Mutual efforts have paid off …

2005 Annual Report

Hafslund

Contents

Hafslund – 100 years in business has created a platform for new opportunities

> A dynamic start for Hafslund
The limited company Hafslund AS is founded and the new company purchases Hafslund Manor, along with its Sarpfossen waterfall rights on the Glomma waterway. In 1899, Hafslund's power station begins generating electricity as Norway's first major hydropower producer.

> Energy and pharmaceuticals
In a bold industrial move, Hafslund acquires Actinor and its Nycomed subsidiary. The new enterprise, Hafslund Nycomed, experiences rapid growth in the pharmaceuticals industry.

> Purebred energy company
To streamline business activities, Hafslund Nycomed's energy and pharmaceuticals businesses are demerged in the spring of 1996. Hafslund is again a purebred energy corporation.

> Mergers and acquisitions
Hafslund increases its energy holdings and enters the security industry. Hafslund purchases the power retailer Oslo Energi, and the merger with the Oslo grid company Viken Energinett is initiated. During 2001, Hafslund acquires several alarm and security companies.

2002 2003 2004 2005

1898 1986 1996 2001

> Positioned for growth and value creation
Hafslund's restructuring is considered complete, as the Group delivers yet another solid profit for the year. All profit centers report gains over the previous year. Renewable energy becomes a major focus, and the Group's shareholding in Renewable Energy Corporation (REC) shows good value growth. The Group continues to stress efficiency, simplification of its product and service ranges, and improved customer service. Hafslund is well positioned for further growth and value creation.

> Solid profit and improved customer service
Hafslund delivers its best performance since restructuring began in 2000. All profit centers show progress since 2003. A two-way communications solution, the Hafslund Box, is tested by customers. Customer service is improved and customer exits reduced.

> New profile and organization
The majority of business activities now share the Hafslund logo, which becomes increasingly more visible in everyday life. Market-oriented companies are gathered into a single business area; a second business area comprises the Group's operating companies. Hafslund's profits continue to improve, and the Group now has more than 50,000 residential alarm customers.

> Restructuring and new businesses
Hafslund concentrates on consolidation and improves operational efficiency. Supplier and purchaser roles are separated. The Group's several areas of expertise are reorganized into independent units. Support functions are organized into common service companies. Non-core business activities are sold.

… for you

> Heat and Infrastructure

Heat and Infrastructure is responsible for operation and development of the following business activities:

- > Network
- > Power generation
- > Two-way communications
- > Broadband
- > District heating
- > Real estate

Employees: 227
Operating profit: NOK 1,481 million

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> Technical Services

Technical Services provide the following services:

- > Contracting
- > Installation
- > Electric safety
- > Security technology

Employees: 637
Operating profit: NOK 87 million

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> Private

Private is responsible for Hafslund's retail-market sales, customer service, invoicing, the operation of the Group's alarm central station, and installation of residential alarm systems:

- > Power Sales to residential customers
- > Residential alarm systems
- > Online fire alarms

Employees: 506
Operating profit: NOK 81 million

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> Corporate

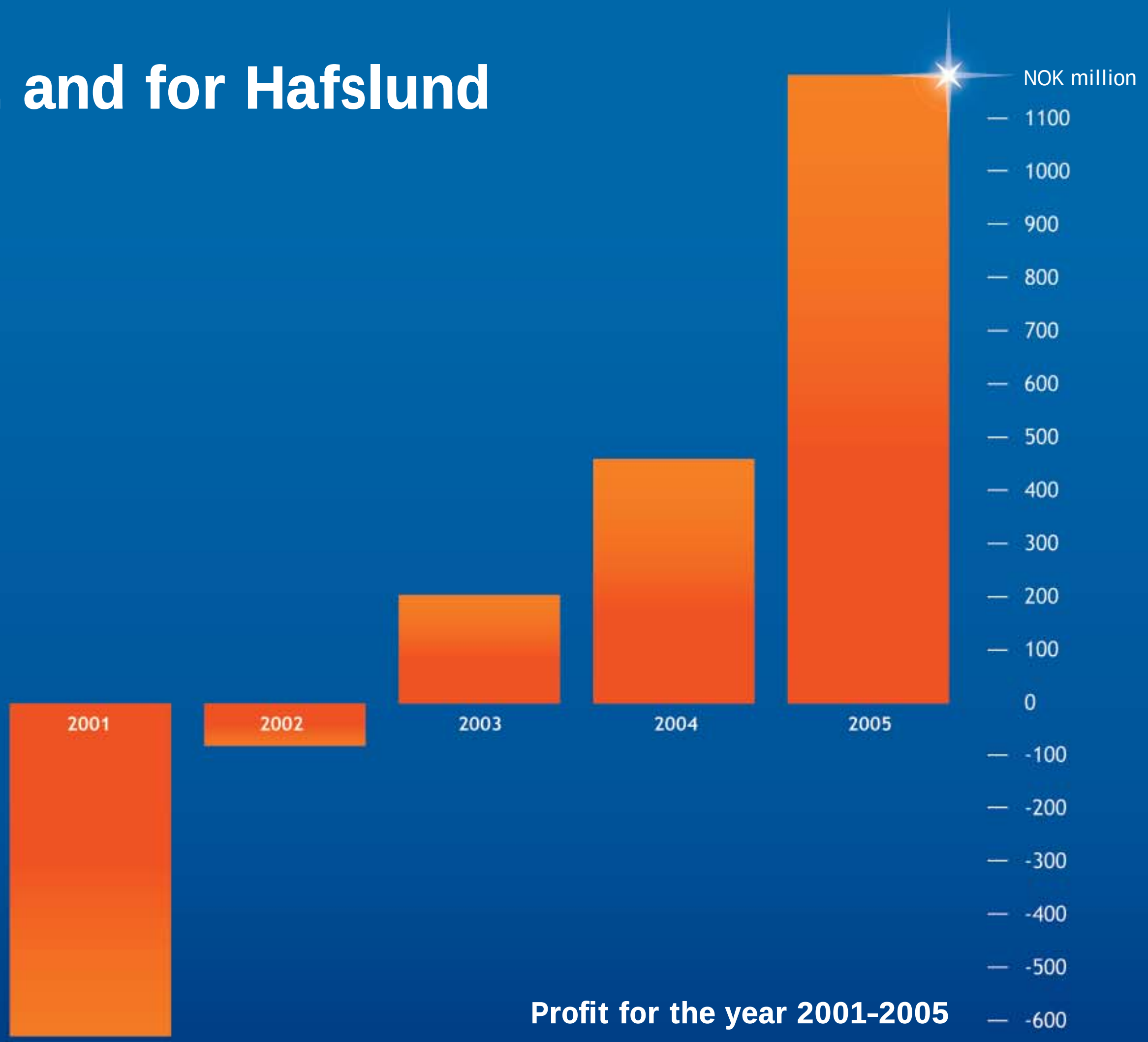
Corporate is responsible for corporate market sales of power and security products and services:

- > Power Sales to the corporate market
- > Guard services
- > Valuables transport

Employees: 943
Operating profit: NOK 15 million

Read more on page 29

... and for Hafslund



Profit for the year 2001-2005

Key figures (Amounts in NOK million)

Profit and loss statement	2005	2004	2003*	2002*
Operating revenues	8,097	7,659	9,300	7,228
Operating profit before depreciation	2,670	2,073	1,810	1,576
Operating profit	2,004	1,419	851	728
Pre-tax profit	1,495	747	260	(54)
Profit for the year	1,174	457	203	(79)
Capital matters				
Total assets	20,770	20,560	20,608	20,840
Equity	6,416	6,198	5,857	5,571
Equity ratio (in %)	30.9%	30.1%	28.4%	26.7%
Net interest-bearing debt	9,528	10,537	11,326	12,197
Per-share figures (NOK)				
Profit (including divested businesses)	6.02	2.25	0.96	(0.39)
Dividend	2.25	1.25	1.00	-
Cash flow	7.11	7.62		

* NGAAP (Norwegian accounting standards) figures for 2002 and 2003.

In 2005, Hafslund's annual profit reached NOK 1,174 million.

2005 Key events

First quarter

- Hafslund Nett (network) initiates comprehensive measures to decrease short-term power interruptions and strengthen supply reliability.
- The violent storms, Inga and Gudrun, sweep southern Norway and southern Sweden. Hafslund's contingency planning successfully passes this tough test; power in Romerike, Norway, is quickly restored. Hafslund Entreprenør (contracting) assists Sweden's Sydkraft in repairing damaged infrastructure.
- Online fire alarms are introduced and the product is favorably received by customers. 90 percent of new Hafslund residential alarm installations now feature fire alarms.
- Hafslund enters into an agreement with Oslo's fire and rescue services for fire alarm response.
- Hafslund's NorgesEnergi acquires Norske Shell's 70,000 residential power sales customers in Norway.
- Hafslund Entreprenør (contracting) signs a contract with the Norwegian Public Roads Administration worth approximately NOK 70 million.

Second quarter

- Hafslund joins Norway's "IA program" to reduce sick leaves and to provide work for employees whose working capacity has been reduced through illness or other disability.
- The customer service center continues expertise-building and performance improvements.
- Hafslund Sikkerhet (security) signs valuables transport agreement with NorgesGruppen that covers more than 350 stores and supermarkets in southern Norway.
- Hafslund sells its 54 percent stake in Mjøskraft (distribution) and its 46 percent stake in Mjøskraft Strøm (power sales).

Organization

Hafslund ASA
Rune Bjerke

Treasury
Christian Berg
- Treasury
- Finance
- Hafslund Venture
- Power Trading

Organizational Development
Ingeborg Aass Holten
- Organizational Development/ Human Resources
- ICT
- Information and Corporate Communications

Heat and Infrastructure
Per Kristian Olsen
- Hafslund Nett (network)
- Hafslund Produkskjon (power generation)
- Real Estate
- District Heating
- Hafslund Tokom (broadband and two-way communications)

Technical Services
Bjørn Frogner
- Hafslund Entreprenør (contracting)
- Hafslund Installasjon (installation)
- Hafslund Elsikkerhet (electric safety)
- Hafslund Sikkerhet Teknikk (security technology)

Private (retail market sales)
Cato Haugen
- Power Sales
- Residential Alarms
- Alarm Central Station
- Customer Service Center
- Invoicing Service

Corporate (corporate market sales) *Tove Pettersen*
- Power Sales
- Guard Services
- Valuables Transport

Third quarter

- Hafslund receives the Female Future gender equality award.
- A new www.hafslund.no is launced to make it more user-friendly and an improved sales and service portal.
- Hafslund's new organizational structure is implemented. A split of the two former business areas into four more tightly focused areas better positions the Group for further growth.
- Hafslund launches its new wireless alarm system for homes.
- Hafslund sells its bio-fuel power generation facilities in the United States, which terminates all Hafslund operations in the US.
- Hafslund arranges Capital Markets Day presentation to security analysts with good response.
- Hafslund increases its ownership interest in Renewable Energy Corporation (REC) to 24.9 percent (fully diluted).

Fourth quarter

- Hafslund Entreprenør (contracting) equips all its installers with PCs. Data such as work orders, maps, power distribution diagrams, and cable termination details are now immediately available at work sites. Daily work flow efficiency is significantly increased.
- Hafslund is named one of the year's most desirable places to work, in a survey of students at 13 Norwegian universities and colleges. Hafslund's new talent development program is seen as important to the Group.
- Hafslund introduces super high-speed broadband that allows customers to choose their own content suppliers. This is the first time fiber optic broadband becomes available to residential customers in the Oslo region.
- Hafslund signs an agreement to acquire, as of January 2006, all Hydro Texaco power sales customers in Norway.
- Hafslund agrees to buy a 33.5 percent shareholding in Norsk Kontantservice (NOKAS).
- Hafslund acquires Bredbåndsfabrikken.

Goals and achievements

	2004 goals	2004 achievements	2005 goals	2005 achievements	2006 goals
Treasury					
Equity ratio	> 30.0%	31.4%	> 30.0%	30.9%	30-35%
Dividend (in NOK million)	200-400	243	200-400	439	50.0%[1]
Sale of non-core assets (in NOK million)	> 500	456	100-300	169[2]	200-400
Return on equity	-	6.7%	-	18.4%	14.0%[5]
Return on invested capital	-	8.0%	-	11.6%	10.0%[5]
Employees					
Funds for training, per employee (in NOK)	3,000	5,190	5,500	6,009	5,500
Staff turnover	< 3.5%	14.1%	14.0%	10.1%[3]	No target
Absence due to illness	5.5%	5.8%	< 5%	5.3 %	4.0%
Customers					
Percentage of phone calls answered within 30 sec.	80%	62%	80%	77%	80%
Percentage of emails answered within a week	100%	100%	Under 24 hours	95% (measured against 24 hours)	Under 24 hours
Percent of mail answered within a week	100%	Not measured	Under 3 days	92% (measured against 3 days)	Under 3 days
Customer satisfaction – retail power sales[4]	70 points	75 points	70 points	75 points	77 points

[1] Dividend policy: at least 50 percent of profit after tax, adjusted for non-cash generating items, in a normal year.
[2] Excluding the Mjøskraft sale.
[3] Second through fourth quarters of 2005.
[4] Weekly surveys of 100 customers who have been in contact with the customer service center during the week being assessed.
[5] Given projected 13.5 percent Venture portfolio return.

President and CEO's report

Hafslund's development in 2005 was stronger than projected, and Hafslund more than met its goals for the year. This performance provides room for further efforts and growth in 2006.

Following several demanding years marked by acquisitions, restructuring, and consolidation, Hafslund entered a new phase in 2005. Growth and value creation characterized the past year's activities – and our efforts paid off. The Group's 2005 operating profit was NOK 2,004 million, up NOK 585 million from 2004. All profit centers advanced since 2004 and contributed to Group profit. The full effect of efficiency enhancement measures and the excellent profits of Hafslund's network and power generation businesses made key contributions to 2005 profit growth. However, the bottom line is that these achievements resulted from the effort of all Group employees. Hafslund have shown that it is possible to implement major changes and still have plenty of energy to forge ahead.

Tying services together

In just a few years, Hafslund has established itself as Norway's largest market participant in the distribution and sale of electric power. During the same time span, Hafslund, primarily through organic growth, has become Norway's largest residential alarm company. With 79,400 customers, the residential alarm business has reached the growth phase of profitability.

Generation, distribution, and sale of electric power and deliveries of security products and services will continue to be the Group's core activities. Yet we are ready to introduce new products and fill new niches. In 2005 one thousand homeowners tested the "Hafslund Box" – a two-way communications solution that enables Hafslund to remotely record customers' power consumption. By year-end 2006 the goal is for an additional 10,000 customers to be offered the Hafslund Box, which will become a natural platform for delivering multiple Hafslund services to homes and businesses.

Hafslund will continue its targeting of broadband; adding IP telephony and Internet services is under consideration. Regardless of what new steps Hafslund will take in the broadband market, we will act cautiously. Although the Group possesses the necessary expertise, technology, and resources, broadband is a mature market, with numerous capable and specialized players.

New energy sources

It becomes clearer and clearer that there is a commercial basis for targeting new energy sources. Hafslund's solar power investment had its breakthrough in 2005. Our 25 percent ownership interest in Renewable Energy Corporation AS (REC), a worldwide leader in the solar power industry, now has a book value of NOK 1.4 billion. Hafslund is also targeting district heating through its Gardermoen facilities and through its stake in Viken Fjernvarme; several related investments are being assessed. These investments create more jobs, while making important contributions to environmentally friendly development.

Simply and efficiently

Hafslund strives to make everyday life safer and better for every one of our customers. Thus, efforts to increase the quality of deliveries and simplify products have been given high priority, and yielded good results. Telephone inquiry response times at Hafslund's customer service center have been cut to an average of 20 seconds; further, the quality of customer service is followed through weekly customer surveys. Hafslund's portfolio of power sales products has been significantly simplified, hence easier for the customers to evaluate and choose the best products. These efforts to improve in-house procedures will continue unabated in 2006.

Five years ago, Hafslund began to target the combination of power and security. The initiative was met with some skepticism and hesitation, and many difficult, even painful steps have been required to take Hafslund to where it is today. Nevertheless, the strategy is beginning to pay off handsomely. Norwegian electric power companies have entered a new era, and Hafslund intends to be in the forefront of this development. The Group now has a solid platform for further growth, and will take advantage of it. By delivering products and services to the heart of a new generation of "smart home" systems, Hafslund will live up to its vision: We make everyday life safer and better.

Rune Bjerke
President and CEO

Nils-Jørgen Sørensen, Hafslund Entreprenør grid electrician,
and Espen Jonathan Bohlin, Hafslund Security valuables transport.

Hafslund is Norway's foremost supplier of power and security. The Group shall lead the development of the Norwegian power industry and fulfill its vision, "We make everyday life safer and better".

Markets and organization

Hafslund's new organization has resulted in streamlined business areas, more cooperative efforts for customers, and improved opportunities for offerings across business areas.

In September 2005, Hafslund modified its organization. Now, all business activities are organized into four Group business areas: Private, Corporate, Technical Services, and Heat and Infrastructure.

Easier to be a customer

A key goal of 2005 was to make it easier to be a Hafslund customer. The Hafslund Private business area combined its marketing and customer contact functions for residential power and security products into a single organization and a single value chain. Whereas the previous portfolio comprised more than twenty different power products, the product portfolio has now been greatly simplified. With simplification of the various products and services, customers can more easily choose among them; it is also easier for Hafslund to manage products and accounts and to train staff. Moreover, product streamlining has made it easier for customer service center staff to advise Hafslund's residential customers.

