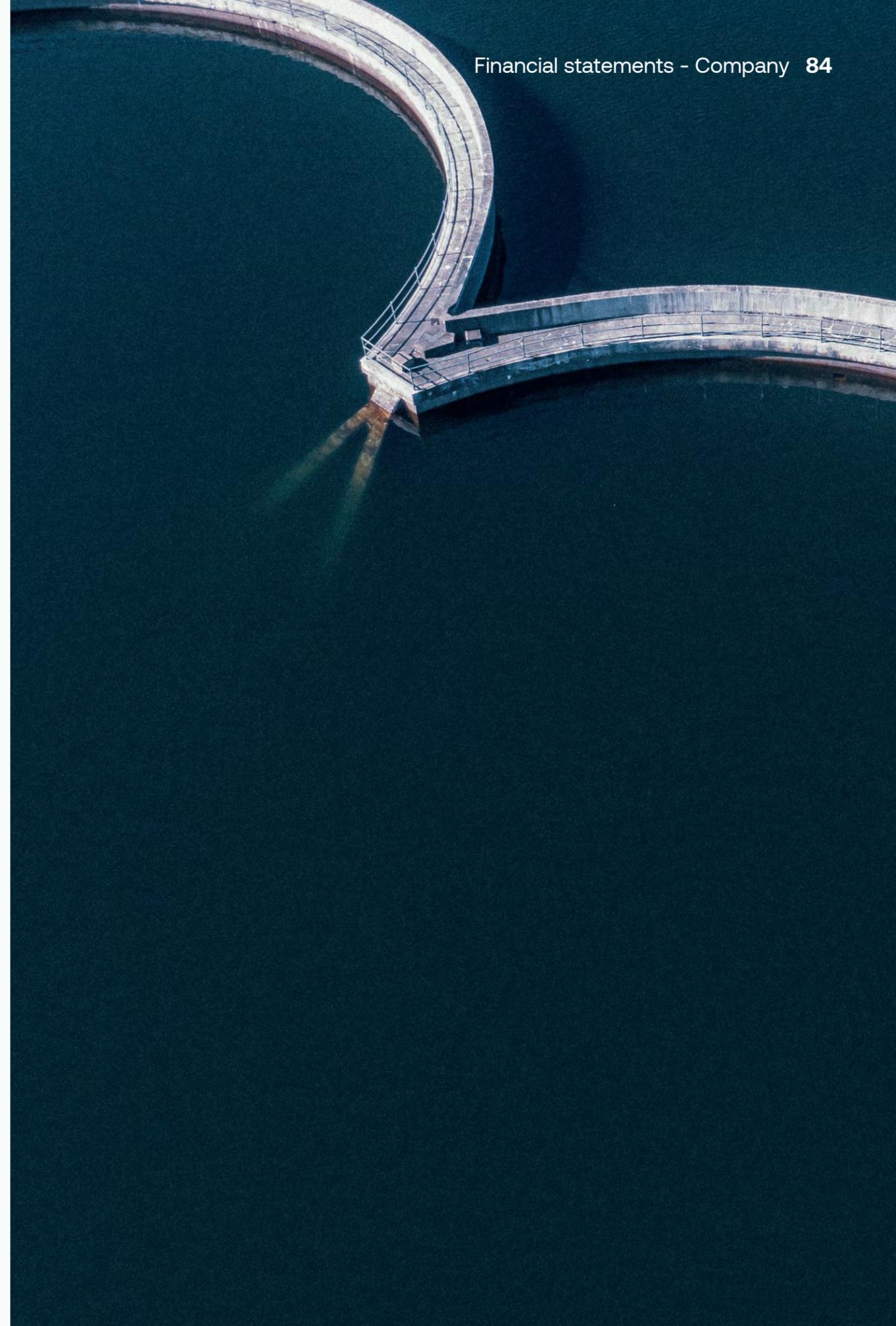
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Income Statement 1 January - 31 December

NOK million	Note	2023	2022
Other operating revenue		96	34
Revenues and other income		96	34
Salary and other personnel expenses	4	-106	-52
Other operating costs	5	-86	-83
Profit/loss from equity-accounted investees	6	-13	16
Depreciation and amortisation		-4	-4
Operating profit		-115	-89
Interest income	7	1,742	1,072
Interest expenses	7	-1,540	-872
Dividend from subsidiaries	7	2,085	2,320
Other financial income	7	573	120
Other financial costs	7	-116	-551
Net financial items	7	2,743	2,089
Profit before tax		2,628	1,999
Income taxes	8	134	-73
Profit after tax		2,495	2,072



Balance sheet 31 December

NOK million	Note	2023	2022
ASSETS			
Deferred tax assets	8	3	123
Intangible assets and goodwill		22	22
Property, plant and equipment		166	167
Equity-accounted investees	6	33	47
Other non-current assets	9, 10, 11, 12	23,247	25,801
Shares in subsidiaries	13	30,274	30,121
Non-current assets		53,746	56,280
Trade receivables		6	2
Other non-interest bearing current receivables	14	1	1
Current receivables from group companies	10	1,656	2,487
Cash and cash equivalents	15	8,435	12,912
Current assets		10,098	15,402
Assets		63,844	71,682

NOK million	Note	2023	2022
EQUITY AND LIABILITIES			
Paid in capital	16	23,594	23,594
Other equity	16	10,328	11,034
Equity	16	33,922	34,628
Non-current interest-bearing debt	17	16,201	16,312
Pension liabilities	11	17	15
Non-current liabilities		16,217	16,327
Current interest-bearing debt	17	1,643	2,509
Trade payables		7	8
Other current non-interest-bearing debt	18	3,099	1,905
Current liabilities to group companies	10	8,918	16,273
Futures settlement	12	12	-
Current financial derivatives	10, 12	26	33
Current liabilities		13,706	20,727
Equity and liabilities		63,844	71,682

