

Balance sheet Hafslund ASA

31. December

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

Total current liabilities	2 058	2 986
<hr/>		
Total equity and liabilities	19 024	20 415
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The Board of Directors of Hafslund ASA

Oslo, 19 March 2013

Birger Magnus
Board Chairman

Maria Moræus Hanssen
Deputy Chairman

Ellen Christine Christiansen

Odd Håkon Hoelsæter

Hans Kristian Rød

Jane Koppang

Per Luneborg

Per Orfjell

Finn Bjørn Ruyter
President and CEO

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Income statement Hafslund ASA

1 January - 31 December

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

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Statement of cash flow ASA

1 January - 31 December

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

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Notes ASA

Notes ASA

Note 1 Summary of significant accounting policies

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

Operating revenues

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

Classification

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

Valuation principles

Assets and liabilities denominated in foreign currency

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

Trade and other receivables

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

Treasury shares

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

Investments in subsidiaries, associates and joint ventures

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

Investments in long-term shareholdings

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

Property, plant and equipment

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

Retirement benefit obligations

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

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

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

Financial derivatives

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

Borrowings

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

Contingencies

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

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

Basis of preparation of statement of cash flow

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

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Note 2 Employee benefit expenses

Pension expenses

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

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

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

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Note 3 Pension expenses, assets and liabilities

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

Pension assets and liabilities

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

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

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

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

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

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

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Note 4 Other operating expenses

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

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

Statutory auditing NOK 0.7 million (NOK 1 million).

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

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

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Note 5 Result of share investments and net financial items

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

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

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Note 6 Income tax expense

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

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

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

Depreciation percentage **3-33%** **0-5%**

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Note 8 Shares in subsidiaries and other companies

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

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

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Note 9 Other long-term receivables

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

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

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Note 10 Trade and other receivables

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

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Note 11 Current interest-bearing liabilities

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

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Note 12 Other current liabilities

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

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Note 13 Long-term interest-bearing liabilities

NOK million	Interest % as of 31 Dec 2012	Interest % as of 31 Dec 2011	Liabilities as of 31 Dec 2012	Liabilities as of 31 Dec 2011
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Fixed-interest bonds	5,0-6,3	5,0-6,3	4 259	4 009
Floating rate notes	2,8-3,6	3,2-4,9	1 895	1 458
Other loans	2,4-4,4	3,2-5,7	3 764	4 465
Total long-term interest-bearing liabilities			9 918	9 932

Maturity profile long-term interest-bearing liabilities Hafslund ASA

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

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

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

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Note 14 Related parties

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

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Note 15 Risk management and financial derivatives

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

NOK million

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

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

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

Foreign exchange contracts

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

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Note 16 Cash and cash equivalents

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

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Note 17 Equity

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

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

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Note 18 Share capital and shareholder information

We refer to Note 15 to the consolidated financial statements.

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