Wireless alarm systems are offered as the standard residential-alarm product as of 2006, in furtherance of the policy of simplification. Two-way-communicating electric meters were successfully market-tested in 2005. With such meters in their homes, power customers no longer have to read their own meters.

Greater professionalization

In the corporate market as well, emphasis is on simplification and product and service ranges tailored to individual customers, based on standardized components. Professionalization of customer relations is emphasized. The new Corporate business area's managers and sales staff work more closely to coordinate all activities vis-à-vis each corporate customer. Hafslund intends to be in the forefront in giving the customer the highest priority – and new technology will be adopted to make it easier to be a Hafslund customer. Continued development of the Corporate's Internet portal will make it easier for power customers to access market information and prices, temperature overviews, details about their own power consumption, archived invoices, and budget solutions.

Quality and competence

Quality, consistency, and excellent customer service are important to Hafslund. The Hafslund Private business area's customer service center handles 600,000 customers in network, power sales, and security with a total of 900,000 customer relationships. Each week, a number of power customers who have been in contact with the customer service center are surveyed, in order to assess their perceived customer service. Survey findings show that customers in contact with the customer service center are generally more satisfied than customers who have had no such contact. In 2006, similar surveys will be introduced for security customers. Also in 2006, joint customer management systems for power and security customers will be introduced; these will fully integrate power and security customer support services for retail-market customers.

State-of-the-art expertise and technology

In 2005, Hafslund's Technical Services business area continued to develop its core competence, and it is winning an increasing number of bids. The steep market growth and the great demand from both non-Group and Group customers make it essential that Hafslund has the state-of-the-art expertise that is needed at any time. Hafslund has also devoted great effort to wielding top expertise in the Heat and Infrastructure business area. Heat and Infrastructure's network power distribution business provides one of Norway's best network services – delivering high quality and supply reliability, at one of the country's lowest grid rental charges. Technology, equipment, and methods develop so quickly that a close cooperation with suppliers and producers is vital to staying up-to-date in these arenas.

Lene Vigdal has tested the Hafslund Box.

The targeting of power and security is one of the reasons for Hafslund's good performance. Going forward, the convergence of products, services, and technologies delivered to homes will greatly benefit our customers.

Hafslund – the road ahead

Hafslund's expertise, technology, and resources make the Group well equipped for further growth and development of new solutions for rapidly changing markets.

Deregulation of the Norwegian power market, ever-tighter margins on power sales, and higher wholesale power prices led to a quest by Norwegian and Nordic power companies, toward the end of the 1990s, to develop new business opportunities. Existing infrastructure, expertise, customer bases, and new technologies presented substantial opportunities to offer customers additional services for their homes. Early on, Hafslund realized the potential of the power and security product combination, and positioned the organization to handle such subscriber-based products and services.

Platform for new services

Hafslund's targeting of power and security has paid off. The strategic prioritization of delivering both power and security, accomplished by gathering and developing several companies within a single group, has made Hafslund into Norway's largest power distribution company. Our corporate restructuring has also made Hafslund the country's leader in end-user sales of both electric power and security services. Now the Group has grown its fiber optic network to more than 700 kilometers in Oslo and adjacent Akershus county. Hafslund's continued value creation will be founded on this broad platform comprising customers, services, and new technology. Both around the world and in Norway a convergence of products, services, and technology delivered to households is taking place. Hafslund's 2005 pilot project, which introduced "the Hafslund Box" – an installed two-way communications unit providing digital, remote-reading of electric meters - showed that this was the way to go. The goal is to offer this service to ten thousand additional residential customers by year-end 2006. Hafslund's development of two-way communications solutions, as well as the growing market demand for broadband services, led the Group to strategically target fiber optic broadband infrastructure and take advantage of existing rights-of-way. As Hafslund expands its broadband products, delivery of Internet, telephony, and other services will become more accessible.

Growth and areas of focus

Hafslund will continue to develop new services for residential and corporate customers. The Group will also expand its search for viable energy-conserving and alternative energy sources, such as solar energy, heat pumps, biofuel, fuel cells, and district heating and cooling. Natural gas distribution may also come under consideration. No matter which market opportunities are pursued, the involvement will be based on robust business models, including partnership models that offer better execution. "We make everyday life safer and better" is the corporate vision guiding Hafslund's actions. New products and services will make customers' day-to-day lives easier, benefit society at large, and reinforce Hafslund's position as Norway's leading supplier of both power and security.

Growth through structural change

Hafslund will continue its growth in both power and security – through organic growth and via mergers or acquisitions. Where appropriate, divestiture of non-core assets will be made. The Norwegian power market continues to be characterized by a large number of players. Hafslund has the capacity to grow, and views as particularly interesting the potential of expanding its distribution grid activities in the neighboring counties. Business acquisitions allow Hafslund to harvest synergies, partly through centralizing overlapping activities. Nevertheless, sound, cost-effective regional operations remain the foundation. Expanding the geographic spread of operations benefits customers, who gain from the capacity and expertise inherent in Hafslund's size. Today, Hafslund's power distribution grid ranks among Norway's most reliable, yet our customers pay one of the lowest grid rental charges in the country.

Jan Botterli, Hafslund Elsikkerhet department leader; Rune Braathen, Hafslund Installasjon electrician; Marianne Todorovic, Hafslund Sikkerhet Teknikk sales support; and Thomas Winge, Hafslund Entreprenør grid electrician.

On the platform of customers, products, services, technology, and know-how – Hafslund will continue to create value.

Individual careers and common welfare

In 2005, extensive Human Resources efforts were devoted to employee development, corporate values, Groupwide HR issues, and HSE.

Hafslund comprises a multitude of companies, and the Group's employees represent many professions and trades. In creating a common set of values, not only must employees be familiar with Group corporate values, they must also share ownership in them and in the business and Group strategy. In 2005, this process was the subject of much effort, including the implementation of a joint course and training program, introductory courses for new employees, and programs for experienced personnel. Other facets of this work were management evaluations and distributing a "toolbox" of measures to create a common corporate culture in all parts of the Group.

Talent program well received

In the autumn of 2005, Hafslund introduced its talent development program, aimed at identifying particularly capable employees with the potential for leadership or key specialization. Via seminars and case work, talent program participants – drawn from a wide range of Group activities – take on real-life business challenges. Along with valuable training, the program has resulted in the building of networks across Group organizational borders. Response to the talent development program has been excellent: 144 applicants for 21 positions. The next round of the talent program will take place in 2006-2007.

Development of managers

The regular evaluation of managers will be an established part of Hafslund's evaluation and compensation systems for the top management of each company. In 2005, an evaluation tool was implemented, and a pilot project, followed by assessments of individual managers, was completed. The management evaluation will form the basis for further development of individual leaders; it is also a step toward a balanced program of target setting. In 2006, Hafslund will conduct a program for experienced executives. This program will help to develop leaders professionally and assist in their careers, while building relations across Group companies. The every-day working life of individual leaders and Hafslund's future potential and challenges will be core facets of the program.

Health, Safety and Environment (HSE) improvements

Hafslund's HSE efforts are key to creating sustainable development for the Group's customers, employees, and owners. HSE goals are reached through HSE planning, reporting, and giving HSE the same priority as production, service, and financial issues. Greater resource allocation and higher priority of HSE issues have paid off. In 2005, shared HSE goals were established, and a Groupwide HSE action plan was prepared. Further, procedures covering specific targeted areas were standardized and simplified. A unified working environment task force was established. Hafslund also began work to develop a Groupwide contingency plan, based on contingency plans already in existence.

Lower sick leave rate follows IA (inclusive working life agreement)

In March 2005, Hafslund entered into an agreement that made the Group a so-called IA company. IA (inkluderende arbeidsliv, or inclusive working life) is a government, industry, and labor initiative to reduce sick leave. Considerable efforts were expended on IA projects throughout the year; for example, all managers with personnel responsibilities received IA training. In 2004, the average sick leave rate for the Group as a whole was 5.8 percent. After becoming an IA company, the average sick leave rate for the Group was reduced to 5.3 percent. The trend in sick leaves remained positive throughout 2005. It appears that greater attention to health, safety, environmental, and employee welfare issues has had the desired effect.

Hafslund offers challenges and opportunities.

Elin Ødegaarden and Terje Ingebigtsen, Talent Development Program 2005-2006

Mutual efforts, characterized by courage and adaptability, have brought Hafslund to where we stand today. Our growth and value creation offer Group employees exciting projects and a broad range of opportunities.

Value creation through cooperation

Sponsorships, as well as financial aid donated to deserving organizations that are supportive of Hafslund's core values, spotlight Hafslund as a good corporate citizen. These activities also get employees involved and promote a sound corporate culture.

Hafslund's value creation

The Hafslund Group's business activities in Norway generated 2005 revenues of nearly NOK 8.7 billion, which includes financial asset value changes. Adjusted for expenditures for input factors such as goods, electric power, outsourced services, and depreciation, which totaled approximately NOK 4.9 billion, net 2005 value creation for distribution by Hafslund's business activities amounted to NOK 3.1 billion.

Of the total value creation by Hafslund for 2005, the Norwegian government received taxes and fees of NOK 565 million; in 2005, NOK 682 million was distributed to employees. Hafslund's lenders acquired NOK 634 million. The remaining NOK 1,207 million of total value creation in 2005 was transferred to Hafslund shareholders, in the form of dividends or retained earnings. In addition to receiving NOK 565 million of the Hafslund Group's overall value creation, the government received VAT and consumption fees on power sales and goods of approximately NOK 2.4 billion.

Hafslund's value creation

(Amounts in NOK million)	2005	2004
Revenues*	8,695	7,828
Goods and services	(4,941)	(4,711)
= Gross value creation	3,754	3,117
Depreciation and write-downs	(666)	(654)
= Total value creation for distribution	**3,088**	**2,463**

* Including financial asset value changes

Sponsorships

Hafslund works with organizations and entities that benefit the community and society in four different categories: sports, humanitarian efforts, environmental organizations, and culture. The values of recipients must accord with Hafslund's values. Sponsorship agreements help market the Hafslund Group and strengthen its relations with customers and other target groups. Sponsorship is also important in building a sound corporate culture.

For 2005, a total of NOK 17 million was allocated for the following recipients:
- Vålerenga Fotball (soccer team)
- Fotballklubben Sparta Sarpsborg (soccer team)
- Groruddalen Golfklubb (golfing)
- Røa damefotball (women's soccer)
- Doctors Without Borders (humanitarian organization)
- Bellona (Norwegian environmental organization)
- Norges Velforbund (residents' organization)
- Young Entrepreneurship (students' organization)
- The Ibsen Guild

Hafslund is also working to promote secure playgrounds in cooperation with the residents' association Norges Velforbund. Hafslund maintains a fund dedicated to keeping children's play areas in residential and local areas safe.

Vålerenga – more than gold-winning champions

Hafslund has worked with the soccer club Vålerenga Fotball since 1993. This agreement represents a long-term cooperation based on mutual advantages. Values shared with Vålerenga forged projects and activities targeting children, youth, and senior citizens, and working to defeat racism.

Hafslund Manor – a slice of Norway's cultural heritage

Hafslund Manor is a protected landmark that preserves important aspects of Norway's and Hafslund's heritage. The manor has been owned by Hafslund since 1898 when Aktieselskapet Hafslund purchased Hafslund Manor and the waterfall rights in nearby Sarpfossen on the Glomma waterway. The Group carefully maintains the Manor's buildings and facilities, which also serve as meeting venues for Hafslund employees, and are used regularly for in-house and external events arranged by Hafslund. In June 2005, Hafslund and Hafslund Manor had the honor of hosting former South African president Nelson Mandela during his visit to Norway. Artistic, cultural, and training events are held at Hafslund Manor. In summer, the manor house is open to the public; guided tours are provided, and the Manor is a setting for a variety of cultural events.

Hafslund's growth and value creation benefit all.

Max and Eskil, enthusiastic Våleringa supporters ...

Each year, Hafslund makes important contributions to society through taxes and fees. In 2005, Hafslund contributed an additional NOK 17 million in direct financial aid to environmental, sports, cultural, and humanitarian organizations.

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Hafslund Group Management

1 Rune Bjerke (b. 1960)
President and CEO
Mr. Bjerke became President and CEO of Hafslund ASA in August 2000. Before joining the company, he served as President and CEO of Scancem International, where he previously headed the international cement company's Asia trading activities and was the company's CFO. Rune Bjerke has also served as finance commissioner of the City of Oslo and advisor to Norway's Ministry of Petroleum and Energy. Mr. Bjerke is a board member of Tomra Systems ASA and Renewable Energy Corporation (REC), and a past board member of several companies, including Storebrand ASA and Statoil ASA (deputy board chairman), and Energibedriftenes landsforening (EBL). He has a degree in economics from the University of Oslo, and holds a masters degree in Public Administration (MPA) from Harvard University. Mr. Bjerke and parties closely related to him own 2,973 Class B Hafslund shares.

2 Christian Berg (b. 1969)
Deputy CEO, CFO, and Group Senior Vice President, Treasury
Mr. Berg was appointed Deputy CEO on 1 September 2005. He has been with Hafslund since 1998. Berg became Hafslund's CFO in 2001; previously he served as manager of the Group's Financial Investments business. Mr. Berg has worked for Price Waterhouse, where he was a corporate finance advisor. He has also served as general manager of the investment company Brothers AS. Mr. Berg is a board member of Brothers AS, Støa AS, Danske Capital Norge AS, EFI AS, Einar Film og Fortellinger AS, and Oslo Pensjonsforsikring. Christian Berg holds an MBA degree from the Norwegian School of Economics and Business Administration. Berg and parties closely related to him own 12,973 Class B Hafslund shares.

3 Per Kristian Olsen (b. 1950)
Group Senior Vice President, Heat and Infrastructure
Since September 2005, Mr. Olsen has served as Group Senior Vice President, Heat and Infrastructure. He joined Hafslund in March 2002 as Group Senior Vice President in charge of the Network business area. Mr. Olsen serves on the industrial policy committee of Energibedriftenes landsforening (EBL). Educated as an engineer at Østfold College of Engineering, Per Kristian Olsen received both his degree in business administration and his Masters in Management from the Norwegian School of Management. Mr. Olsen and parties closely related to him own 15,173 Class B Hafslund shares.

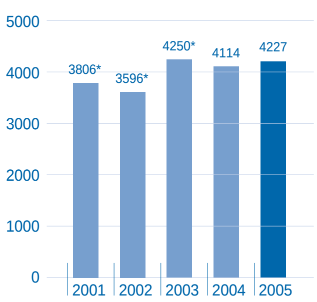
4 Bjørn Frogner (b. 1962)
Group Senior Vice President, Technical Services
Mr. Frogner has served as Group SVP, Technical Services since September 2005. Until that point he was Group Senior Vice President, Business Development; prior to that Frogner was Group Senior Vice President in charge of Hafslund's Contracting and Security business area, a position he held until November 2003. Bjørn Frogner began working for Hafslund as Group staff manager in 2001. Before joining Hafslund, he served as administration and finance manager of the printing firm Schibsted Trykk. Previous experience includes serving as finance manager with Veidekke (construction), and with KPMG. He received his business administration degree from the Oslo School of Management. Mr. Frogner and parties closely related to him hold 6,773 Class B Hafslund shares.

5 Cato Haugen (b. 1970)
Group Senior Vice President, Private
Mr. Haugen was appointed Group Senior Vice President, Private in September 2005. Since September 2004, Cato Haugen was in charge of Hafslund's retail-market sales of electric power and security products and services. Haugen joined Hafslund in 2001 as Managing Director of Hafslund Sikkerhet Privat AS; he had been a founder of one of the security companies that was a core component of Hafslund Sikkerhet. Cato Haugen holds a degree in business administration from the Norwegian School of Management. Mr. Haugen and parties closely related to him own 15,000 Class A Hafslund shares and 86,773 Class B Hafslund shares.

6 Tove Pettersen (b. 1970)
Group Senior Vice President, Corporate
Ms. Pettersen was appointed Group Senior Vice President, Corporate in September 2005. Previously, she was Group Senior Vice President, Markets, a position she took over in the autumn of 2003 after having served as Group Vice President, Power Sales. Tove Pettersen joined Hafslund in 1997 from Hedmark Energi. Until 2003, Tove Pettersen played a key role in Hafslund's industrial investments and power trading activities. Tove Pettersen is a board member of Energibedriftenes landsforening (EBL) and Eidsiva Vekst AS. She holds an MBA from the Norwegian School of Economics and Business Administration.
Tove Pettersen and parties closely related to her own 6,346 Class B Hafslund shares.

7 Ingeborg Aass Holten (b. 1961)
Group Senior Vice President, Organizational Development
Ingeborg Aass Holten joined Hafslund as Group Senior Vice President, Organizational Development in May 2004. She joined Hafslund from Accenture, where she had been an Associate Partner from August 1997. Her previous work experience includes heading Volvo Personbiler Norge AS's training and HR activities, serving as head of Securitas AS's training department, and working as a training consultant at UNISYS. Ms. Holten is a board member of Delphi Consulting, HR-Norge, and Ungt Entreprenørskap. Ingeborg Aass Holten holds a degree in pedagogics from the University of Oslo. Ms. Holten and parties closely related to her own 614 Class B Hafslund shares.