Cash flow statement 1 January - 31 December

NOK million	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,628	1,999
Adjustments from:			
Depreciations, amortisations and impairments		4	4
Profit/loss from equity-accounted investees	6	13	-16
Changes in trade receivables and other non-interest-bearing receivables	10, 14	-58	1
Changes in trade payables and other non-interest-bearing liabilities	10, 18	45	-127
Net financial items	7	-2,743	-2,089
Other non-cash income and expenses		-44	1
Cash flows from operating activities		-154	-226
Taxes paid	8	-	-
Net cash flows from operating activities		-154	-226

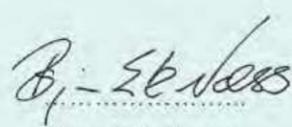
NOK million	Note	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment		-3	-1
Cash paid for shares in new subsidiaries	13	-	-1,643
Other investments		-	-401
Dividend received from subsidiaries		2,473	2,370
Payment of loan to subsidiaries	9	-	-900
Loan repayments received from subsidiaries	9	2,562	-
Interest received from subsidiaries		1,412	862
Interest received		424	93
Settlement of power hedging from subsidiaries		829	-853
Other investment activities		9	-
Cash flows from investing activities		7,706	-473
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan proceeds	17	1,530	3,380
Loan repayments	17	-2,820	-2,550
Effects from currency swaps on loan repayments		310	-
Changes in cash pool arrangement	10	-7,516	8,659
Dividends paid	18, 20	-2,100	-1,750
Interest paid		-1,461	-714
Other financing activities		-1	-14
Cash flows from financing activities		-12,058	7,011
Changes in cash and cash equivalents		-4,505	6,312
Cash and cash equivalents at 1 January	15	12,912	6,635
Currency exchange rate effects on cash and cash equivalents		29	-35
Cash and cash equivalents at end of period	15	8,435	12,912

Oslo, 22 March 2024

The Board of Directors of Hafslund AS



Jarle Roth
(Chair of the board)