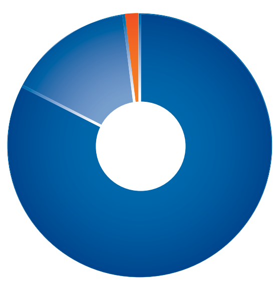
Operating revenues
NOK million



* NGAAP figures

Capital-intensive operations with stable revenues

2005 operating revenues
NOK million

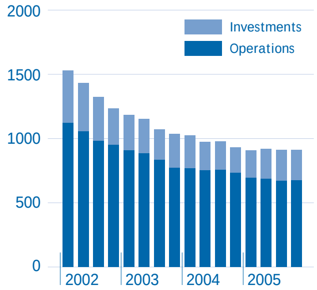


3460	Network
79	Tokom
688	Power Generation

Network activities account for more than 80 percent of revenues

Network
NOK million

Rolling annualized operating expenses and investments

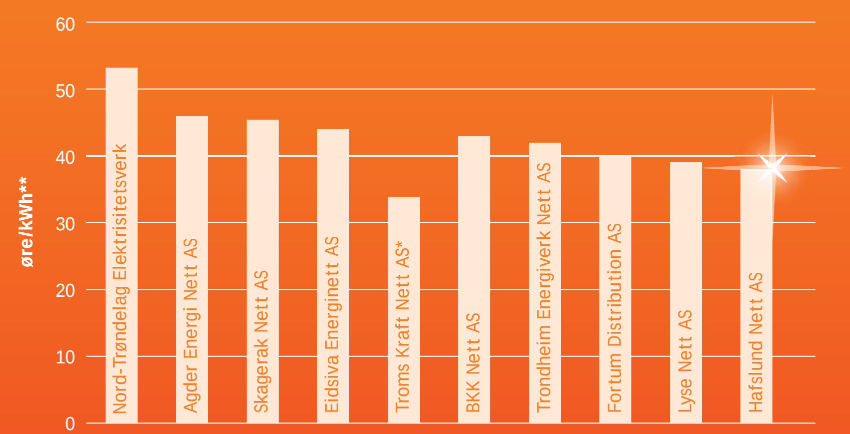


Network – continuous focus on optimizing operations

2005 highlights

- Best-ever profit figures for the power generation, network, and broadband fiber optic activities in Hafslund's history.
- Excellent hydropower plant availability – power generation 6.3 percent above 10 years average production.
- High delivery reliability and one of the lowest grid rental charges in the country.
- Hafslund Tokom is one of the largest fiber-optic network suppliers to broadband operators, municipalities, businesses, and industry in southeastern Norway.

2005 residential grid rental charges (incl. all taxes)



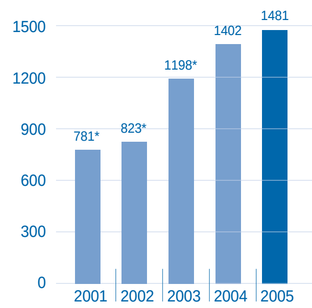
* Nordland, Troms, and Finnmark are not subject to VAT
** 100 øre = NOK 1

Source: NVE December 2005

2006 goals

- Further improve delivery quality and service to all grid customers.
- Increase efficiency at Hafslund's hydropower facilities.
- Continue development of broadband network and increase sales of broadband capacity.
- Increase the number of customers equipped with two-way power and security communications solutions.

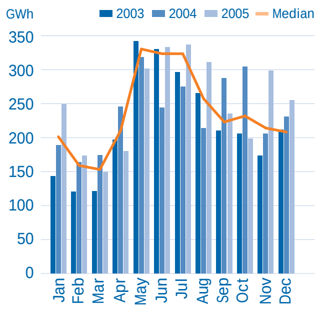
Operating profit 2005
NOK million



* NGAAP figures

Near doubling of operating profit since 2001

Power Generation
vs. 10 years average production



2005 Power Generation = 3,067 GWh

Heat and Infrastructure

Hafslund experienced the best profit levels so far for the Group's Power Generation, Network, and Broadband fiber optic network businesses.

The Heat and Infrastructure business area comprises independent companies that are responsible for operation, maintenance, investment, engineering, project management, and construction of power distribution grid networks, power generation facilities, and other infrastructure. Heat and Infrastructure is also responsible for the Group's targeting of broadband network development and the sale of related services. The business area manages the Group's ownership interests in district heating facilities.

The Group's power generation, network, and broadband fiber optic network activities reported record profits in 2005. Efforts at all Heat and Infrastructure companies to cut operating costs, invest effectively, and follow accurate and streamlined work procedures added significantly to profitability.

Key developments and 2005 results

> Network

Network activities comprise Hafslund Nett and a one-third ownership interest in Rakkestad Energiverk. Together, the companies make up the largest power distribution grid in Norway and the fourth-largest in the Nordic countries. Hafslund's stake in Mjøskraft AS and Mjøskraft Strøm AS were sold to Eidsiva Energi in May 2005. Hafslund currently has a total of 520,000 grid customers. The bulk of Hafslund's local and regional distribution systems is located in the greater Oslo area and nearby counties and municipalities: Asker, Bærum, Oslo, Romerike, and parts of Follo and Østfold.

Hafslund's network activities had a record profit in 2005 – and the company has one of Norway's lowest grid tariffs. The distribution grid's supply reliability was very high in 2005. Through the year, Hafslund achieved its goal with regard to reducing brief service interruptions. There are still some variations in supply reliability in Hafslund's license area; measures to enhance reliability in exposed areas are continuously implemented.

Hafslund Nett – key figures*

(Amounts in NOK million)	2005	2004
Operating revenues	3,460	3,346
Operating profit before depreciation	1,520	1,462
Operating profit	1,001	914

* Figures for remaining businesses (excl. Mjøskraft). Mjøskraft, which was sold, had contributed NOK 78 million and NOK 41 million respectively to operating profit in 2005 and 2004.

At year-end 2005, Hafslund Nett had 177 employees.

> Power Generation

Hafslund owns and operates nine hydropower plants in Norway, located on the lower Glomma and Lågen waterways. Median annual generation is 2,850 GWh (million kilowatt hours).

Control over production volumes is low because total hydropower reservoir capacity in the waterway is only about 16 percent of annual water influx. Riverine generation has a limited ability to store water in reservoirs for later power production; generation is greatest during summer months.

Hafslund's acquisition of waterfall rights took place before 1909, when legislation imposed licensing. Consequently, the Norwegian government does not have the right according to current legislation to reclaim Hafslund's hydropower plants, as is the case for later-built facilities.

Rebuilding projects and maintenance to ensure availability of production facilities and to improve operational efficiency were the chief plant investments in 2005. Upgrading of the oldest Vamma Kraftverk generators began in 2005.

The Hafslund Produksjon generated 3,067 GWh of power in 2005, 6.3 percent above normal annual generation. The volume-weighted sales price for the year was NOK 0.233 per kWh, which corresponds to about 100 percent of the volume-weighted spot-market price for the year.

Generation availability throughout Hafslund's Norwegian power plants in 2005 was excellent: 99.89 percent. High availability is a result of effective, continuous maintenance planning and the efficient remote control of generation facilities. Glomma generation conditions in 2005 were highly favorable and distinguished by an early and long-lasting snow melt.

In September 2005, the biomass-fueled power works in Greenville in the United States was sold; the transaction resulted in a NOK 7 million sales gain. With the divestiture, all operating activities in the United States have been discontinued.

Hafslund Produksjon – key figures

(Amounts in NOK million)	2005	2004
Operating revenues	688	692
Operating profit before depreciation	511	518
Operating profit	467	476

At year-end 2005, Hafslund Produksjon had 21 employees.

› Tokom

The broadband market continued its strong growth in 2005. During the year, Hafslund Tokom established itself as one of the largest suppliers of dark fiber (customer access to fiber optic cable transmission) to broadband operators, municipalities, businesses, and industry in southeastern Norway and of operational services of remote reading and management of power consumption. Established 1 May 2003, Hafslund Tokom began its second full year of operations in 2005. The company restructured its activities in 2005; and installation of manual meters was moved to Hafslund Entreprenør.

Tokom – key figures

(Amounts in NOK million)	2005	2004
Operating revenues	79	76
Operating profit before depreciation	24	19
Operating profit	13	12

In 2005, approximately NOK 85 million was invested in building fiber networks in Oslo and neighboring Akershus counties, and at year-end 2005, the company had more than 700 kilometers of fiber network at its disposal.

In November 2005, Hafslund Tokom acquired Bredbåndsfabrikken with about 90 kilometers of fiber networks and rights of way to about 2,500 active customers in a total of 85 housing co-ops in Oslo.

At year-end 2005, Hafslund Tokom had 23 employees.

› Real estate

The real estate unit is responsible for management, operation, and maintenance of the Group's leased and owned real property, and for real estate sales. In 2005, nearly NOK 100 million in real estate was divested; sales contracts for the most important of these properties feature lease-backs of parts of the sold properties.

At year-end 2005, Hafslund Eiendom had four employees.

2006 market outlook and focus

› Hafslund Nett

Hafslund Nett continues to work systematically to enhance its reputation with customers and key cooperation partners. Hafslund Nett's customers are to experience satisfactory supply quality and service levels in all contact points with the company and its subcontractors.

Regulatory authorities are preparing a new framework governing Norwegian power distribution companies' regulated income ceilings; the new regulatory regime goes into force in 2007. Hafslund has been engaged in a

Our digital world

With 3,000 housing co-op customers and more than 60 corporate clients, comprising 25,000 users, Hafslund's fiber optic network is an important communications highway in the greater Oslo region.

Our society is becoming a digital one, with both households and businesses ramping up their dependence on broadband services, which require increasingly greater transmission capacity. Hafslund has a comprehensive fiber optic network in both Oslo and Akershus counties. In 2006, a fiber optic network covering Bærum municipality in Akershus will be built. Serving densely populated, attractive areas, our broadband network covers all major housing and business locations in Oslo. Via Hafslund's fiber optic network, customers travel the "digital highway" on the market's fastest broadband network.

Broadband of the future

Today, Hafslund offers fiber-based broadband services to business and housing co-op customers. The convergence of voice, data, and video services, along with the implementation of secure data storage solutions, add momentum to the shift to fiber optic broadband networking. Greater high-speed transmission capacity allows for the delivery of significantly higher quality products than today's copper-based solutions. For customers seeking high operational stability and security, or greater flexibility in establishing new network capabilities, only the fiber optic network will be good enough to meet the future.

constructive dialogue with regulators. The Group's goal is rulemaking that allows for greater value creation for both distribution grid owners and customers in the years to come:

- The regulatory framework should be based on the principle that efficiency is reflected in grid companies' return on invested capital.
- Regulated income ceilings should be based on normalized figures to the greatest extent possible, to provide the right financial incentives for excellent grid operations and development.
- Income ceilings should allow for appropriate reinvestments in coming years.
- The income-cap penalty factor, called KILE (quality-adjusted income ceiling for non-delivered electric power) should continue to play a key role in future rulemaking governing regulated monopoly activities of distribution companies.

› Hafslund Produksjon

In light of the increasingly strained worldwide energy situation and greater focus on environmental concerns, Hafslund sees major potential in renewable energy production based on hydropower. In addition to resource shortages, the power market faces increasing environmental-policy-related charges on power generated by burning fuel; these charges are aimed at limiting CO_2 emissions.

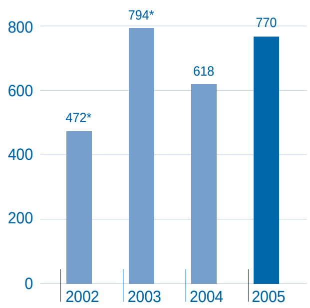
Hafslund Produksjon's main focus for 2006 will be to increase efficiency at its own generation facilities through:

- Continued improvement of water resource utilization in the Glomma and Lågen waterways.
- Proactive contact with regulatory authorities and other public organizations to achieve stable and incentive-appropriate framework conditions.
- Further productivity gains in operations and maintenance through greater systematization of maintenance, including inspections, audits, and follow-ups.

› Tokom

Tokom anticipates growth in both broadband and automatic electric meter reading markets in the years ahead. Plans are for expansion of the company's fiber optic network and increasing the number of customers using Tokom solutions for remote meter reading and management of energy consumption, from today's installed base of 17,000 meters to 30,000 meters.

Operating revenues
NOK million



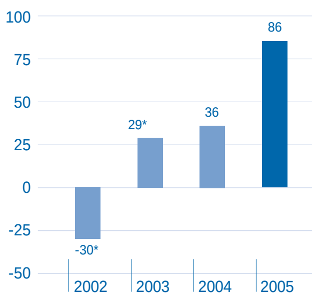
* NGAAP figures

Greater proportion of revenues from non-Group customers in competitive markets

2005 highlights

- Increased revenues and good cost containment bring solid profits to most Technical Services companies, compared with 2004.
- Gathering of all Hafslund companies that deliver technical services expands utilization of their specialized know-how.
- Several acquisitions of smaller-sized companies supplement existing expertise and open new geographic markets.
- Rising demand for total deliveries in addition to new product combinations improve market clout.

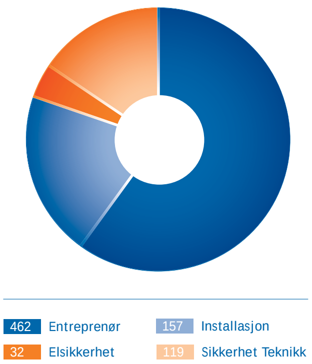
Operating profit
NOK million



* NGAAP figures

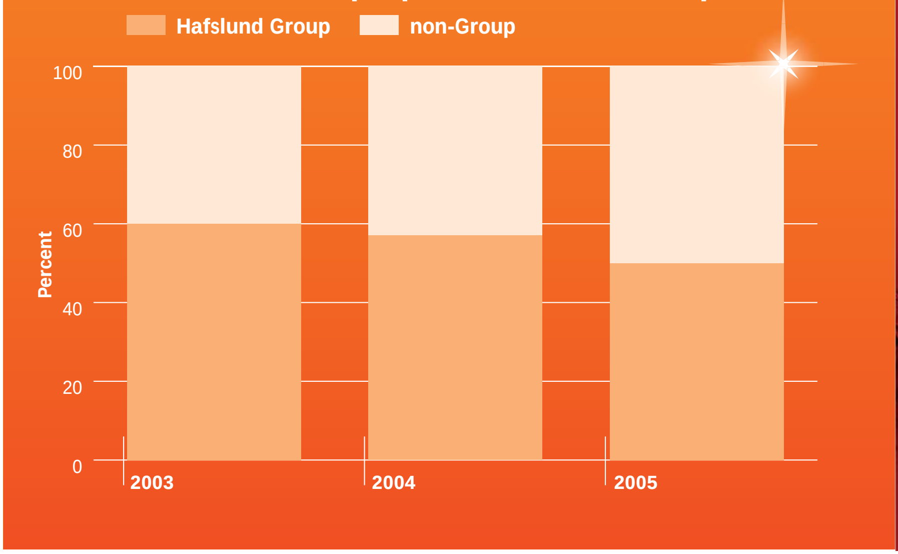
Restructuring has paid off

2005 operating revenues
NOK million

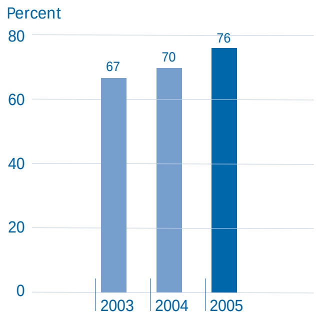


Hafslund Entreprenør accounted for more than half of operating revenues

Technical Services' proportion of non-Group revenues



Invoicing level
Hafslund Entreprenør

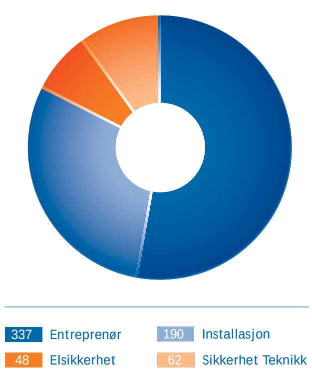


Increased level of invoicing indicates a shift from stressed to self-sufficient business

2006 goals:

- Exploit and continue to develop new expertise; target newly acquired areas such as cable trenching, working on high-voltage transmission lines under load, fiber optic networks, and advanced security technology.
- Ensure successful integration of businesses acquired in 2005.
- Demonstrate excellence in new niches; develop and polish new product combinations for a changing market.
- Increase proportion of revenues from non-Group customers.

Personnel
Technical Services



Technical Services

Multiple organizational adaptations implemented in recent years have equipped the Technical Services business area to meet market competition. 2005 saw solid growth in both revenues and profits.

The Technical Services business area was formed in the autumn of 2005 as a result of a reorganization of the Hafslund Group. Technical Services comprises four independent companies: Hafslund Entreprenør, Hafslund Installasjon, Hafslund Elsikkerhet, and Hafslund Sikkerhet Teknikk.

Technical Services consists of electrical-industry contracting companies that are total service suppliers.

The business area's activities are project-based, often with common approaches to solutions; the unit delivers product combinations across company borders. Many of the solutions offered by Technical Services, in addition to being competitive and value-creative, are unique.

2005 was an excellent year for Technical Services: nearly all companies enjoyed solid growth in both revenues and profits, compared with the two previous years. Technical Services companies deliver products and services that the market demands on competitive terms. In recent years, organizational modifications have been implemented in order to better meet market competition.

Despite increasing competition, the market outlook for the services delivered by the business area's companies is favorable. However, the current market picture is not likely to go unchallenged. Further industry changes are expected, including local establishments of competitors from low-cost countries, especially those in eastern Europe.

Expertise building in new professional areas and further development and honing of additional product combinations will secure continued business area growth.

Key developments and 2005 profit

> Contracting

Hafslund Entreprenør is a total supplier of electric power infrastructure engineering, construction, maintenance, and contingency services. The company is a leader in specialized fields such as installing and maintaining high-voltage transformers, switch gear, and transmission lines. In 2005, Hafslund Entreprenør expanded the services it offers to include work on high-voltage transmission lines under load (called AUS in Norwegian), by acquiring Trøgstad ElTjenester AS, which was renamed Hafslund Entreprenør AUS.

In December 2005, Hafslund established a presence in the Swedish market through its acquisition of the contracting company Veka Entreprenad AB, located in southern Sweden. This acquisition expands Hafslund Entreprenør's expertise in constructing extensive underground transmission cable runs and related infrastructure.

Hafslund Entreprenør – key figures

(Amounts in NOK million)	2005	2004
Operating revenues	462	391
Operating profit before depreciation	59	12
Operating profit	53	0

The company has since it was founded in 2002 been through several significant reorganizations and labour adjustments. The effects of these initiations have fully been vizualized in 2005 through high operational revenues and an historical high operating profit.

At year-end 2005, Hafslund Entreprenør and its subsidiaries had a total of 337 employees.

> Installation

Hafslund Installasjon delivers a range of products and services to the electrical installation market. The company is Norway's largest participant in engineering, development, and maintenance of street lighting. The company is also a total supplier of electrical, telecommunications, and computer installations.

Hafslund Installasjon has experienced steady growth in recent years, mainly through organic growth. However, in 2005, the company completed a major acquisition, the take-over of Elrom Installasjon AS, with 80 employees. Hafslund Installasjon now has branch offices in Oslo, and in Østfold and Akershus counties.

Hafslund Installasjon – key figures

(Amounts in NOK million)	2005	2004
Operating revenues	157	107
Operating profit before depreciation	25	17
Operating profit	20	14

Hafslund Installasjon has enjoyed profit growth for many years, and this trend continued in 2005. High activity levels throughout the year, as well as emphasis on cost control and profitability, led to solid results in 2005.

At year-end 2005, Hafslund Installasjon and its subsidiaries had 190 employees.

> Electric Safety

Hafslund Elsikkerhet AS mainly provides system safety monitoring and surveillance services to grid companies. Under licensing regulations, grid companies have an overall responsibility in their license areas for safety and regulatory compliance with regard to power distribution facilities, the work of electrical contractors, and companies that sell electrical equipment.

Hafslund Elsikkerhet, the largest company of its kind in Norway, grew further in 2005 through the acquisition of Fortum Elsikkerhet in Østfold county. In addition to Hafslund Nett, the following are among Hafslund Elsikkerhet's electric safety and compliance customers: Fortum Distribution, Rakkestad Energiverk, Trøgstad Elverk, and Buskerud Kraftnett. Thus, Hafslund Elsikkerhet covers all of Oslo, Akershus, and Østfold counties and large parts of Buskerud county.

Hafslund Elsikkerhet – key figures

(Amounts in NOK million)	2005	2004
Operating revenues	32	50
Operating profit before depreciation	8	25
Operating profit	8	25

At year-end 2005, Hafslund Elsikkerhet and its subsidiaries had 48 employees.

> Security Technology

Hafslund Sikkerhet Teknikk was established in 2001, following the acquisition of several alarm and security companies. To focus more intensively on developing the technical aspects of security products for the corporate market, Hafslund Sikkerhet Teknikk was organized as a separate profit center and incorporated in 2005.

Sikkerhet Teknikk delivers technology-based security systems and solutions to corporate-market customers; projects are often custom-designed and use advanced technologies. Sikkerhet Teknikk is one of the largest suppliers of electronic security systems in Norway. The company is also a leading supplier of security products to the oil and gas industry.

Sikkerhet Teknikk's comprehensive product range includes alarm and TV surveillance, access control, integrated security solutions, ID cards, electronic antitheft systems, and facilities operations.

Hafslund Sikkerhet Teknikk – key figures

(Amounts in NOK million)	2005	2004
Operating revenues	119	96
Operating profit before depreciation	6	(3)
Operating profit	5	(4)

Hafslund Sikkerhet Teknikk is growing rapidly, a fact that is reflected in recent years' revenues. Operating revenues rose by about 50 percent from 2003 to 2004, and by 24 percent from 2004 to 2005.

At year-end 2005, Hafslund Sikkerhet Teknikk had 62 employees.

2006 market outlook and focus

> Hafslund Entreprenør

Hafslund Entreprenør will continue to develop the range of products and services it provides, so that Hafslund Entreprenør will be a preferred and profitable partner to both Group and non-Group customers.

State-of-the-art expertise provides good returns

The Technical Services business area delivers to the entire Hafslund power and security value chain. And customers want turnkey solutions.

An overarching goal of gathering all Hafslund companies that provide technical services into a single business area was to pass on to customers the benefits of the Group's extensive, multidisciplinary know-how.

While most of our competitors deliver a narrow range of services, Hafslund delivers services covering the entire value chain. For example: In a housing complex, Hafslund delivers all electrical installation services – low voltage systems, fire alarms and security systems, residential wiring, metering and switchgear, motor controls, high-voltage power service, and street lighting. Experience shows that customers want high-quality, turnkey deliveries.

Competence-building and efficiency

Today, there is considerable activity in Technical Services' markets, where specialized expertise is in great demand. In 2005, Technical Services companies made great strides in widening their range of specializations and strengthening their state-of-the-art expertise. This was achieved through a combination of acquisitions of companies that possess expertise that Hafslund was lacking and staff training. Having the appropriate expertise, offering a broad range of services, and operating with a compact management paid off handsomely in 2005.

The company will also take advantage of and further develop its new areas of expertise: cable trenching and AUS (working on high-voltage transmission lines under load). Other 2006 goals are the effective integration of companies acquired in 2005 and the optimization of cooperation among all Hafslund Entreprenør companies.

While competitive restraints still affect Hafslund Entreprenør's contracting markets, this situation is improving. Hafslund Entreprenør is aggressively seeking the status of a preferred supplier to those companies soliciting open bidding.

> Hafslund Installasjon

In 2006, Hafslund Installasjon will continue its growth and apply effective cost containment measures. Successful integration of Elrom into the existing organization is a key 2006 task. Fiber-optic broadband services for businesses as well as homes are a growing market; the company will expand its technical expertise in this field in 2006.

> Hafslund Elsikkerhet

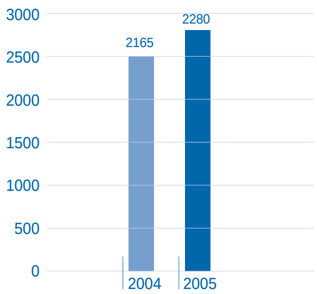
Effective integration of Fortum Elsikkerhet into the existing organization is a priority. Hafslund Elsikkerhet will seek to add grid companies in new geographic areas to its customer base by leveraging its attractive business concept.

> Hafslund Sikkerhet Teknikk

Hafslund Sikkerhet Teknikk will maintain and develop its unique position and expertise, in order to obtain additional oil and gas industry projects. The company's goal is to expand its customer base for corporate-market alarm systems. New Hafslund Sikkerhet Teknikk offices have been established in Bergen, Stavanger, and the Lake Mjøsa region. Sale of merchandise and cargo anti-theft systems will be intensified.

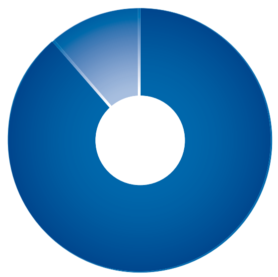
The company has ongoing projects with several large customers. These include Langeled (Centrica) in the UK, Oslo international airport at Gardermoen, Ikea in Oslo, and several Statoil installations.

Operating revenues
NOK million



Residential alarm revenues rose five percent

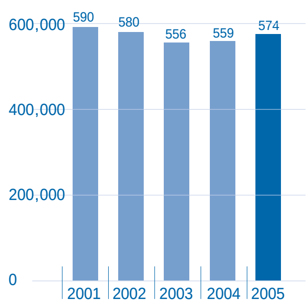
2005 operating revenues
NOK million



2026 Residential power sales
254 Home alarms

Power Sales revenues are strongly influenced by the price of wholesale power contracts traded via Nord Pool

Number of customers
Residential Power Sales

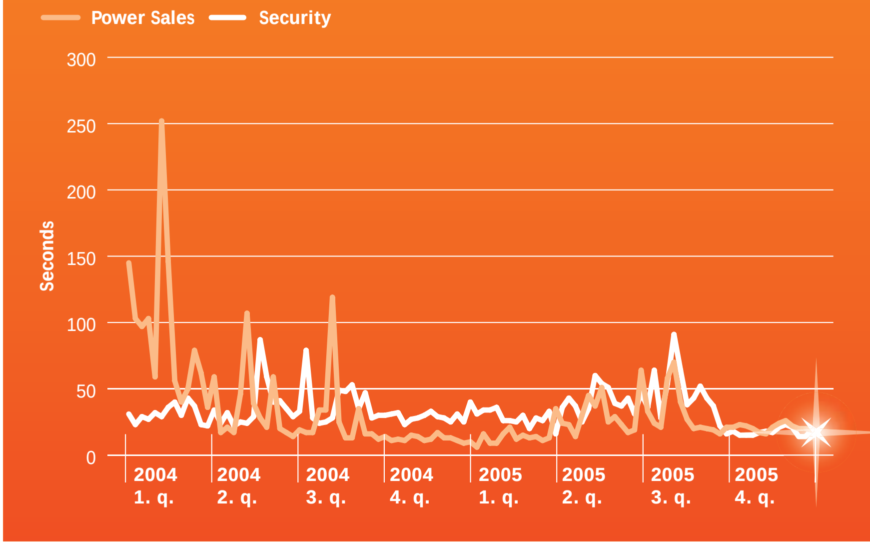


Residential Power Sales has a stable customer base

2005 highlights

- Strengthened position as Norway's largest supplier of power and security products and services.
- Simplified power sales product portfolio and spot market pricing launched.
- Wireless residential alarm introduced as new standard product for residential security customers.
- Pilot market test sale of Hafslund's two-way communications system combined with residential alarms in the Oslo region.
- The subsidiary NorgesEnergi aquired Hydro Texaco's customer portefolio, and Hafslund became majority owner in Hallingkraft.

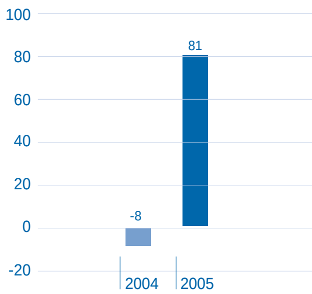
Customer Service Center response time 2004-2005



2006 goals

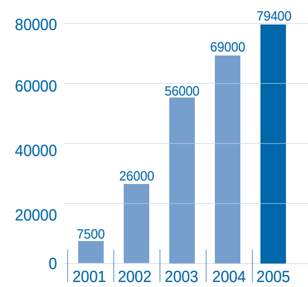
- Reinforce position as Norway's largest power and security supplier.
- Facilitate continued high-quality customer service center performance.
- Test new retail-market products and services.
- Implement new account management system featuring full integration of power and security products and services.
- Continued growth in number of customers.

Operating profit
NOK million



2005 was the first full year with a positive operating profit for Hafslund Sikkerhet Privat

Number of customers
Residential alarms

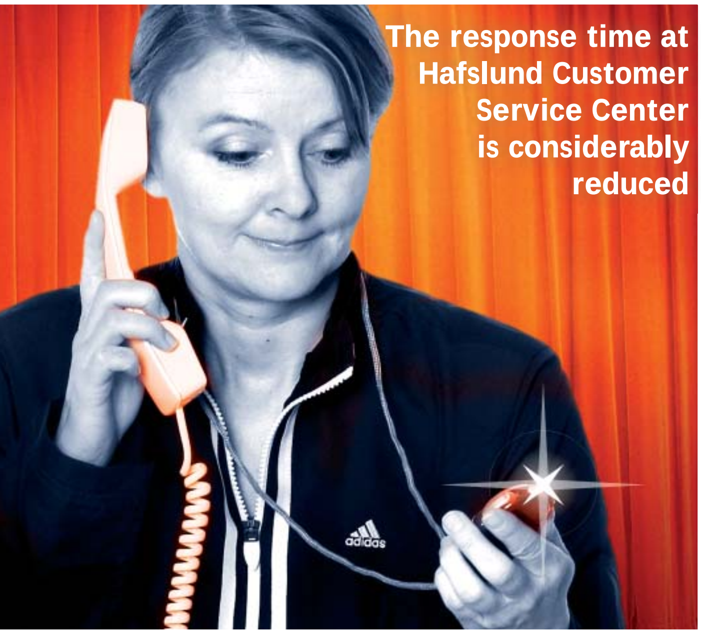


Hafslund Sikkerhet Privat is Norway's largest residential alarm company

Private

Hafslund maintained its position as Norway's leading supplier of power and security to residential-market customers. A simplified product range, featuring well-designed products and online alarms, has made it easier to be a Hafslund customer.

The Private (residential) business area is responsible for Hafslund's retail-market sales of electric power and residential alarm systems. All Hafslund business activities that serve residential customers are consolidated into the business area's unified marketing and sales organization. Thus, marketing, sales, and customer support services cover both power and security categories via a single customer service center, and a single invoicing function. On the security side, the Private business area operates Hafslund's alarm central station serving residential alarm customers, and has its own installation department that handles all residential alarm installations.



Hafslund Privat has maintained its position as Norway's largest supplier of power and security services. At year-end 2005, Hafslund Privat had 574,000 retail power customers and 79,400 residential alarm customers. Hafslund Sikkerhet Privat (residential alarms) serves the entire region from Steinkjer in the north to Kristiansand in the south.

Hafslund Privat represents the Group's retail power sales activities, and includes wholly owned Hafslund Strøm, NorgesEnergi, and Fredrikstad EnergiSalg, as well as the following companies in which Hafslund is the majority shareholder: Hallingkraft (76 percent), and Røyken Kraft (51 percent).

NorgesEnergi is a low-price power retailer with customers throughout Norway. The company offers standardized power products to residential customers, directly or through membership organizations.

Fredrikstad EnergiSalg, Hallingkraft, and Røyken Kraft are regional power sales companies that have successfully maintained strong positions in their home markets. Further, Hallingkraft cooperates strategically with Huseiernes Landsforbund, a national association of homeowners.

Hafslund also participates in the Swedish power market through its 50 percent ownership of Göta Energi AB. The company has just over 50,000 end-users; its main market is in Västra Götaland.

Key developments and 2005 results

> Private Power Sales

The retail-market power sales customer base remained stable throughout 2005, with only minor changes in the number of customers of most Hafslund power sales companies. Fierce competition in the power market continued in 2005, with several market participants offering price levels that indicate negative or extremely low margins for large parts of the year. Due to efficient operations, Hafslund's power sales companies performed well in 2005, despite continuing pressure on profit margins. Further reductions in operating costs per customer and greater efficiency in operations and procedures, were 2005 priorities.

2005 profits are affected by some negative non-recurring items, which reduced profits compared to 2004. NOK 45 million was charged against 2005 profits, due to excessive revenue accruals in years prior to 2003. The excessive accruals stemmed from customer groups' estimated volumes and margins recorded by the former power sales companies Oslo Energi and Tindra. A merger of the two companies' databases showed that earnings estimates applied prior to 2003 were too high. Corrected for non-recurring items, the profit figure shows that the operations of power sales companies continue to show good profitability.

Hafslund Strøm entered into an agreement with Hydro Texaco to acquire the latter company's power customers in Norway as of 1 January 2006. The customer portfolio comprises some 16,000 Norwegian residential customers and about 2,500 corporate customers, with a total volume of 800 GWh. Hydro Texaco's household customers were organized into NorgesEnergi. NorgesEnergi acquired Norske Shell's portfolio of about 70,000 power customers as of January. In August 2005, Hafslund became the majority owner of Hallingkraft, which sells power to end-users all over Norway. The company is located in Ål in Hallingdal.

Hafslund delivers power and security – simply and efficiently. The Group's corporate vision has guided the streamlining of the Private business area's portfolio of power products and distribution grid tariffs in 2005. Greater streamlining has resulted in customers being able to choose from among only three products in 2006, compared to some twenty different products in the past. Fewer alternatives simplifies decision-making and requires less administration on the part of Hafslund. Further, it has become easier to train customer advisors, who can also provide improved customer service.

Strøm Privat – key figures

(Amounts in NOK million)	2005	2004
Operating revenues	2,026	1,949
Operating profit before depreciation	57	88
Operating profit	49	85

At year-end 2005, Hafslund Strøm Privat had 49 employees.

> Security

The Private business area's residential alarm business, Hafslund Sikkerhet Privat, continued to enjoy steady customer growth in 2005. However, profits were affected by continuing high costs associated with customer growth. As of 2005, Hafslund switched to offering rental of alarm installations. A new wireless platform for residential alarms was introduced. Wireless solutions became standard as of January 2006, as they are in demand by customers. Installation of residential alarms has also become simpler, as there is no longer a need to wire system components inside the home. Further, efforts were initiated to establish a unified customer accounts system for the Private business area's power and security customers. The system will begin operating as of the autumn of 2006. Toward year-end 2005, various consolidation and reorganization measures were introduced at Hafslund Sikkerhet Privat; in conjunction with planned system modifications, these measures are expected to cut ongoing operating expenses in 2006.