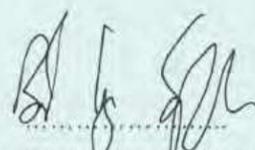
Bjørn Erik Næss



Maria Tallaksen



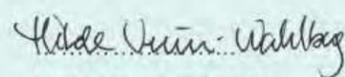
Mari Thjømøe



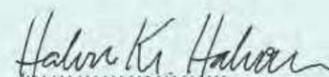
Bård Vegar Solhjell



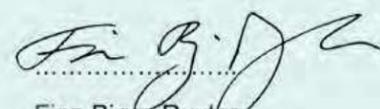
Håkon Rustad



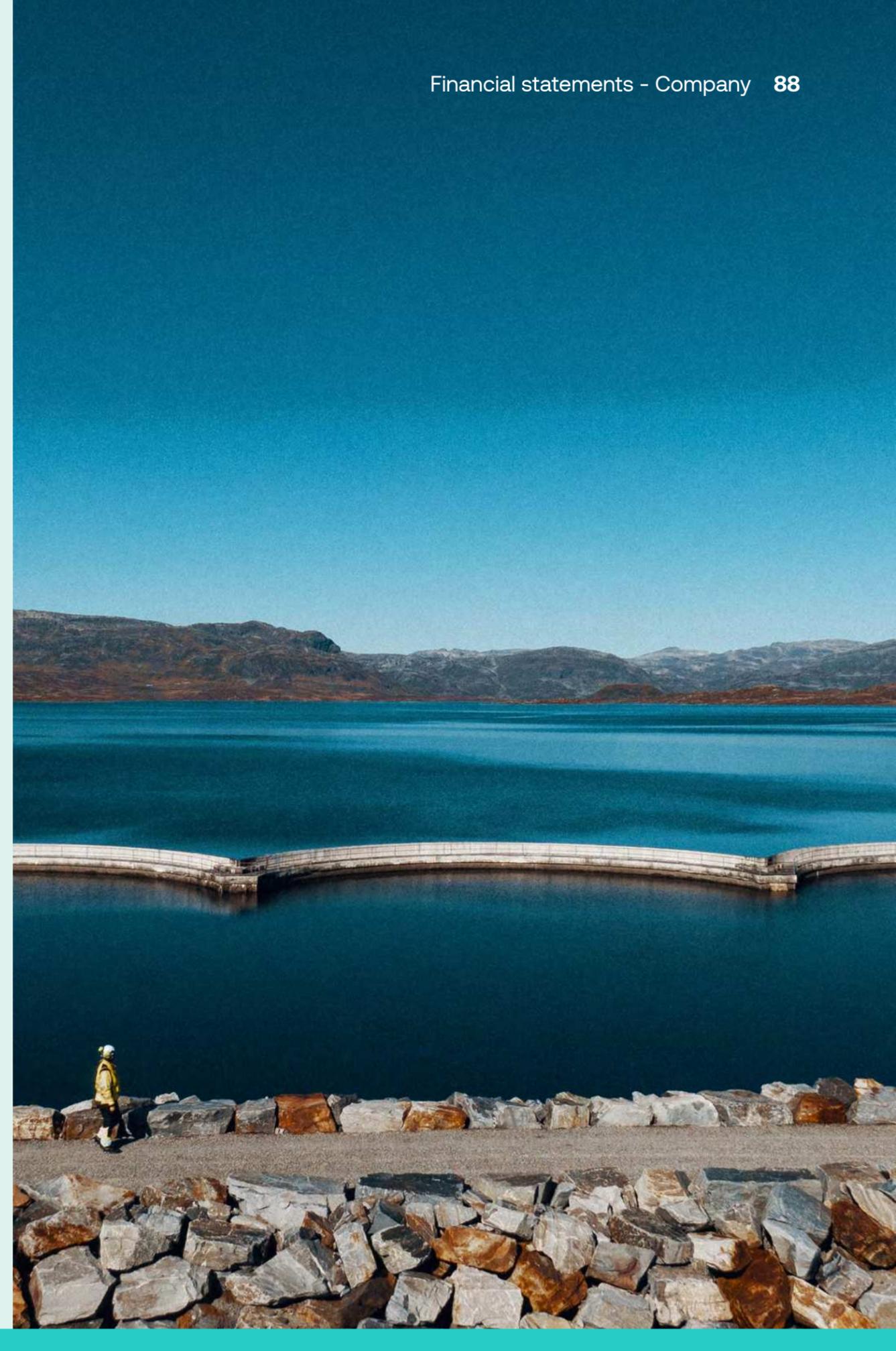
Hilde Veum-Wahlberg



Halvor Kr. Halvorsen



Finn Bjørn Ruyter
(CEO)



Note 1 Accounting policies

The financial statements of Hafslund AS have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway (NGAAP) for large enterprises. The company's head office is in Oslo.

Revenue recognition

Hafslund's operating revenues consist mainly of services provided to Group companies and are recognised as revenue when the service is delivered. Interest income consists of interest revenues from group companies and interest from cash on bank accounts and is recognised as income when it is earned. Dividends that are declared in the subsidiaries are recognised as revenue in the same year as the dividend is declared given that it is earned in the ownership period.

Classification

Assets intended for permanent ownership or use are classified as non-current assets. Receivables that are repaid within one year, as well as assets that are not intended for permanent ownership or use for the business, are classified as current assets. Debt maturing later than one year after the end of the financial year is classified as long-term debt. Other debt is classified as current liabilities.

Measurement principles

Trade and other receivables

Trade and other receivables are measured at nominal value less provisions for expected losses. Provisions for losses are made based on an individual assessment of the individual receivables. The majority of the company's trade receivable are receivables from companies in the same group.

Investments in subsidiaries

Investments in subsidiaries are measured in accordance with the cost method. Investments in subsidiaries are written down to fair value when impairment is due to reasons that cannot be assumed to be temporary, and it must be considered necessary in accordance with generally accepted accounting practice. Impairment losses are reversed when the basis for impairment is no longer present. Dividends received and other profit distributions from subsidiaries are recognised as financial income.

Investments in equity-accounted investees

Investments in equity-accounted investees are measured in accordance with the equity method. Dividends received are recognised in the balance sheet against the equity-accounted investees' balance.

Pensions

See consolidated financial statements [note 7.2](#) Pensions. Hafslund AS has applied NRS 6A, which refers to IAS 19, regarding the accounting treatment of pension costs.

Income taxes

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

Note 1 Accounting Policies

(cont.)

Interest-bearing liabilities

Interest-bearing liabilities are measured at amortised cost using the effective interest method.

For all loans denominated in foreign currency, the principal payments and fixed interest in foreign currency have been swapped in a 1:1 ratio into principal payments in Norwegian kroner (NOK) and floating interest payments in Norwegian kroner by entering into combined interest rate and currency swap agreements. The hedging instruments have the same duration and maturity as the loans and there is an economic relationship between the hedging instruments and the hedged items. The hedges are accounted for as fair value hedges under NRS 18.20 (alternative 2B), and the book value of loans in the balance sheet show the principal in Norwegian kroner. Similarly, both interest costs and accrued interest reflect the floating interest rate the company pays in Norwegian kroner.

Furthermore, terms on bond loans in Norwegian kroner have been swapped from fixed to floating interest rates using interest rate swaps. These hedges are also treated as fair value hedges in accordance with NRS 18.20 (alternative 2B). The hedging instruments have the same duration and maturity as the loans and there is an economic relationship between the hedged items and the hedging instruments. Both interest costs and accrued interest reflect the floating interest rate the company pays in Norwegian kroner.

The derivatives are not recognised in the balance sheet. Unrealised loss/gain on the derivatives offset the gain/loss from the hedged risk.

The consideration of hedge accounting could potentially be affected by the uncertainty of a possible change from NIBOR to a reformed NOWA rate. The company has for the time being continued hedge accounting despite this uncertainty, cf. the statement from the Norwegian Accounting Foundation of 31 January 2020 “Accounting effect of the IBOR reform”.

Impairment testing

Property, plant and equipment, equity-accounted investees and investments in subsidiaries are monitored on an ongoing basis for indications of impairment. Reference is made to [note 3.3](#) Impairment testing in the consolidated financial statements.

Basis of preparation of statement of cash flows

The cash flow statement has been prepared in accordance with the indirect method. This means that the starting point of the statement is the Company’s profit before tax in order to be able to present cash flows from ordinary operating activities, investing activities and financing activities, respectively.

Note 2 Climate Risk

Reference is made to [note 1.3](#) Climate risk in 2023 in the consolidated financial statements.

Note 3 Transactions and events in 2023

Reference is made to [note 1.6](#) Transactions and events in 2023 in the consolidated financial statements.

Note 4 Salaries and other personnel costs

1 January - 31 December

NOK million	2023	2022
SALARIES AND OTHER PERSONNEL COSTS		
Wages and salaries	74	39
Employers' national insurance contributions	12	6
Pension costs	9	3
Other personnel costs	11	4
Salaries and other personnel costs	106	52
Average number of FTEs (Full-time equivalents)	50	29

For remuneration to senior executives, please see [note 7.1](#) Remuneration to senior executives and Board members in Hafslund's consolidated financial statements for 2023.

Note 5 Other operating costs

1 January - 31 December

NOK million	Note	2023	2022
OTHER OPERATING COSTS			
Maintenance		12	13
Purchase of external services		33	21
Office expenses		4	4
Sales and marketing expenses		6	2
Insurance		2	2
Other items		11	4
Other items - Group Companies	10	19	38
Other operating costs		86	83

NOK thousand	2023	2022
AUDITOR'S FEES SPECIFICATION		
Mandatory audit	1,036	990
Other assurance services	89	123
Tax consultancy services	-	84
Other non-audit fees	70	-
Total auditor's fees	1,195	1,197

Value-added tax is not included in the specified audit fee.

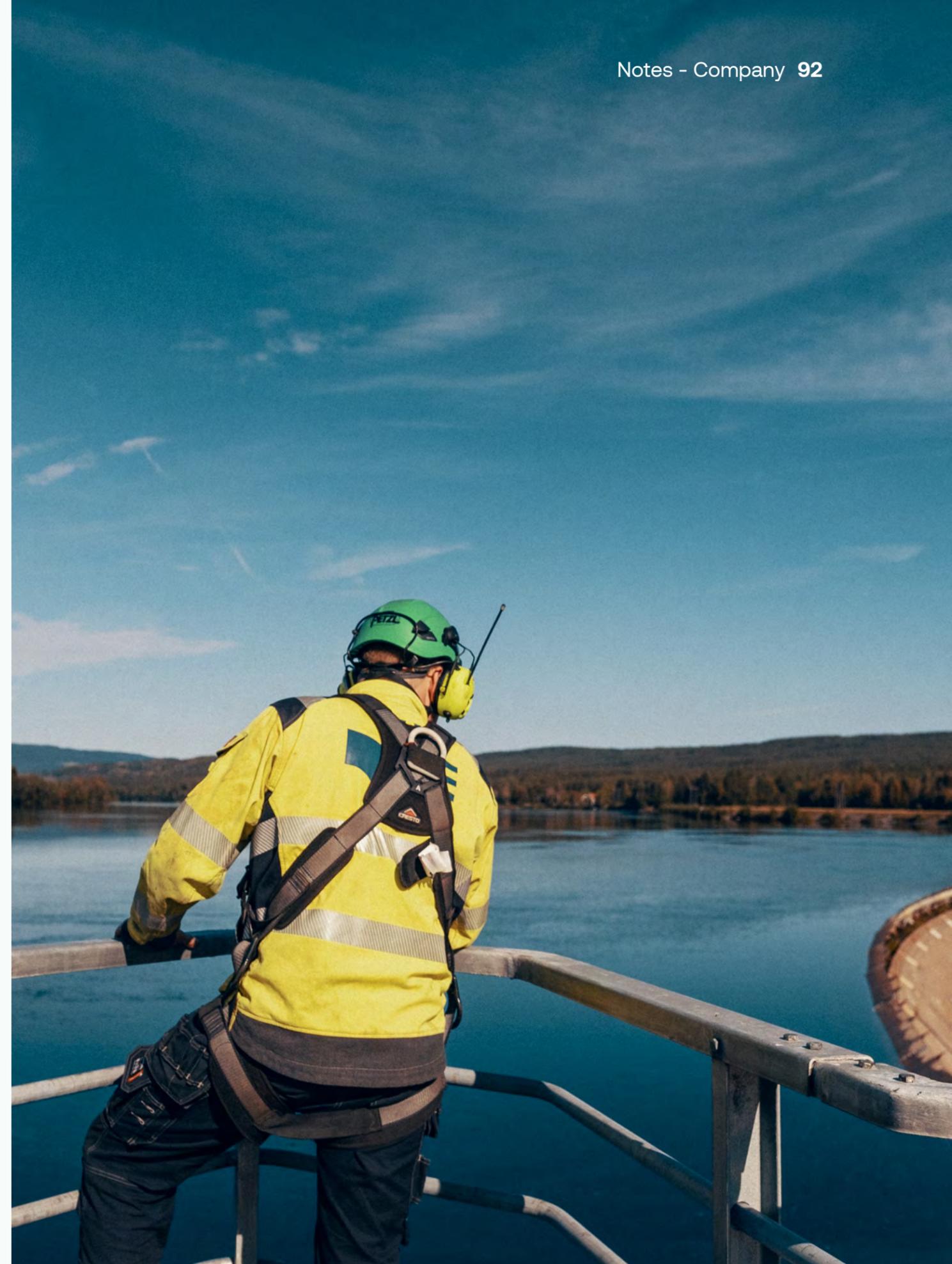
Note 6 Equity-accounted investees

31 December 2023

Company name	Acquisition date	Registered office	Share-holding	Voting rights
NGK Utbygging	2014	Oslo	25.0%	25.0%
NorthConnect AS	2010	Kristiansand	22.3%	22.3%
NorthConnect KS	2011	Kristiansand	20.0%	20.0%
NorthConnect Ltd	2019	Edinburgh	22.3%	22.3%

NOK million	NGK Utbygging AS	Total
2023		
BALANCE AT 1 JANUARY	47	47
Share of profit after tax	-13	-13
Balance at 31 December	33	33

NOK million	NGK Utbygging AS	Total
2022		
BALANCE AT 1 JANUARY	30	30
Share of profit after tax	17	17
Adjusted previous year's profit/loss	-1	-1
Balance at 31 December	47	47



Note 7 Financial items

1 January - 31 December

NOK million	2023	2022
INTEREST INCOME		
Interest income	424	93
Interest income from Group companies	1,317	978
Interest income	1,742	1,072
Interest expense		
Interest expense	-870	-664
Interest expense to Group Companies	-670	-208
Interest expense	-1,540	-872
OTHER FINANCIAL INCOME/ EXPENSES		
Dividends from subsidiaries	2,085	2,320
Other financial income	537	10
Other financial cost	-93	-513
Exchange differences	36	-37
Gain on sale of shares	-	110
Loss on sale of shares	-23	-
Other financial income/expenses	2,541	1,889
Net financial items	2,743	2,089

Of the company's interest expenses, NOK 335 million (NOK 244 million) represents interests on subordinated loans from the City of Oslo and CCS Finansiering. Reference is also made to [Note 17](#) Interest-bearing debt.