Sikkerhet Privat – key figures

(Amount in NOK million)	2005	2004
Operating revenues	254	221
Operating profil before depreciation	50	(85)
Operating profit	33	(90)

At year-end 2005, Hafslund Sikkerhet Privat had 443 employees.

> Services

The service companies Hafslund Fakturaservice AS (invoicing) and Hafslund Kundesenter AS (customer service center) both have sound operations and report improvements in all key quality parameters. Improved procedures and cost-cutting have benefited the service companies' buyers. In 2005, the customer service center introduced weekly power sales customer-service quality surveys. The surveys show that customers who have been in touch with Hafslund are generally more satisfied than customers who have not contacted the company. In 2006, a joint customer account management system will be introduced for power and security customers. Once the system is up and running, customer-service quality surveys will be conducted among security customers, as well. The service companies financial reporting is included under other activities in the Hafslund's consolidated accounts.

At year-end 2005, Hafslund Fakturaservice had 62 employees, Hafslund Kundesenter had 101 employees.

Expanded two-way communications testing

One thousand households have already tested remote-read electric meters. By year-end 2006, the goal is that an additional 10 000 customers will have the "Hafslund Box" installed.

Test marketing was launched to find the quickest route to a profitable roll out of Hafslund's two-way communications solution that integrates power and security. The Hafslund Box provides residential power metering and is ready for an add-on of a complete home security system. Customer interest has been formidable.

Customers benefit

Remote-reading power meters put an end to manual meter reading for Hafslund customers. Moreover, customers with the "Hafslund Box" are billed based on actual power consumption, rather than according to estimated consumption, as is presently done. Reports on household power consumption and comparisons with the customer's usage in previous periods are available from customized Hafslund website pages.

From pilot to product

Various marketing approaches to launching the Hafslund Box have been tested. The product packages that are going to market are now the responsibility of Hafslund's Private business area. Our successful integration of design, sales and marketing, installation, testing, product bundling, and subsequent product modifications show that the Hafslund Group's capabilities far exceed those of a traditional public utility or alarm company.

2006 market outlook and focus

> Power Sales

Hafslund's Private business area shall retain its power customer base in 2006. Attention will also be focused on further developing NorgesEnergi and on developing the cooperation with the homeowners' association Huseiernes Landsforbund via Hallingkraft.

In 2006, Hafslund will continue its efforts to make everyday life safer and better for customers, through measures such as simplified invoices, further improvement in customer service, and better communication with customers and dissemination of information to them.

> Security

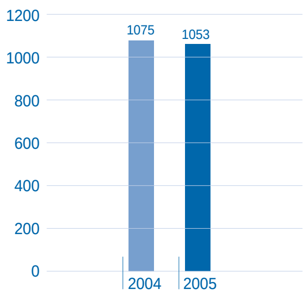
Greater general concern about security leads individuals to increasingly seek out and invest in measures that safeguard everyday safety. Further, more insurance companies now offer a discount on insurance premiums for those who have installed residential alarms. Thus, there is reason to expect the residential alarm market to continue to grow in 2006.

Hafslund Privat, with its strong sales and customer focus, has a favorable starting point for continued growth in 2006, and thus for maintaining its lead position in the residential alarm market. All this is supported by greater attention to maintenance of the existing customer base and the quality of new customers.

New services and products will be assessed and tested. Sales of two-way communications solutions will be continued on an expanded scale; these will be an important target area in the time to come.

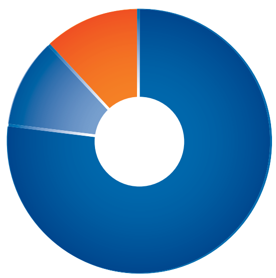
As of 1 January 2006, a new product structure for residential alarms was introduced. The standard product is now wireless residential alarms. The product will be further developed; for example, work is underway on a more user-friendly design.

Operating revenues
NOK million



Large power sales volume makes revenues sensitive to wholesale power prices

2005 operating revenues
NOK million

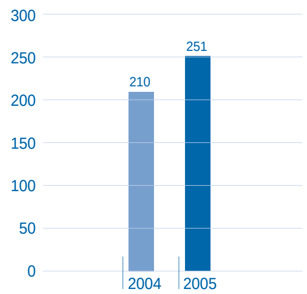


850 Corporate – Power Sales
131 Guard services 120 Valuables transport

Power sales accounted for nearly 80 percent of the Corporate business area's revenues

Operating revenues
Guard services and Valuables transport

NOK million

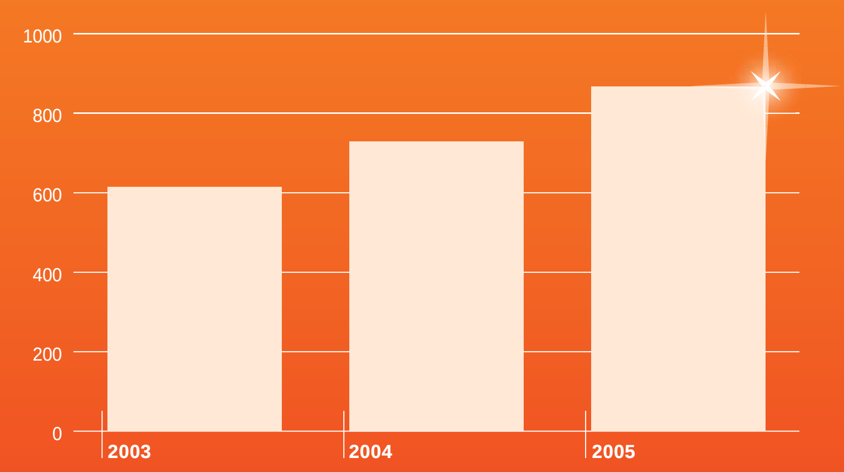


Revenue growth of 20 percent for Guard services and Valuables transport

2005 highlights:

- Achieved strong profit growth and positive operating profit before depreciation for Security.
- Agreements entered into with major security customers contributed to revenue growth.
- Established a unified customer service center for Corporate customers that resulted in improved customer service and greater customer satisfaction.
- Launched the new Hafslund Online web portal for Corporate power sales customers.
- Acquired 33.5 percent of bank cash transporter NOKAS (Norsk Kontantservice AS).

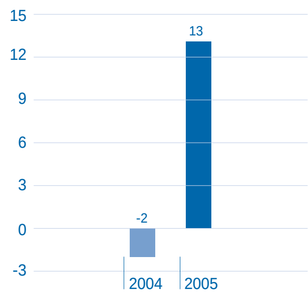
Number of employees in manned guard services



2006 targets:

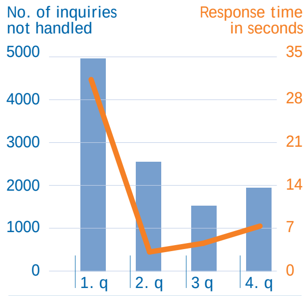
- Continue profitable growth in power sales, valuables transportation, and guard services to corporate-market customers.
- Strengthen follow-up and marketing activities, extend reach across Group organizational borders, and increase the number of shared customers.
- Automate and improve the quality of in-house procedures.
- Increase use of web-based services and expand the range of services offered.
- Further improve service to corporate customers through full utilization of new support systems.

Operating profit
NOK million



Solid profit improvement at all three Corporate businesses areas

Response time and backlog
Average response time for call pick-up and backlog



The response time at the Customer Service Center is considerably reduced

Corporate

Hafslund delivers high-quality products and services to the corporate market: power sales, guard services, and valuables transport. Professional customer care contributed to 2005 profit growth.

Hafslund's Corporate business area comprises three profit centers: Corporate power sales (Strøm Bedrift), which is a component of Hafslund Strøm, Valuables Transport and Guard Services, the latter two constitute Hafslund Sikkerhet Bedrift. The Corporate business area is responsible for the Group's deliveries of power and security products and services to corporate-market

customers. The business area is currently developing a broader range of products and services. There is significant market potential for combinations of Corporate's power sales and security products with one or more of Hafslund's technical services. The power market is characterized by rising demand – and fierce price competition. This description certainly applies to the market for power sales to corporate customers. To achieve profitability, suppliers must sell large volumes and/or offer niche products that provide value-added services as part of the power delivery agreement.

The market for manned, on-site guard services is also experiencing pressure on prices, despite growth in the demand for security services. This security-industry segment is only subject to limited regulation, and the larger and more serious participants profile higher performance standards, quality assurance, and professional training of guards.

The threshold for market entry in the valuables transport market is considerably higher. Here, high professional competence and advanced technical equipment are required to deliver satisfactory service. Accordingly, a few large participants dominate this field. Demand for traditional valuables transport services to the banking segment is largely covered. Thus, further sector growth will result from the addition of new customer groups and the introduction of new services.

Hafslund has chosen to position itself as a niche supplier of high-quality products and services, in corporate-market power sales, guard services, and valuables transport. Great emphasis is placed on customer-tailored solutions; building and maintaining strong customer relations; and demonstrating flexibility. Particular attention is directed at realizing potential customer relations across product lines, for the purpose of establishing cross-sales among the business area's various customer categories: large customers, small and medium-sized businesses, housing cooperatives, and residential condominiums.

To ensure professional follow-up of large customers, Corporate business area managers, sales and operational managers cooperate closely on activity coordination for each customer. Better service quality and an enhanced perception of Hafslund are being achieved through more streamlined in-house processes. The Corporate business area is establishing a broad product portfolio, featuring standard products particularly tailored to the small and medium-sized business market.

Key developments and 2005 results

> Power Sales

Strøm Bedrift experienced fierce competition in both the large customer and small and medium-sized business market in 2005, resulting in 2005's delivered volume slipping five percent to 3,259 GWh, from 3,434 GWh in 2004. Nevertheless, a margin was realized that was, on average, 17 percent higher than the corresponding 2004 figure. In late 2005, Hafslund entered into an agreement to acquire about 2,500 Hydro Texaco's corporate power customers. The Hafslund Online web portal was introduced in 2005 to help customers keep better track of their electric power consumption and costs. Further, an improved sales and customer-support service tool was implemented. Improved delivery concepts, better sales operations, and Hafslund Online all contributed to growth in the large customer market towards the end of 2005, which has continued into 2006.

Strøm Bedrift – key figures

(Amounts in NOK million)	2005	2004
Operating revenues	850	859
Operating profit before depreciation	37	45
Operating profit	37	45

At year-end 2005, Haslund Strøm Bedrift had 14 employees.

> Valuables transport

Valuables transport utilized the infrastructure built in 2004 for further growth and improved profitability. Revenue growth was most pronounced for corporate-segment services and deliveries. Hafslund is increasingly automating its logistics procedures and works with partners to increase service efficiency and quality. In December 2005, Hafslund acquired 33.5 percent of the shares of NOKAS (Norsk Kontantservice AS), which transports, distributes, and handles cash and foreign currency for banks across Norway.

> Guard services

Guard services had major revenue growth in 2005, and activities were consolidated in central areas in order to rationalize operations. Consolidation has resulted in a noticeably improved profit, which increased 106 percent in 2005 compared with 2004. Major contracts signed with customers such as Norway's national railway NSB and the real estate company Entra Eiendom contributed to the 23 percent revenue growth in 2005. The Government decided during the winter of 2005 that the pilot project of private prisoner transport is to be terminated. Hafslund's pilot project for prison inmate transportation in Telemark and Vestfold police districts has been a success; however, the project is therefore to discontinue as of 1 October 2006.

Keeping sick leave rates low was an important 2005 objective. Employees are the Corporate business area's most important resource, both as suppliers of services and as customer contacts. Our priorities, backed by managers' active participation and commitment, are: high job satisfaction, enhancing employee expertise, fostering healthy morale, follow-up of employees on sick leave, and reducing unnecessary overtime.

Sikkerhet Bedrift – key figures

(Amounts in NOK million)	2005	2004
Operating revenues	251	210
Operating profit before depreciation	(2)	(30)
Operating profit	(24)	(47)

At year-end 2005, Hafslund Sikkerhet Bedrift had 868 employees.

2006 market outlook and focus

Continued growth in 2006 is projected for the Corporate business area, through greater targeting of new sales, launching of new products, cross-sales, and taking advantage of partner relations.

> Corporate power sales

Growth in power sales is expected in the large customer and small-to-medium-sized business market via delivery of products and services with a higher service content. The Hafslund Online web portal will gain new functions, and new electric power products and concepts will be offered. A new sales support tool and excellent customer service will contribute to better marketing of power products.

> Valuables transport

Hafslund's strong position in the valuables transport market – about 50 percent – provides a solid foundation

Hafslund Online users are satisfied

Four out of five users of the Hafslund Online portal for corporate customers are satisfied with the new web application, according to a survey conducted by Hafslund Bedrift.

Many customers find Hafslund Online a handy business tool. One in five Hafslund Bedrift customers use the portal at least once a week, and more than 50 percent log on to Hafslund Online up to three times a month; these are among the findings of a recent customer survey conducted by Hafslund's Corporate business area.

User friendly

Eight out of ten survey respondents reported that direct access to their businesses' power consumption is very helpful. The ability to compile cost projections while online with Hafslund Online also ranked high. Customers generally reported they were pleased with Hafslund Online's user-friendliness. Presentations of comparative consumption details and the ability to make cost projections and download meter readings for various customer-owned facilities headed the list of favorable comments about the website.

Ongoing development

The customer survey also found that some Hafslund Online features are not frequently used. Such feedback helps shape development of the Internet portal, so that customers' needs are efficiently met. The majority of Hafslund Bedrift's customers who participated in the survey indicated a willingness to join ongoing efforts to improve the Hafslund Online portal.

for continued growth. Product development is a key component of the 2006 strategy. For example, we are cooperating with existing and new customers to find solutions for secure handling of valuables and transport of various products. Increased automation and closer cooperation with partners will facilitate greater operational efficiency and higher quality in customer deliveries.

> Guard services

Hafslund's guard services are well positioned for further expansion, and will continue to target growth and profitable operations in central areas. An increase in shoplifting and theft, and greater fear of being exposed to violence, contribute to stronger demand for customized security services from business, industry, and public sector customers – as well as to overall market growth. In addition to supplying on-site and mobile guard services, Hafslund's guards also respond to alarms from both household and corporate customers. New Hafslund services that are showing increasing demand include various types of security courses and supervision and control services.

Pursuant to Hafslund's corporate mission, the Corporate business area's goal is to make everyday life easier for individual customers. Products tailored to each customer's particular needs is one response. Ongoing improvements in customer service, customer relations management, and automated solutions are other responses. Customers are to meet reliable, service-minded, and competent employees who satisfy customers' needs through quality of delivery, safe and reliable procedures, and using the right professional equipment.

Other Activities

The Group support divisions Treasury and Organizational Development are responsible for financial management, investor relations communications, power trading activities, and Hafslund's ongoing organizational development.

Treasury

Hafslund's Treasury division focuses its activities on the following three areas:

› Financial management and investor relations

The Treasury unit coordinates and prepares financial management data for executive use and for dissemination to the investment community. Centralized accounting in a professional environment assures comprehensiveness and quality. Treasury develops common guidelines and systems, and is in charge of day-to-day accounting for Group companies (through an in-sourced accounting center). The Treasury unit is responsible for all loans assumed by the Group, handles foreign currency risk, and provides day-to-day liquidity management. Group companies participate in a Group account system, which is managed centrally. The Group has organized its secured employee pension plans into Hafslund Offentlige Pensjonskasse and Hafslund Private Pensjonskasse. The two pension funds have combined assets of approximately NOK 1.6 billion.

› 2005 – overview

- Established a new EUR 500 million syndicated drawing facility to replace a drawing facility with less favorable terms.
- Hafslund's total liquidity reserve amounted to NOK 4.5 billion at year-end 2005.
- Successful transition to IFRS reporting.
- Improved quality assurance and streamlining of accounting services (in-sourced accounting center).
- Capital Markets Day presentation arranged in September was well received. Several investor meetings were held during the year.

› 2006 goals – Treasury

- Excellent accounting and financial reporting to ensure investor confidence.
- Regularly scheduled investor relations activities to achieve correct pricing of the Hafslund stock.
- Reduce financial expenses via improvement of working capital management and a wide range of lending sources.

› Power trading activities

The Group's unit for power trading activities is in charge of all Group power trading, including risk management and hedging strategies. The power trading unit is also responsible for price hedging of the Group's own power generation and end-customer deliveries, as well as purchases to cover grid losses on Group-owned local and regional distribution networks. Hafslund also conducts trading activities in the Nordic wholesale power market. All trades are cleared via Nord Pool to minimize counterparty risk.

› Venture

Hafslund's Venture is part of Treasury. Hafslund Venture is described on pages 34 and 35 of this report.

Organizational development

Organizational Development, a corporate staff division, is Group management's primary support resource for organizational and management issues. The division is responsible for Groupwide analyses, and implements measures to support Group strategies. Tasks include development and coordination of Groupwide projects and programs. Staff also delivers services on demand to the various Group companies. Organizational development's units for ICT, training and development, human resources, and public relations, play a key role in developing and consolidating the Group's corporate values and culture.

› Information and Communications Technology (ICT)

The Information and Communications Technology unit is in charge of development and implementation of the Group's ICT strategy. In 2005, attention was directed at outsourcing ICT operations, the establishment of a Groupwide customer relations system, and the realization of synergy effects through comprehensive standardization of services.