Dividend recognised as income from subsidiaries in 2023 consists of a dividend of NOK 1 294 million from Hafslund Eco Vannkraft AS, 641 million from Hafslund Produksjon Holding AS and 150 million from Hafslund Vekst AS.

In 2022, the company recognised a gain of NOK 110 million from the sale of shares in Hafslund Eco Vannkraft AS in connection with the Stange transaction. Reference is made to [Note 1.6](#) Transactions and events in 2022 in the consolidated financial statements for 2022 for further information relating to the transaction.

Other financial income/expenses are mainly unrealised changes in value and realised losses from a power and currency hedging agreement entered by the company with subsidiary Hafslund Eco Vannkraft AS. See also [Note 12](#) Derivatives for more information.

Note 8 Income taxes

1 January - 31 December

NOK million	2023	2022
TAX EXPENSE		
Income tax payable	14	-
Deferred tax on actuarial gain/loss against equity	-	-1
Change in deferred tax liability/(asset)	120	-72
Tax expense for the year	134	-73

NOK million	2023	2022
RECONCILIATION OF TAX RATE		
Profit before tax	2,628	1,999
22 % (22 %) of profit before tax	578	440
22 % (22 %) of permanent differences	-435	-514
22 % (22 %) actuarial gains and losses	-	-1
Effect of recognised dividend accrued	-	2
Other	-9	-
Tax expense for the year	134	-73

NOK million	2023	2022
DEFERRED TAX		
GENERAL INCOME TAX		
Financial Instruments	-24	-305
Property, plant and equipment	124	103
Other	-13	42
Receivables	-90	-90
Pensions	-9	-5
Tax loss carrying forward	-	-303
Total	-13	-560
Tax rate	22%	22%
Deferred tax liability (asset)	-3	-123

Note 9 Other non-current receivables

31 December

NOK million	2023	2022
OTHER NON-CURRENT RECEIVABLES		
Non-current interest bearing loans to Group Companies	23,121	25,683
Other non-current non-interest- bearing receivables	119	116
Pension assets	7	3
Other non-current receivables	23,247	25,801

At the end of 2023, long-term interest-bearing loans to group companies consist of loans to Hafslund Vekst AS, Hafslund Eco Vannkraft AS and Hafslund Oslo Celsio AS.

The loans to Hafslund Vekst AS are a total of NOK 6,006 million, of which NOK 3,135 million is a subordinated loan. The loans to Hafslund Vekst mature in 2041.

As of 31 December 2022, Hafslund AS had a subordinated loan of NOK 2,562 million to the subsidiary Hafslund Eco Vannkraft AS. On 16 March 2023, the parties agreed to make an extraordinary repayment of the subordinated loan in full on 14 April 2023. The loans to Hafslund Eco Vannkraft AS are a total of NOK 14,215 million and mature in 2029.

The loans to Hafslund Oslo Celsio AS are a total of NOK 2,900 million, of which NOK 2,400 is an ordinary loan which matures in 2047. NOK 500 million represents a drawdown on a loan facility which was established in connection with the Hafslund Oslo Celsio transaction in May 2022. The loan facility has a limit of NOK 10,000 million, will be used to partially finance designated investments in Hafslund Oslo Celsio AS and has a term to maturity until 2052 with the possibility of extension. Interest on the loan facility can, under certain conditions, be added to the principal instead of being paid in cash.

Note 10 Intercompany

31. desember

NOK million	2023	2022
SHORT-TERM RECEIVABLES FROM GROUP COMPANIES		
Receivables from group companies	98	10
Other current receivables from group companies	-	492
Dividend from group companies	1,250	1,638
Receivables in cashpool-agreement for group	56	-
Accrued interest	252	346
Total current receivables from group companies	1,656	2,487

NOK million	2023	2022
LONG-TERM RECEIVABLES TO GROUP COMPANIES		
Loan to group companies	23,121	25,683
Long-term derivatives	1	-
Total long-term receivables to group companies	23,122	25,683

NOK million	2023	2022
SHORT-TERM DEBT WITH GROUP COMPANIES		
Trade payables to group companies	38	1
Other liabilities to group companies	33	-
Group contribution	61	-
Debt in cashpool-agreement for group	8,812	16,272
Total current liabilities to group companies	8,944	16,273

Other short-term non-interest-bearing receivables consist mainly of dividends from subsidiaries. In 2023 Hafslund AS has receivables related to dividends of NOK 460 million from Hafslund Eco Vannkraft AS, NOK 641 from Hafslund Produksjon Holding AS and NOK 150 million from Hafslund Vekst AS.

1. januar - 31. desember

NOK million	2023	2022
INTERCOMPANY-TRANSACTIONS		
Operating income from group companies	84	24
Operating costs to group companies	-19	-38
Total operating income from group companies	65	-13
Other financial cost	-53	-
Interest income from group companies	1,317	978
Interest income to group companies	-670	-208
Net financial income from group companies	647	770

In 2023 Hafslund invoiced NOK 84 million to its subsidiaries (NOK 24 million). Subsidiary has also invoiced Hafslund AS where the largest amount is related to Hafslund Eco Vannkraft AS, which has invoiced an amount of 16 million Norwegian kroner to the parent company (35 million Norwegian kroner).