> Development/Training

The Development/Training unit runs the Group's programs for competence development, management, and corporate culture and values, as well as its performance evaluation, compensation, and incentive systems. A Group talent development program was launched in 2005, to develop employees who seem suited to assuming important professional and managerial roles in Hafslund. Among the unit's 2005 priorities was a Groupwide course calendar, featuring varied training opportunities. The unit also conducted various activities via active processes, and established various fora that reinforced Hafslund's corporate culture.

> Human Resources (HR)

The Human Resources unit is in charge of managing the Group's key policies and measures to recruit, develop, and keep employees with the necessary expertise. Among its responsibilities are pension plans; agreed-upon HR staff services for various Group companies; health, safety, and environment (HSE) activities and in-house control. The Human Resources unit also manages Group wage and salary negotiations, and has responsibility for the Group's payroll-handling function. In 2005, HR priorities included further development of information support systems and development and implementation of new HSE goals and action plans.

> Information and Public Affairs

The Information and Public Affairs department is responsible for the Hafslund Group's in-house and external information services, including contact with the media, the in-house newspaper, and the Group's Intranet website. The division is also responsible for the Group's sponsorship activities, which among others included, in 2005, Vålerenga soccer team, Doctors Without Borders, the Ibsen 2006 Guild, and the environmental organization Bellona.

The Organizational Development division is also in charge of the Group's archiving center, and performs support services related to office operations. The Group's Job and Service Center, which had about 125 employees at year-end 2005, is part of the Group's senior-employee program. Job and Service Center staff perform short- or long-term projects for Group, and to some extent, non-Group customers.

> 2005 – overview

- Entered into agreement with new ICT operations partners.
- Continued ICT standardization.
- Launched Hafslund's talent development program.
- Developed and implemented new HSE goals and action plans.
- Hafslund established as an IA (inclusive working life) company, with the associated work procedures, training, and information.
- Expanded cooperation agreement signed with Oslo-based soccer club Vålerenga Fotball.

> 2006 goals – Organizational Development

- Establish unified procedures for recruitment, development, and retention of skilled employees.
- Continue to enhance ICT efficiency and professionalization through greater deployment of off-the-shelf PCs and systems, and further modernization of ICT operations.
- Promote Hafslund's corporate culture by introducing an "Ambassador Program", and arrange the Hafslund Conference.
- Ensure close dialogue between staff and Group companies and assist in implementing activities decided upon by Hafslund's Group management.

Hafslund Venture

Hafslund Venture is the Group's investment and development company for targeted areas closely related to Hafslund's business activities. The investments in Renewable Energy Corporation (REC) contributed significantly to Hafslund's value growth in 2005.

The primary focus of Hafslund Venture is on companies within renewable energy and energy-related services and technology. Small- and medium-sized companies with good value growth potential are identified – from companies in their early phases, so-called early venture, to more established corporations with commercialized products and services.

Hafslund Venture is an active owner that helps portfolio companies develop and grow. The long-term goal is for some of these companies to play an important role in the Hafslund Group's further development of existing or related business areas, and to contribute to Hafslund's own growth and margin improvement. Only some of the companies that Hafslund Venture invests in are however meant to become part of the Hafslund Group. Hafslund Venture's primary goal is to actively develop companies that eventually may be divested, and provide solid financial returns on invested capital.

Attention will be directed at companies that can benefit considerably from Hafslund's active ownership. The expertise and resources Hafslund can provide, as a power and security company, include but are not limited to the Group's marketing organization and customer structure.

› Portfolio

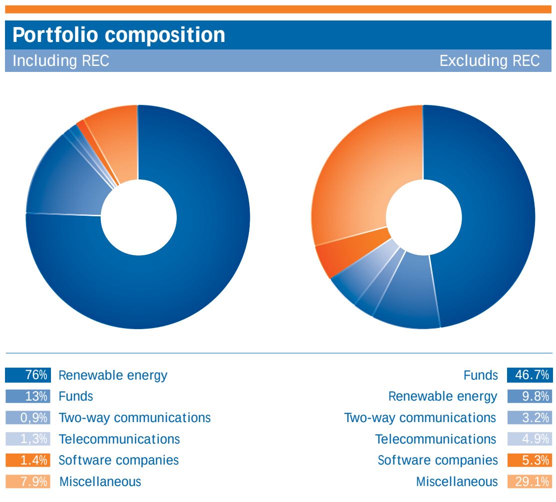
Hafslund Venture's portfolio comprises ownership stakes in 17 companies, three funds, and a convertible bond holding in the solar power company Renewable Energy Corporation (REC). REC represents more than 75 percent of Hafslund Venture's portfolio, with a book value of NOK 1.4 billion, provided NOK 260 per REC share.

REC is one of the leading participants in the worldwide solar power industry. Solar energy as an industrial sector developed extremely well in 2005. REC's good financial performance and position in a rapidly growing industry contributed significantly to the Hafslund Group's value growth.

At year-end 2005, Hafslund Venture's portfolio had a total value of NOK 1,866 million. Some of the assets are the result of past engagements and strategies not considered of strategic interest. Included in the latter assets are the US-based Latin Power Fund, which invests in power generation and distribution in Latin America, and ownership interest in the listed Norwegian ferrosilicates producer Fesil. The Latin Power Fund has shown significant growth; and represents a value of about NOK 200 million.

In 2005, Hafslund Venture's investments totaled on the order of NOK 650 million, of which a significant proportion constituted acquisition of REC convertible bonds. Disposals freed up some NOK 20 million. The return on the portfolio in 2005 was 46 percent, based on a per-share value for REC stock of NOK 260 at year-end 2005.

As a result of its REC ownership, Hafslund Venture's portfolio is heavily over-weighted as to renewable energy. The chart presents the portfolio's composition, both including and excluding REC, in order to provide a clearer picture of all venture holdings.



Renewable Energy Corporation (REC)

REC is one of the world's leading integrated solar power companies; the company is headquartered in Norway.

REC produces ultra-pure silicon and wafers at its two silicon foundries in the USA, and at wafer factories located in Glomfjord and on Herøya in Porsgrunn, Norway. REC also manufactures solar cells in Narvik, Norway, and solar panels at Arvika in Sweden. In the rapidly growing solar energy industry, there is a shortage of ultra-pure silicon. Thus, REC holds a unique position as the largest worldwide supplier of ultra-pure silicon and wafers.

Hafslund Venture took an early interest in renewable energy, and has exercised active ownership in REC for several years through board membership. The initial investment took place in 1998 via smaller-sized investments in ScanWafer AS and Fornybar Energi AS (later REC). In the summer of 2004, ScanWafer was merged into REC; thus, Hafslund Venture achieved expanded REC ownership.

Main 2005 focus and 2006 goals

In 2005, Hafslund Venture focused strongly on renewable and alternative energy, particularly solar power.

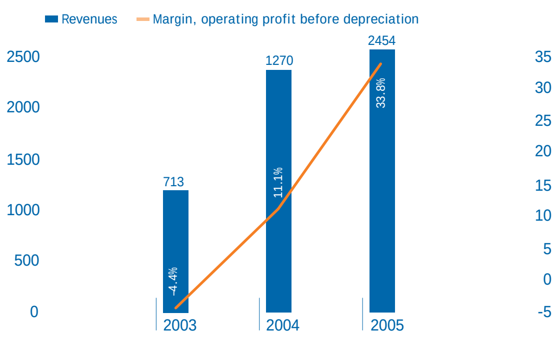
Hafslund's REC ownership, which has received a great deal of financial market attention, has shown particularly good valuable creation. The REC investment is regarded as having significant potential for value growth, and the planned 2006 stock-exchange listing of REC is expected to visualize the values of the company.

Technology and services directed at the energy sector, including two-way communications, telecommunications, and software, were other areas of focus in 2005. Increasing top-line growth and ensuring a positive cash flow in the portfolio companies have also been important. Further, efforts have been made to create larger constellations among the company's investments. Five new investments were made during the year, and six investments were sold.

In 2006, Hafslund Venture will continue to focus on further developing and identifying new investments in technology and services directed at the energy sector, particularly in renewable and alternative energy. Hafslund's expertise and the Group's market position will be used for further value creation.

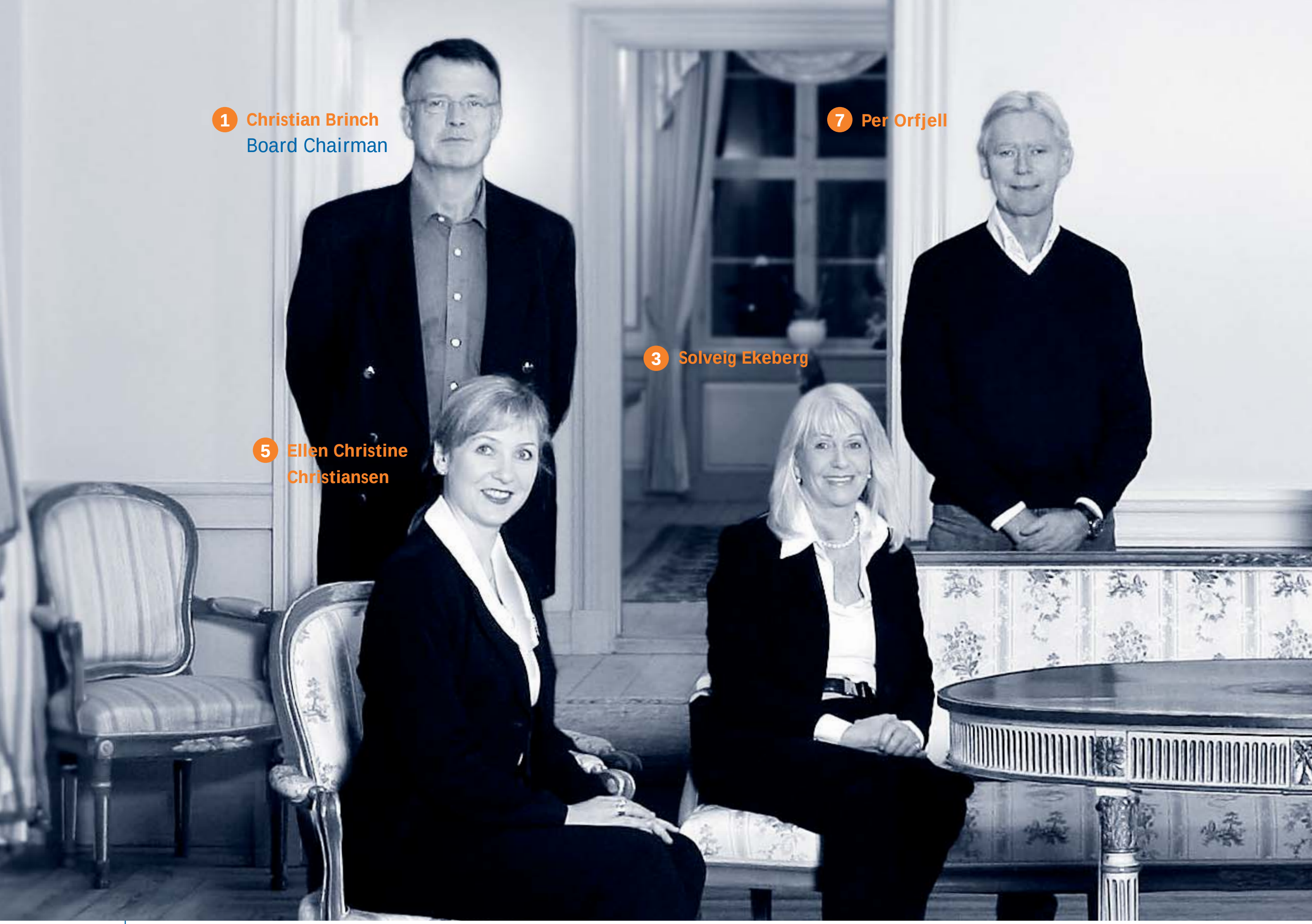
REC profit development

NOK million — In percent



2006 – goals

- Further streamlining of portfolio.
- Three to six new renewable energy investments.
- Sale of holdings in three to five companies.
- Minimum of 13.5 percent yield on venture portfolio.
- Expand Hafslund Venture's organization.



Hafslund's Board of Directors

1. Christian Brinch (b. 1946)
   Board Chairman
   Mr. Brinch runs his own business providing strategic and consulting services, and serves on corporate boards. Christian Brinch has served as President and CEO of the Helicopter Services Group ASA and Executive Vice President of ABB Norge. He is deputy board chairman of Prosafe ASA and NSB AS. He is also a board member of Kverneland ASA and Steen & Strøm ASA. Mr. Brinch is a past board chairman of Kongsberg Gruppen ASA and deputy board chairman of Telenor ASA.

   He received officers' training at Norway´s naval academy, and post-graduate education at the Harvard Business School. Mr. Brinch was elected to the Hafslund board on 5 May 2003; and his term runs until the 2006 annual general meeting. Christian Brinch and parties closely related to him own 11,000 Class A and 9,000 Class B Hafslund shares.

2. Stig Grimsgaard Andersen (b. 1955)
   Deputy Board Chairman
   Mr. Grimsgaard Andersen is the managing partner of the private equity firm Holmen Industri AS. Currently the board chairman of Aon Grieg Norway, he was previously the CEO of Aon in the Nordic region and the Baltics. Andersen is a board member of Goodtech ASA, Bluewater ASA, and several smaller-sized non-listed companies.

   Mr. Andersen holds an MBA in finance from the University of San Francisco. Andersen was first elected to the Hafslund board of directors on 5 May 2003; his term expires with the 2007 annual general meeting. Neither he nor parties closely related to him own any Hafslund shares.

3. Solveig Ekeberg (b. 1941)
   Ms. Ekeberg received her law degree from the University of Oslo. She has her own law practice, is counsel with the law firm Kindem & Co, and is admitted to practice before Norway's supreme court. Ms. Ekeberg was first elected to the Hafslund board of directors on 5 May 2003; her term expires with the 2006 annual general meeting. Neither Ms. Ekeberg nor parties closely related to her hold any Hafslund shares.

4. Mikael Lilius (b. 1949)
   Mr. Lilius is President and CEO of Fortum Oyj Finland. Mr. Lilius has served as President and CEO of Gambro AB (Stockholm) and Incentive AB (Stockholm). Mikael Lilius is board chairman of Huhtamäki Oyj and Sanitec Oy, and board member of OAO Lenenergo (deputy chairman). Mr. Lilius holds a bachelors degree in Business Administration from the Swedish School of Economics and Business Administration in Helsinki, Finland.

   Mikael Lilius was first elected to the Hafslund board of directors at the company's 15 October 2003 extra-ordinary general meeting; his term expires with the 2007 annual general meeting. Neither Mr. Lilius nor parties closely related to him own any Hafslund shares. Fortum owns

37 853 110 Class A shares and 28 706 339 Class B Hafslund shares.

5. Ellen Christine Christiansen (b. 1964)

Ms. Christiansen is Akershus county director of Norway's social security services. Her work experience includes service as city commissioner in Oslo, as information manager of TV3 television, and as a member of Norway's parliament. Ms. Christiansen holds a cand.mag. degree from the University of Oslo.

Ellen Christine Christiansen was elected to the Hafslund board of directors on 5 May 2003; her term ends with the 2007 annual general meeting. Neither Ms. Christiansen nor parties closely related to her own any Hafslund shares.

6. Jan Torstensen (b. 1965)

Employee representative

Mr. Torstensen, a trained electrical fitter, works as health, safety, and environment coordinator at Hafslund ASA. He was first elected to the Hafslund board of directors on 1 October 1998, and reelected by company employees on 18 November 2003 for a two-year term. Election of employee representatives is temporarily postponed. Mr. Torstensen remains a Board member until those elections are held.

Jan Torstensen is past chief employee representative for the Electricians & IT Workers Union at Hafslund ASA. He and parties closely related to him own a total of 2,373 Class B Hafslund shares.

7. Per Orfjell (b. 1952)

Employee representative

Mr. Orfjell is a Hafslund ASA special advisor, who has worked as an electrical fitter with Oslo Lysverker, and as department head at Oslo Energi AS and Viken Energinett. He is a trained electrical fitter. Mr. Orfjell was first elected to the Hafslund board of directors on 1 October 1998; he was re-elected by employees on 18 November 2003 for a period of two years. Election of employee representatives is temporarily postponed. Mr. Orfjell continues as a Board member until the elections are held.

Per Orfjell is the chief representative of the Norwegian Union for Municipal and General Employees at Hafslund ASA. Mr. Orfjell and parties closely related to him own 2,373 Class B Hafslund shares.

8. Kjersti Sørensen Nystad (b. 1979)

Employee representative

Ms. Nystad is a HR-consultant at Hafslund Privat. She holds an MBA degree from the University of Prince Edward Island, Canada.

Ms. Nystad was first elected to the Hafslund board of directors on 18 November 2003, and will serve for a period of two years. Election of employee representatives is temporarily postponed. Ms. Nystad will continue to serve on the Board of Directors until new employee representatives' elections are held. Kjersti Sørensen Nystad and parties closely related to her hold 487 Class B Hafslund shares.

2005 Annual Report

The positive development Hafslund has experienced in recent years gained momentum in 2005. The solid profit for 2005 is attributable both to operational improvements throughout Group profit centers and to excellent value growth by the Group's venture investments.

The goal-oriented work to consolidate the business in recent years and to comprehensively integrate and restructure it, along with organic growth in core activities, took full effect in 2005.

As a consequence of 2005's solid profit, return on equity increased significantly. The Group's successful consolidation was also reflected in the share price development of the Hafslund share during 2005. Hafslund's two share classes had a total value growth that was more than twice the growth of the Oslo Stock Exchange's Benchmark Index. That performance placed Hafslund among Europe's energy sector winners in 2005.

In 2005, Hafslund continued to develop pursuant to the Group's corporate mission: "Hafslund delivers power and security – simply and efficiently." Hafslund's business activities largely take place in Norway; the company is headquartered in Oslo.

Through 2005, a great deal of effort was expended on business simplification, streamlining, and professionalization, while maintaining high quality and sharpening expertise throughout the entire organization. These efforts specifically focused on customers' needs and how best to meet them, as to both the organization of business units and the products offered to customers.

The Board is highly satisfied with the Group's value growth, and deems Hafslund well positioned for further growth. Hafslund's targeting of power and security will be continued. Further improvement and growth will be realized through continued focus on operations and taking advantage of new market opportunities via organic and structural growth.

Based on the above, the Board will propose to the annual general meeting that a per-share dividend of NOK 2.25 to be paid for the 2005 accounting year.

Profit for the year

The Hafslund Group had a profit after tax for 2005 of NOK 1,174 million, up from NOK 457 million in 2004. This corresponds to a return on equity of 18.4 percent in 2005, compared with 6.7 percent in 2004.

The Hafslund Group had 2005 operating revenues of NOK 8,097 million, up from NOK 7,659 million in 2004. The Group's 2005 operating profit amounted to NOK 2,004 million, up from NOK 1,419 million in 2004.

The capital-intensive units Network and Power Generation performed well in 2005; together they accounted for approximately 73 percent of the Group's operating profit. The annual accounts show a return on invested capital of 11.6 percent for 2005, up from 8.0 percent in 2004.

The consolidation efforts of recent years have contributed significantly to the solid profit growth. Organic growth in the Group's targeting of the security market also contributed to the bottom line. Solid value growth in venture investments, especially in Renewable Energy Corporation (REC), in gains on the sale of Mjøskraft, and in real estate sale gains, also raised 2005's profit. The planned stock-exchange listing of REC in 2006 is expected to result in further value growth for Hafslund's venture portfolio. In recent years, Hafslund has increased its strategic focus on core activities and disposed of non-core activities. Total gains on activities and real estate divested in 2005 amount to NOK 136 million.

Hafslund's power generation activities had an annual generation of 3,067 GWh in 2005; 10 year average annual generation is 2,850 GWh. The Group's Network activities continued to cut operating costs in 2005. Hafslund's security activities have achieved a critical mass with regard to customer base, and have strengthened capacity utilization. Technical Services units are developing well, due to high activity levels, increased revenues from non-Group customers, and a strong focus on cost containment. Hafslund's venture investment in REC added NOK 356 million to the Group's 2005 profit through shareholding value growth.

Profit before tax and business disposals amounted to NOK 1,495 million in 2005, up from NOK 747 million in 2004.

As of 1 January 2005, Hafslund prepares and presents its accounts according to the International Financial Reporting Standards (IFRS). Figures stated in parentheses in this report represent 2004 figures restated according to IFRS. The transition from NGAAP to IFRS has had a positive effect on the Group's profit, in part through the elimination of goodwill amortization and lower interest expenses due to the implementation of fair value recording of loans. Under IFRS, share investments and derivatives are recorded at market value, and value changes are recorded in the profit and loss account. In a notice to the Oslo Stock Exchange dated 28 April 2005, the Group reported the effects of the transition from NGAAP to IFRS. Subsequent quality assurance measures and IFRS framework clarifications have led to some modifications, which were reported in Hafslund's 7 February 2006 stock exchange notice.

The annual accounts have been prepared based on the assumption of continued operations.

Cash flow

Net cash flow from operating activities amounted to NOK 1,389 million in 2005, compared with NOK 1,488 million in 2004. The Group's operating and expansion investments rose from NOK 585 million in 2004 to NOK 782 million in 2005; the 2005 investments are largely associated with organic growth in broadband infrastructure. Capital freed up through sales of business activities and operating assets amounted to NOK 641 million in 2005. Net investments in venture activities amounted to NOK 654 million.

Capital matters

High cash flow both from operations and the sale of non-core assets in 2005 resulted in an approximately NOK 1 billion reduction in the Group's net interest-bearing debt, and in greater financial soundness. At year-end 2005, Hafslund's net interest-bearing debt was NOK 9,528 million. As of 31 December 2005, the equity ratio was 30.9 percent (up from 30.1 percent a year earlier); thus, the Group met its announced goal of an equity ratio exceeding 30 percent. The Group's goal for 2006 is to maintain an equity ratio of between 30 and 35 percent. The Group's financial soundness relative to the nature of its business is deemed good, and it has a solid foundation for further profitable growth.

In 2005, the Group established a new EUR 500 million syndicated drawing facility with a five-year maturity; the drawing facility was established to replace a previous drawing facility with less favorable terms. At year-end 2005, Hafslund had total liquidity reserves of NOK 4.5 billion. As of 31 December 2005, total unused drawing facilities exceeded the first year's payments due on short- and long-term debt.

The Group implemented the fair value option allowed by IFRS on loans in 2005; as of 1 January 2005, all fixed-interest loans have been restated to fair value. The NOK 341 million after-tax implementation effect has been charged to Other equity as of 1 January 2005. As a consequence of adopting fair value treatment of loans, fluctuations in market interest rates now impact the Group's recording of interest expenses. Thus, interest expenses for 2005 decreased by NOK 169 million.

Business areas

On 1 September 2005, the Group modified its organizational structure to rationalize its business areas and ensure optimal positioning of the Group for further growth. The organizational structure was expanded from two to four business areas. The former Operations and Markets business areas were split into four new business areas: Heat and Infrastructure; Technical Services; Private; and Corporate.

> Heat and Infrastructure

Hafslund's network activities have enjoyed strong profit growth in the past two years. The 2005 operating profit amounted to NOK 1,001 million, up from NOK 914 million in 2004. Hafslund Nett features one of Norway's lowest grid rental charges and highest levels of delivery reliability. In 2005, Hafslund's network activities continued to focus on further efficiency enhancement at underlying operations and on getting the most out of their investments. Much of recent years' operational improvement potential has now been realized.

Despite higher maintenance activity levels, operating costs remained on a par with 2004. The network business regards high delivery reliability as extremely important. Hafslund Nett's investment, maintenance, and upgrade plans for the next three years are expected to total in the area of NOK 2 billion to NOK 2.5 billion. In 2005, the Group sold its shareholdings in Mjøskraft AS and Mjøskraft Strøm AS. Total settlement for the shares amounted to NOK 612 million; gains on the sale were approximately NOK 68 million. Hafslund Nett had NOK 68 million in gains on the sale of real estate in 2005.

In 2005, recording of excess/under income in the accounts of Hafslund's government regulated network activities was changed from balance sheet recording (under which the year's grid rental charges were identical to the awarded regulated-income ceiling) to recording as regulatory liabilities/assets, which no longer qualify for balance sheet recording. Some disagreement persists on interpretation of the rules leading to this change, and further accounting treatment changes may occur. The transition to non-balance sheet recording for 2005 of excess/under income resulted in a NOK 120 million increase in operating revenues (2004: NOK 59 million).

Hafslund's power generation business continued to deliver solid profits in 2005. Production for the year at the Group's hydropower plants was 3,067 GWh, an increase from 2,895 GWh in 2004. Greater power production resulted from improved management of the Glomma waterway, a more even snow melt, and relatively mild temperatures. Hafslund Produksjon had a 2005 operating profit of NOK 467 million, compared with NOK 476 million in 2004, despite higher prices for power sold in 2005. The profit decline is attributable to the expensing of NOK 35 million in option premiums associated with hedging of 2006 and 2007 power generation. Increased European power market harmonization and greater focus on environmental concerns are expected to lead to rising power prices. The power generation business is well positioned with regards to any price increases in power contracts for delivery in 2006 and 2007, traded via Nord Pool. In September 2005, the Group sold its Greenville, USA, biomass facilities at a profit. The sale completed the process of closing down Hafslund's US-based business activities.

Hafslund Tokom continued to expand its broadband infrastructure; at year-end 2005, the company had a fiber optic network of more than 700 kilometers in the greater Oslo region. In November 2005, Hafslund Tokom purchased the company Bredbåndsfabrikken AS, whose assets include a 60 kilometer fiber optic network in Oslo and 30 kilometers of right-of-way. With cost-effective access to cable conduits serving high-density locales via existing infrastructure, Tokom's targeting of broadband fiber optic infrastructure is projected to yield solid results and play an important role in Hafslund's further business and value development.

> Technical Services

The 2005 performance of the Technical Services business area reflects high levels of market activity, generally good operations, and a greater proportion of revenues from non-Hafslund-Group customers.

Technical Services had a 2005 operating profit of NOK 86 million, compared with NOK 36 million in 2004. In 2005, the focus was on organizational modifications geared towards increased market competition. The units comprising Technical Services acquired four companies in 2005: Elrom Installasjon AS, Trøgstad El-tjenester AS, Fortum Elsikkerhet AS, and a smaller-sized contractor in southern Sweden, Veka Entreprenad AB. In addition, an agreement was entered into in February 2006 to buy ABC Installasjon AS. The purpose of the acquisition of Veka Entreprenad was to establish a foothold for obtaining work on major investments in new underground power lines planned for southern Sweden. Experience garnered in such projects will give the Group state-of-the-art expertise in an area expected to be of increasing importance in Norway.

> Private

The Private business area's sale of electric power to the retail market (Strømsalg Privat) amounted to 7,866 GWh in 2005, up from 7,551 GWh in 2004. Measured in power volume sold, Hafslund is Norway's largest supplier of electric power. Private's retail-market power sales had a 2005 operating profit of NOK 49 million, compared with NOK 85 million in 2004. The effect of both market valuation of the hedging portfolio and expensing of excessive revenue accruals in years prior to 2003, lowered profit by NOK 78 million in 2005. The retail power market is characterized by fierce competition and low margins. In 2005, Hafslund simplified its product portfolio to make it more customer friendly and to cut costs. At year-end 2005, Hafslund had 574,000 retail customers, up from 559,000 a year earlier. The year-end 2005 customer base includes the 70,000 residential customers acquired from AS Norske Shell and the loss of 42,000 customers due to the sale of Mjøskraft Strømsalg AS. In 2005, Hafslund became the majority owner of Hallingkraft, and, effective 2 January 2006, Hafslund acquired Hydro Texaco AS' customer base of 16,000 households.

At year-end 2005, the Private business area's residential alarm business (Sikkerhet Privat) had 79,400 customers, an increase from 69,100 customers at the close of 2004. The number of customers makes Hafslund Security Norway's largest supplier of residential alarm systems. After four years of strong growth, the residential alarm business turned a profit for the first time in 2005; the 2005 operating profit was NOK 33 million. The critical customer mass has been reached, although the business continues to be marked by significant costs associated with growth. Wireless residential alarm systems, introduced in 2005, will represent the standard platform for residential alarms as of 2006, resulting in greater customer friendliness and simplified installation. Historically, Sikkerhet Privat has focused on customer-base expansion. From now on, maintenance of the existing customer base and ensuring an influx of "quality" customers will receive increased attention. Work will continue on customer service quality assurance and power and alarm customer coordination. Hafslund's strong position in the security market, the critical customer mass that has been achieved, and the low market penetration in Norway for residential security services, are all deemed to provide good opportunities for continued growth and value creation.

On 2 February 2006, Sikkerhet Privat entered into an agreement to acquire the guard services company Vekterselskapet Nittedal AS. The company, which has some 1,100 alarm customers in the Nittedal region near Oslo, has been a franchisee of Hafslund's security business for the past ten years.

› Corporate

The Corporate business area's sale of electric power to corporate-market commercial and industrial customers (Strømsalg Bedrift) in 2005 was 3,259 GWh, compared with 3,434 GWh in 2004. Strømsalg Bedrift had a 2005 operating profit of NOK 37 million, compared with NOK 45 million in 2004. To improve customer service, Strømsalg Bedrift launched a new web portal, called Hafslund Online, in 2005. The portal allows customers to access power consumption, cost, and invoice details.

The Corporate business area's security services (Sikkerhet Bedrift) had a 2005 operating profit of NOK -24 million, a NOK 24 million increase compared with NOK -48 million in 2004. The improved profitability is attributable to greater capacity utilization for both valuables transport and guard services, and several major contract awards in 2005. Going forward, Sikkerhet Bedrift will focus on increasing the number of customers that buy both power and security products and services, recruiting new customers, correct pricing, and optimizing operations via route consolidation and cutting road time between customer stops, in order to improve profitability. In December 2005, Sikkerhet Bedrift entered into an agreement to acquire 33.5 percent of the shares of Norsk Kontantservice AS (NOKAS), which transports cash and foreign currency to banks across Norway.

Ownership structure and shareholder matters

At year-end 2005, Hafslund ASA's share capital was NOK 195,223,448, divided as follows: 115,464,943 Class A shares and 79,758,505 Class B shares. Share prices at the Oslo Stock Exchange on 31 December 2005 were NOK 73.00 per Class A share and NOK 73.50 per Class B share; these figures represent annual increases of 86.2 percent and 91.9 percent, respectively. Hafslund's market capitalization at year-end 2005 was NOK 14.3 billion. The Oslo Stock Exchange's Benchmark Index (OSEBX) rose by 40.3 percent in the same period. As of 31 December 2005, the city of Oslo was the largest Hafslund shareholder, holding 53.7 percent of the share capital, as follows: 58.5 percent of Hafslund Class A shares, and 46.8 percent of Class B shares. The figures include the shares held by Oslo Kommune Holding AS, a company wholly owned by the city of Oslo. Fortum Forvaltning AS is the second largest shareholder of Hafslund. As of 31 December 2005, Fortum Forvaltning AS held 34.1 percent of Hafslund's share capital, distributed as follows: 32.8 percent of Hafslund Class A shares, and 36.0 percent of Class B shares. At year-end 2005, Hafslund held 262,058 of its own (treasury) Class B shares. The Group holds no Hafslund Class A shares.

The Board has discussed a proposal to merge Hafslund's two share classes with the company's largest shareholders, and will propose such a share class merger to the 2006 annual general meeting if signals of a positive resolution is received. Merger of the company's two classes of shares conforms with good corporate governance and is viewed as promoting the liquidity of the Hafslund share.

Personnel and organization

At year-end 2005, the Hafslund Group had 2,751 employees, compared with 2,882 employees a year earlier. The Group also has 29 apprentices.

The Group is continuously working to enhance efficiency and optimize operations. 2005 featured some minor staffing modifications, particularly in the Group's Private business area. Hafslund's Job and Service Center, which is part of the Group's program for senior employees, had no staff increases in 2005. There were no accidents or injuries in 2005 that were deemed serious. A total of 23 injuries, resulting in 209 days of absence, were recorded. The working environment in the Group is considered to be satisfactory.

In 2005, a new management model was introduced for the purposes of professionalizing and streamlining the organization's human resources activities. The intent was to establish delivery agreements and service catalogs in the personnel area, enhance efficiency and centralize salary-related issues, standardize pension and welfare plans, and introduce 360-degree assessments of managers as a basis for managers' leadership development and bonus plans. A special program to recruit and develop talented employees was initiated. The Hafslund Group joined the ranks of other firms participating in the inclusive working life agreement (IA) in 2005; Groupwide IA efforts have been well integrated in the organization. The IA (Inkluderende Arbeidsliv) agreement, which is designed to reduce sick leave, was established under the auspices of Norway's Ministry of Labor and Social Affairs and major employee and employer organizations.

Gender equality

At year-end 2005, 22.3 percent of Group employees were women, up 1.7 percentage points from year-end 2004. Conscious efforts to raise the proportion of female employees have yielded results. However, the professions from which Hafslund historically has recruited its employees feature few women. As of year-end 2005, there were two women among Hafslund's seven-member Group management, which corresponds to 28.6 percent women. Hafslund ASA's Board of Directors meets Norway's legal requirement for 40 percent female board representation.

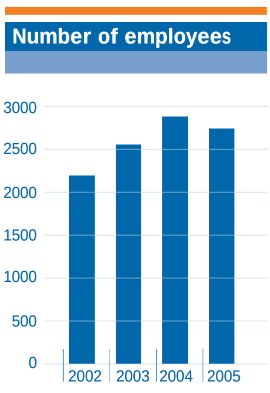
In June 2005, Hafslund was awarded the Female Future gender equality award, an aspect of the Norwegian Confederation of Business and Industry's drive to increase female representation in corporate management and on boards of directors. Through its management development program and other measures, the Group is working to employ more women in leadership positions and in facets of the business where the proportion of female employees has traditionally been low. In December 2005, Hafslund received the Job for Life award from the mental health council (Rådet for psykisk helse) for the Group's efforts to promote job rehabilitation.

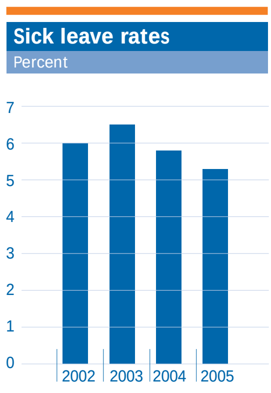
In 2004, the Group reviewed salaries and the manner in which they are set, with the aim of leveling out differences in salaries between women and men. Identified, unsubstantiated differences in salaries were removed. Remaining salary differentials between male and female employees are deemed to result from differences in educational levels, experience, individual strengths, and the effects of part-time and over-time work. Hafslund is committed to gender equality and diversity, with employees of varying professional experience, age, and interests.