Note 11 Pensions

Hafslund AS is obligated to have pension schemes for its employees according to the Occupational Pensions Act. The Company's pension schemes, which include both defined benefit and defined contribution plans, satisfy the requirements of the law.

A total of 10 employees and 73 retirees are per 31 December 2023 covered by the defined benefit pension scheme. The defined benefit plan entitles employees to defined future benefits. These are essentially depending on the number of years of service and the salary level at retirement age.

For employees employed after 1 January 2009 a defined contribution plan has been established. The arrangement gives similar rights as the defined benefit plan regarding disablement- and survivor pension. The contribution rates are 6 percent for salaries up to 7.1 G and 18 percent for salaries between 7.1 G and 12 G. An additional contribution is given for salaries above 12 G.

With effect from 1 October 2022, a business transfer was carried out from Hafslund Eco Vannkraft AS to Hafslund AS. In connection with this, a pension obligation of NOK 8.5 million was transferred to Hafslund AS in return for cash consideration.

The Company's net pension liabilities as of 31 December 2023 were NOK 9 million (NOK 12 million).

The Company's pension cost in 2023 was NOK 9 million (NOK 3 million).

The assumptions follow recommendations provided by Norwegian Accounting Standards Board per 31 December 2023. Reference is made to [note 7.2 Pensions](#) in the consolidated financial statements.

1 January - 31 December

NOK million	2023	2022
DEFINED BENEFIT PLANS:		
Present value of accrued pension entitlements for the year	1	-
Interest cost	3	1
Return on pension assets	-2	-1
Employer's National Insurance contribution	-	-
Pension costs	2	1
DEFINED CONTRIBUTION PLANS:		
Employer's contribution	7	3
Pension costs defined contribution plans	9	3

Note 11 Pensions (cont.)

31 December

NOK million	2023	2022
PENSION ASSETS AND LIABILITIES:		
Present value of accrued pension liabilities for funded defined benefit plans	93	90
Fair value of pension assets	-84	-78
Net pension liabilities for funded defined benefit plans	9	12
Carrying amount net pension assets	7	3
Carrying amount net pension liabilities	17	15

NOK million	2023	2022
PENSION LIABILITIES AT 1 JANUARY:	12	9
Transfer of assets from Hafslund Eco Vannkraft AS	-	8
Pension cost	2	1
Benefits paid	-6	-2
Actuarial loss (gain) adjusted through equity	2	-4
Net pension liabilities/assets	9	12

	2023	2022
ASSUMPTIONS		
Discount rate	3.10%	2.90%
Expected yield	3.10%	2.90%
Salary increase	3.50%	3.75%
Adjustment of National Insurance Scheme's basic amount (G)	3.25%	3.50%
Expected annual adjustment of pensions paid	2.80%	2.75%

Note 12 Power derivatives

31 December

NOK million	2023	2022
Fair value of power derivatives	-13	-307
Booked value of power derivatives in the balance sheet ¹	-24	-33
Booked futures settlements that are not offset in the balance sheet	-12	-
Realised gain/loss on power derivatives	138	-398
Unrealised value changes power derivatives	280	-22

¹The booked value of power derivatives in the balance sheet in 2023 of NOK -24 million consists of short-term derivatives (liabilities) and long-term derivatives (asset), where the split is NOK -25.6 million and NOK 1.2 million.

Hafslund AS has, through its subsidiary Hafslund Eco Vannkraft AS, entered into financial derivatives contracts consisting of hedging the power price in euro against the Nordic system price and EPADs and in 2023 there is also an internal derivative towards Hafslund Eco Vannkraft AS. The internal derivatives are nominated in NOK, while other derivatives are nominated in euro. Additionally, forward exchange contracts have been sold to exchange settlements from hedging in euros to Norwegian kroner through Q3 2023. Realised value of the forward exchange contracts are NOK 3.6 million in 2023. The derivatives are recognised at the lowest value principle as of 2023, and effects in the income statement are presented as Other financial income/expenses.

Note 13 Shares in subsidiaries

31 December

NOK million	Registered office	Shareholding/ voting rights	Carrying amount
2023			
Shares in Hafslund Vekst AS	Oslo	100.0%	7,520
Shares in Hafslund Eco Vannkraft AS	Oslo	56.5%	5,784
Shares in Hafslund Produksjon Holding AS	Oslo	90.0%	7,148
Shares in Oslo Lysverker AS	Oslo	100.0%	245
Shares in Hafslund Oslo Celsio AS	Oslo	60.0%	9,578
Shares in subsidiaries			30,274

31 December

NOK million	Registered office	Shareholding/ voting rights	Carrying amount
2022			
Shares in Hafslund Vekst AS	Oslo	100.0%	7,265
Shares in Hafslund Eco Vannkraft AS	Oslo	57.2%	5,784
Shares in Hafslund Produksjon Holding AS	Oslo	90.0%	7,148
Shares in Oslo Lysverker AS	Oslo	100.0%	245
Shares in Hafslund Ny Energi AS	Oslo	65.0%	107
Shares in Hafslund Oslo Celsio AS	Oslo	60.0%	9,572
Shares in subsidiaries			30,121

Hafslund AS became the majority owner with 60 per cent of the shares in Hafslund Oslo Celsio AS (formerly Fortum Oslo Varme AS) from 19 May 2022. For further information related to the transactions, please refer to note 1.5 Transactions and events in 2022 in the consolidated financial statements.

In 2022 dividend of NOK 150 million has been allocated from the subsidiary Hafslund Oslo Celsio, which has been recorded directly against the cost price of the investment.

Note 14 Other non-interest-bearing current receivables

31 December

NOK million	2023	2022
OTHER NON-INTEREST-BEARING CURRENT RECEIVABLES		
Value added tax	1	1
Other non-interest-bearing current receivables	1	1

Note 15 Cash and cash equivalents

The Company is part of a corporate cash pooling system with Nordea, DNB and SEB, respectively. A corporate cash pooling system entails joint and several liability among the participating companies. Hafslund AS is the only direct balance with the bank, while the respective subsidiaries' accounts are classified as intercompany balances with Hafslund AS. Deposits in the group account scheme that Hafslund AS has directly to the bank are presented in the line Bank deposits in the balance sheet. Deposits into and withdrawals from the respective subsidiaries' accounts are treated as intercompany balances with Hafslund AS. Please refer to [Note 10](#) Intercompany for more information on balances related to the cash pool arrangement.

Reference is also made to [note 5.11](#) Cash and cash equivalents in the consolidated financial statements.

Note 16 Equity

NOK million	Share Capital	Share premium	Other equity	Total equity
Equity at 31 December 2021	100	15,415	10,459	25,974
Actuarial gains and losses	-	-	3	3
Profit for the year	-	-	2,072	2,072
Capital decrease Oslo Energi Holding	10	8,069	-	8,079
Dividend 2022	-	-	-1,500	-1,500
Equity at 31 December 2022	110	23,484	11,034	34,628
Actuarial gains and losses	-	-	-2	-2
Profit for the year	-	-	2,495	2,495
Dividend 2023	-	-	-2,600	-2,600
Extra dividend	-	-	-600	-600
Equity at 31 December 2023	110	23,484	10,327	33,922

The total number of shares is 100,000 and the nominal value of the shares is NOK 1,100 per share. City of Oslo owns all the shares.

Note 17 Interest-bearing debt

As shown in the table Hafslund AS has three subordinated loans from CCS Finansiering AS, a company 100 per cent owned by the City of Oslo. The subordinated loan of NOK 2,075 million was established in connection with the Hafslund Oslo Celsio transaction in 2022. The loan has an interest rate of 5.9 per cent, an interest-only loan with maturity date on 19 May 2042. According to the loan agreement, the debtor may make a claim for payment of extraordinary instalments corresponding to any payment obligation the City of Oslo or CCS Finansiering AS receives in connection with the external financing of the CCS project.

The other two subordinated loans of NOK 2,347 million (NOK 2,347 million) and NOK 1,000 million (NOK 1,000 million) has an interest rate of 6.7 and 5.5 per cent respectively.

If the Group's profit for the year shows deficit after charged interest on these subordinated loans, the interest rate shall be reduced by either the deficit or to NOK 0. Any reduction is final, and the interest amount shall not be paid later.

Hafslund AS has an overdraft facility of NOK 1,000 million and a syndicated credit facility of NOK 2,500 million maturing in November 2028. Both were unused as of 31 December 2023. Hafslund AS also has an overdraft facility of EUR 50 million to cover daily market settlement for futures contracts on Nasdaq Clearing AB. EUR 47 million was unused as of 31 December 2023.



Note 17 Interest-bearing debt (cont.)

31 December

NOK million	Loan amount in currency	Currency	Due date	2023	2022
Commercial paper issue in the Norwegian market	900	NOK	2023	-	900
Commercial paper issue in the Norwegian market	880	NOK	2023	-	880
Private placement in the American market	75	USD	2023	-	429
Bond issue in the Norwegian market	300	NOK	2023	-	300
Commercial paper issue in the Norwegian market	500	NOK	2024	500	-
Short-term bank loan	30	NOK	2024	30	-
The Nordic Investment Bank	2,615	NOK	2024-2030	2,615	2,615
Bond issue in the Norwegian market	450	NOK	2024	450	450
Bond issue in the Norwegian market	293	NOK	2024	293	293
Private placement in the American market	290	NOK	2024	290	290
Bond issue in the Norwegian market	1,000	NOK	2025	1,000	1,000
Bond issue in the Norwegian market	500	NOK	2026	500	500
Private placement in the American market	25	USD	2026	143	143
Private placement in the American market	910	NOK	2027	910	910
Private placement in the Japanese market	5,000	JPY	2028	301	301
Bond issue in the Norwegian market	500	NOK	2028	500	-
Bond issue in the Norwegian market	250	NOK	2029	250	250
Private placement in the Japanese market	5,000	JPY	2029	296	296
Private placement in the American market	723	NOK	2029	723	723
Bond issue in the Norwegian market	500	NOK	2029	500	-
Bond issue in the Norwegian market	200	NOK	2030	200	200
Bond issue in the Norwegian market	200	NOK	2031	200	200
Private placement in the American market	125	USD	2031	1,036	1,036
Private placement in the German market	30	EUR	2031	237	237
Private placement in the American market	848	NOK	2032	848	848
Private placement in the American market	600	NOK	2033	600	600
Subordinated loan from CCS Finansiering AS	2,347	NOK	2037	2,347	2,347
Subordinated loan from CCS Finansiering AS	1,000	NOK	2041	1,000	1,000
Subordinated loan from CCS Finansiering AS	2,075	NOK	2042	2,075	2,075
Book value interest-bearing debt				17,844	18,823
Amortisation of fees				-	-2
Book value interest-bearing debt				17,844	18,821
Hereof book value current interest-bearing debt				1,643	2,509
Hereof book value non-current interest-bearing debt				16,201	16,312

Note 18 Other current non-interest-bearing liabilities

31 December

NOK million	Note	2023	2022
OTHER CURRENT NON-INTEREST-BEARING LIABILITIES			
Accrued interest		470	393
Accrued dividend	16, 20	2,600	1,500
Other tax liabilities		21	6
Other current liabilities		8	5
Other current non-interest-bearing liabilities		3,099	1,905

Note 19 Guarantees

As security for certain obligations, the Company purchases bank guarantees. As of 31 December 2023, these guarantees amounted to NOK 6 million in guarantees for employee withholding tax (NOK 6 million).

Hafslund AS has issued parent company guarantees on behalf of Hafslund Oslo Celsio AS. As of 31 December 2023, issued parent company guarantees amounted to NOK 2 178 million.

Note 20 Related party transactions

Transactions with subsidiaries

Please refer to [note 10](#) Intercompany for an overview of intercompany balances between Hafslund AS and other companies in the Group.

Subordinated loan from CCS Finansiering AS, a company owned 100 per cent by the City of Oslo

Hafslund AS has three subordinated loans from CCS Finansiering AS, which is a 100 percent owned company by the City of Oslo. The loans were transported from the City of Oslo to CCS Finansiering AS on 15 December 2022. The total outstanding loan amount as of 31 December 2023 is NOK 5 422 million.

For more information regarding the loans and terms, please refer to [Note 5.2](#) Interest-bearing debt and [Note 9.1](#) Related party transactions in the consolidated financial statement.

Dividend to The City of Oslo

At the end of 2023, NOK 2 600 million was allocated for ordinary dividends to the City of Oslo. At the end of 2022, a corresponding amount of NOK 1 500 million was allocated for ordinary dividends to the City of Oslo. Additionally, extra dividends of NOK 600 million were paid out in 2023.

Note 21 Events after the reporting period

Reference is made to [Note 9.3](#) Events after the date of the balance sheet in the consolidated financial statement.

Statement pursuant to Norwegian Securities Trading Act Section 5-5



We declare to the best of our knowledge that:

- The consolidated financial statements for 2023 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 2023 annual financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway.
- The accounting information provides a true and fair view of the company's and the Group's assets, liabilities and financial position and performance as a whole.
- The Report from the Board of Directors provides a true and fair picture of the development, performance and position of the company and the Group, as well as a description of the most important risk factors and uncertainties facing the business.

Oslo, 22. March 2024

The Board of Directors of Hafslund AS

Jarle Roth
(Chair of the board)

Bjørn Erik Næss

Maria Tallaksen

Mari Thjømøe

Bård Vegar Solhjell

Håkon Rustad

Hilde Veum-Wahlberg

Halvor Kr. Halvorsen

Finn Bjørn Ruyter
(CEO)

Auditor's report



To the General Meeting of Hafslund AS

Independent Auditor's Report

Opinion

We have audited the financial statements of Hafslund AS, which comprise:

- the financial statements of the parent company Hafslund AS (the Company), which comprise the balance sheet as at 31 December 2023, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- the consolidated financial statements of Hafslund AS and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2023, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, 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, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 8 years from the election by the general meeting of the shareholders on 24 July 2016 for the accounting year 2016.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting of financial instruments used to hedge power revenues has the same characteristics and risks this year as last year and has consequently been an important focus area in our audit also in 2023.



Key Audit Matters	How our audit addressed the Key Audit Matter
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Accounting of financial instruments used to hedge power revenues	
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As a power producer, the group is exposed to volatility in market prices and uncertainty related to future sales and production volume. These factors have a significant impact on the group's results. Hafslund AS hedged parts of their future hydropower production within agreed limits and the group's finance strategy to manage the risk.	
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Instruments that can be used to hedge prices of future power production include bilateral price hedging agreements, futures, forward contracts and EPADs (Electricity Price Area Differentials). Currency futures changing EUR to NOK are used to manage the currency risk of power trading and hedging.	
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Accounting of financial instruments used to hedge power revenues is a key audit matter in our audit due to the number of transactions, the variation in instruments used, the potentially significant effect on consolidated statements in case of changes in fair value, and the inherent risk of error due to the complexity of the accounting rules.	
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Management explains the accounting of hedge accounting in note 5.1 Financial instruments, note 5.5 Fair value and Note 5.6 Derivatives and hedging.	
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Through our audit, we have mapped and assessed the design of the group's controls related to trading, follow-up, and accounting of power hedging. We have also assessed the group's accounting principles for financial instruments and hedge accounting against the accounting rules in IFRS Accounting Standards and the group's strategy for risk management. Our work has, among other things, included interviews with management and other relevant functions in the company, obtaining and assessing documents related to the use of IT systems, risk management policy and authorizations. We have familiarized ourselves with and understood follow-up routines related to authorization frameworks, transactions, and margin requirements.	
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We have tested the completeness, existence and valuation of closed and open positions related to financial instruments by obtaining documentation from external counterparties, mainly Nasdaq, and tested these against a sample of recognized transactions and open positions recognized in the balance sheet.	
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For positions that are hedged, we have assessed the hedging documentation against the requirements in IFRS 9 and we have tested a sample of hedging relationships where we recalculate the group's calculation of hedging efficiency which is recognized in other comprehensive income. We have also tested that the inefficient part of the hedging, together with positions that are not hedged, are recognised through profit or loss.	
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We have also assessed the adequacy of the related disclosures in the financial statements.	
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Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.



Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation of the consolidated financial statements of the Group that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU. Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit



evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Oslo, 22 March 2024
PricewaterhouseCoopers AS

Thomas Fraurud
State Authorised Public Accountant

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

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Read the full annual report:

aarsrapport2023.hafslund.no/en