Health, safety, and environment (HSE)

Hafslund's HSE work plays a key role in ensuring sustainable development for the Group's employees, customers, owners, and the communities where Hafslund operates. In 2005, Groupwide goals and policies for Hafslund's HSE efforts were established. Important 2005 achievements include HSE standardization across the Group, coordination of joint activities, and better HSE work on all levels. Also, work to improve in-house control procedures was initiated. Regarding the inclusive working life (IA) agreement: All employees and managers were informed about the plan and received IA training.

Cooperation between Group management and employee organizations has been key to success in these HSE efforts. Accordingly, Groupwide goals and





policies have been discussed in the Group's corporate assembly.

Absence due to illness in the Hafslund Group was 5.3 percent in 2005, down 0.5 percentage points compared with the 2004 figure, but somewhat above the 5 percent target. In 2003, the average figure for the Group was 6.5 percent. Sick leave rates varied among Group companies, from 1.1 percent to 9.0 percent. The working environment at most Group units is considered good.

External environment

Hafslund ASA's power generation uses hydropower, a renewable energy resource, which do not adversely affect the external environment. Environmental problems associated with riverine power generation are largely associated with oil spills and material spalling from steel and concrete structures during waterway maintenance. To limit environmental hazards, Hafslund has introduced the extensive use of oil retainers and separators, and the use of vegetable oils that break down rapidly in exposed sluices, where appropriate. Loose material from maintenance work is collected and removed. Distribution grid activities lead to contamination from oils used in cable and transformer operations. Such releases to the environment in 2005 were on a par with previous years and within the limits determined by regulatory authorities. Pollution from Hafslund's security businesses and those of Technical Services are almost exclusively associated with the operation of vehicles.

Risk

Hafslund's activities are exposed to regulatory, legal, financial, public policy, and market risks. Risk assessment is an integral part of all business activities; overall risk is subject to assessment at a Group level. Guidelines for a number of business activities have been established that assure proactive risk management.

Group revenues and profits are affected by factors such as the wholesale price of electric power. To reduce revenue volatility, hedging programs are used for hydropower generation sales and the purchases of electric power for resale to customers. Counterparty risk is minimized through the use of standardized contracts settled via Nord Pool. As of 2006, all trade in financially settled power contracts traded via Nord Pool will be euro-denominated. The Hafslund Group's treasury department actively manages and hedges foreign currency exposure in order to reduce foreign currency risk both as to power trading and foreign currency loans.

Hafslund is exposed to interest risk due to interest rate fluctuations on the company's interest-bearing loans, and the interest levels applied to determine the regulated income ceiling governing distribution grid activities. Interest-rate sensitivity associated with the Group's interest-bearing loans is managed through annual loan duration targets determined by the Board of Directors.

Market risk affecting Hafslund's network activities is limited in the current regulatory period; the activities are a natural monopoly subject to regulatory control of revenues. However, a new regulatory regime is scheduled to go into effect as of 2007. Hafslund is engaged in a constructive dialogue with public authorities to create a regulatory framework that allows increased value creation for both owners and customers in the years ahead. Uncertainty remains as to core features of the regulatory regime that will be imposed on Norwegian power distributors.

Losses on customer receivables for the Group's business activities represent a real financial risk; historically, however, losses have been marginal. Greater customer departures than normally anticipated represent a key risk for Hafslund's power sales and security businesses.

Hafslund has established long-term drawing facilities to secure liquidity in periods when it may be difficult to obtain financing in various markets; these drawing facilities minimize the Group's liquidity risk. The Group's credit and counterparty risk associated with investment of excess liquidity and use of various interest and foreign currency derivatives is moderate, as the Group's counterparties carry credit ratings of "A" or higher. Hafslund has no financial covenants associated with its loans or drawing facilities.

The Board's work

The Board held eight meetings in 2005. Hafslund's Board has acted pursuant to adopted board instructions, which include guidelines governing the Board's work. The Board has evaluated its own methods, its expertise, and the cooperation between the Board and Hafslund Group management. The Board has a compensation committee comprising the following Board members: Christian Brinch, Mikael Lilius, and Per Orfjell.

There were no changes in the composition of the Board in 2005. Board deputy chairman Stig Grimsgaard Andersen, and board members Ellen Christine Christiansen and Mikael Lilius were reelected at the 2 May 2005 annual general meeting.

Dividend and allocation of profit for the year

The Board of Directors will propose to the 3 May 2006 annual general meeting that a per-share dividend of NOK 2.25 be paid for the 2005 accounting year; the total dividend disbursement amounts to NOK 439 million. The dividend disbursement accords with the company's dividend policy, and exceeds the 2005 dividend target that had previously been announced.

The Board will propose the following allocation of the 2005 loss of the parent company:

	Amounts in NOK million
Loss for the year (to be covered by Other equity)	(46)
Transferred from Other equity	(439)
Dividend	439
Total allocated	(46)

Following the aforementioned allocations, the company's unrestricted equity amounted to NOK 1,530 million as of 31 December 2005.

Outlook

The Hafslund Group's 2005 profit shows a positive trend at all profit center operations. The Group had solid earnings in its network and power generation units. The power generating activities of the Group are well positioned as to price increases for electric power deliveries in 2006 and 2007, where pricing is determined via power contract trade at Nord Pool. Due to regulatory framework changes, network activities are expected to deliver 2006 profits somewhat below those of 2005. In 2007, the new regulatory regime that goes into effect will be decisive for network's profit performance. The Group's other profit centers are well positioned to develop favorably in 2006.

Hafslund's ownership interest in Renewable Energy Corporation (REC) of approximately 25 percent, fully diluted, represents the core of Hafslund's targeting of new energy sources. REC's profit development, and rapid growth in demand for renewable energy worldwide, indicate significant value growth potential for Hafslund.

Uncertainty is associated with future development. Nevertheless, the aforementioned factors represent a solid foundation for continuation of the Hafslund Group's growth in 2006. Given a normalized return on venture investments, the Group's goal is to achieve a 2006 return on invested capital of 10 percent and a return on equity of 14 percent.

The Board of Directors of Hafslund ASA
Oslo, 15 March 2006

Christian Brinch
Board Chairman

Stig Grimsgaard Andersen
Deputy Chairman

Ellen Christine Christiansen

Solveig Ekeberg

Mikael Lilius

Kjersti S. Nystad

Per Orfjell

Jan Torstensen

Rune Bjerke
President and CEO

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Group profit and loss account

Amounts in NOK million	Notes	1 January – 31 December 2005	2004
Operating revenues		**8,097**	7,659
Purchased materials and energy		**(4,155)**	(3,701)
Salaries and other personnel expenses	22	**(1,084)**	(1,044)
Depreciation and write-downs	7,8	**(666)**	(654)
Other (losses)/gains – net	20	**565**	141
Share of profit from associated companies	9	**33**	28
Other operating expenses	21	**(786)**	(1,010)
Operating profit		**2,004**	1,419
Financial expenses	23	**(509)**	(672)
Pre-tax profit		**1,495**	747
Tax	24	**(399)**	(331)
Profit for the year, continued operations		**1,096**	416
Profit for the year, discontinued operations	**25**	**78**	41
Profit for the year		**1,174**	457
Attributable to:			
Shareholders of the parent company		**1,173**	438
Minority interests		**1**	19
Earnings per share of profit for the year attributable to shareholders of the parent company (EPS in NOK per share)			
Earnings per share for continued operations (= diluted per-share profit)		NOK 5.6	NOK 2.0
Earnings per share, discontinued operations (= diluted per-share profit)		NOK 0.4	NOK 0.2

Group balance sheet

Amounts in NOK million	Notes	As of 31 December 2005	2004
Assets			
Non-current assets			
Property, plant and equipment	7	**14,283**	14,910
Intangible assets	8	**1,993**	2,098
Investments in associated companies	9	**393**	400
Other non-current receivables	11	**363**	405
Total non-current assets		**17,032**	17,813
Current assets			
Inventory		**69**	38
Accounts receivable and other receivables	12	**1,458**	1,817
Derivatives	10	**34**	0
Financial assets at fair value through profit or loss	13	**1,911**	784
Cash and cash equivalents	14	**266**	108
Total current assets		**3,738**	2,747
Total assets		**20,770**	20,560
Equity			
Equity attributable to company shareholders			
Share capital and share premium reserve	15	**4,275**	4,275
Retained earnings		**2,128**	1,583
Total equity allocated to company shareholders		**6,403**	5,858
Minority interests		**13**	340
Total equity		**6,416**	6,198
Liabilities			
Non-current debt			
Loans	17	**7,137**	8,385
Deferred tax	18	**1,452**	1,432
Pensions and similar liabilities	19	**390**	441
Other allocations and liabilities		**101**	0
Total non-currrent liabilities		**9,080**	10,258
Current liabilities			
Accounts payable and other current liabilities	16	**1,283**	1,470
Derivatives	10	**165**	0
Tax payable	24	**125**	125
Loans	17	**3,701**	2,509
Total current liabilities		**5,274**	4,104
Total liabilities		**14,354**	14,362
Total equity and liabilities		**20,770**	20,560

Hafslund Board of Directors
Oslo, 15 March 2006

Christian Brinch
Board Chairman

Stig Grimsgaard Andersen
Deputy Chairman

Ellen Christine Christiansen

Solveig Ekeberg

Mikael Lilius

Kjersti S. Nystad

Per Orfjell

Jan Torstensen

Rune Bjerke
President and CEO

Group cash flow statement

Amounts in NOK million	Notes	1 January - 31 December 2005	2004
Cash flow from operations			
Cash flow from operations		**2,186**	2,247
Interest paid		**(672)**	(634)
Taxes paid		**(125)**	(125)
Net cash flow from operations		**1,389**	1,488
Cash flow from investment activities			
Expansion investments (excl. bank deposits)	7,8	**(176)**	(144)
Capital freed up, discontinued operations (excl. bank deposits)		**491**	0
Investments in operations	7,8	**(606)**	(441)
Sale of property, plant and equipment		**150**	272
Venture investments, value changes		**(654)**	90
Interest and other financial income received		**66**	59
Dividends received	9,20	**53**	53
Net cash flow used for investment activities		**(676)**	(111)
Cash flow from financial activities			
Change, own (treasury) shares		**3**	13
Change, interest-bearing liabilities		**(312)**	(1,408)
Dividend paid to company shareholders		**(243)**	(195)
Dividend paid to minority interests			(7)
Net cash flow used for financial activities		**(552)**	(1,597)
Change in cash and cash equivalents		**161**	(220)
Cash and cash equivalents as of 1 January		**108**	328
Foreign exchange gains/(-losses) on cash		**(3)**	0
Cash and cash equivalents as of 31 December		**266**	108

Change in Group equity

Amounts in NOK million	Notes	Share capital	Share premium fund	Translation adjustments	Retained earnings	Minority interests	Total equity
Equity, NGAAP 1 Jan. 2004		195	4,080		1,197	384	5,857
Changes, IFRS adaptation	5				136		136
Equity, IFRS 1 Jan. 2004		195	4,080		1,333	384	5,993
Profit for the year					436	21	457
Dividend disbursement for 2003					(194)		(194)
Translation adjustments				(8)		(1)	(9)
Change in own (treasury) shares	15				13		13
Other equity effects					3	(64)	(61)
Equity, IFRS 31 Dec. 2004		195	4,080	(8)	1,591	340	6,198
IAS 32 and IAS 39	5				(441)		(443)
Equity, IFRS 1 Jan. 2005		**195**	**4,080**	**(8)**	**1,150**	**340**	**5,756**
Profit for the year					1,173	1	**1,174**
Dividend disbursement for 2004					(243)		**(243)**
Change, minority interests						(328)	**(328)**
Translation adjustments				8			**8**
Change in own (treasury) shares	15				14		**14**
Other equity effects					34		**34**
Equity, IFRS 31 Dec. 2005		**195**	**4,080**	**0**	**2,128**	**13**	**6,416**

Profit and loss account – IFRS vs. NGAAP

Amounts in NOK million	IFRS 2005	IFRS 2004	NGAAP 2004	NGAAP 2003
		1 January - 31 December		
Operating revenues	**8,097**	7,659	8,270	9,300
Purchased materials and energy	**(4,155)**	(3 701)	(4,106)	(5,431)
Salaries and other personnel expenses	**(1,084)**	(1,044)	(1,043)	(1,061)
Depreciation and write downs	**(666)**	(654)	(860)	(959)
Other (losses)/gains – net	**565**	141	0	0
Share of profit from associated companies	**33**	28	0	0
Other operating expenses	**(786)**	(1,010)	(1,067)	(998)
Operating profit	**2,004**	1,419	1,194	851
Profit from share investments and associated companies	**0**	0	104	216
Net financial expenses	**(509)**	(672)	(603)	(807)
Pre-tax profit	**1,495**	747	695	260
Tax	**(399)**	(331)	(341)	(57)
Profit for the year for continued operations	**1,096**	416	354	203
Profit for the year, discontinued operations	**78**	41	0	0
Profit for the year	**1,174**	457	354	203
Attributable to:				
Shareholders of the parent company	**1,173**	438	338	188
Minority interests	**1**	19	16	15
Allocations:				
Dividend	**439**	243	243	201
Earnings per share (in NOK)	**6.0**	2.2	1.7	1.0

Note 1 General information

Hafslund ASA (the company) and its subsidiaries (collectively termed the Group) are leaders in the power and security markets and one of the largest listed energy groups in the Nordic countries. Hafslund is Norway's largest electric power grid owner, the largest in power sales, and a medium-sized Norwegian power producer. Hafslund is also a major participant in the Norwegian market for security services.

The Group operates its activities through associated companies and subsidiaries; its activities largely serve the Norwegian market. Hafslund is headquartered in Oslo.

Note 2 Summary of major accounting principles

The following discussion describes the most important accounting principles used in preparing the consolidated accounts. These principles have been applied consistently to all presented reporting periods, unless otherwise stated in the description.

2.1 Basis prinsiples

The consolidated accounts have been prepared and presented in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. 2004 accounting figures have been restated from NGAAP to IFRS, with the exception of items governed by IAS 39 and IAS 32, which do not require comparative figures. Information required to be disclosed by IFRS 1 and for which disclosure is recommended by the Oslo Stock Exchange is shown in Note 5 to the accounts.

The consolidated accounts have been prepared based on the historic cost principle, with the exception of the following modifications: Financial derivatives and financial assets and obligations are valued at fair value; changes in value are recorded in the profit and loss account.

The preparation of accounts according to IFRS requires the use of estimates. Further, application of the company's accounting principles requires management to exercise judgment and apply assumptions. Areas highly subject to the exercise of such judgment or with a high degree of complexity, and areas where assumptions and estimates are material to the consolidated accounts, are discussed in Note 4.

Standards, interpretations, and modifications of existing standards that had not taken effect as of 31 December 2005:
Certain new standards, modifications, and interpretations of existing standards have been published, and adherence to these will be mandatory for the Group as of 2006 or later. Of these, the following have not been adopted in the 2005 consolidated accounts:

Amendment to IAS 19, Employee Benefits (goes into effect 1 January 2006). This modification introduces an alternative method of accounting for actuarial gains and losses (estimate deviations). The amendment may pose additional requirements for multiple-company solutions where there is insufficient reporting for treatment as a defined benefit plan. Further, the amendment requires disclosure of additional data. Because the Group will not use the alternative that is introduced for accounting for estimate deviations, nor will it take part in any multi-employer solutions, only the additional disclosure requirements will affect the accounts. This amendment will apply to the Group as of 1 January 2006.

Amendment to IFRS 1, First-time Adoption of International Financial Reporting Standards and Amendment to IFRS 6, Exploration for and Evaluation of Mineral Resources (takes effect 1 January 2006). These changes are not relevant to the Group's activities, as the Group is not involved in exploration for or evaluation of mineral resources.

IFRS 6, Exploration for and Evaluation of Mineral Resources (takes effect 1 January 2006). IFRS 6 is not relevant to the Group's activities.

IFRS 7, Financial Instruments: Disclosures, and a supplementary modification to IAS 1, Presentation of Financial Statements - Capital Disclosures (takes effect 1 January 2007). IFRS 7 requires the disclosure of additional data to improve information on financial instruments. It mandates disclosure of information of a quantitative and qualitative nature about risk exposure associated with financial instruments; these include specific minimum requirements as to credit risk, liquidity risk, and market risk (including market risk sensitivity analyses). IFRS 7 replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and also replaces the additional data required pursuant to IAS 32, Financial Instruments: Disclosures and Presentation. IFRS 7 applies to all companies that report according to IFRS. The modifications to IAS 1 require the disclosure of additional information about the level of the company's/Group's capital assets and how it manages said assets. The Group has assessed the effect of IFRS 7 and the modifications to IAS 1, and concluded that the additional disclosure requirements largely relate to sensitivity analyses associated with market risk and capital assets details disclosed pursuant to the modifications to IAS 1. IFRS 7 and the modifications to IAS 1 may affect the Group's financial reporting, and their effect will be assessed continuously in 2006.

IFRIC 4, Determining whether an Arrangement contains a Lease (takes effect 1 January 2006). IFRIC 4 requires that the assessment of whether an agreement features a leasing element be based on the underlying realities of the contract. This requires assessing whether (a) fulfillment of the contract depends on the use of a specific asset or assets (the asset); and (b) whether the contract features a right to use the asset. IFRIC 4 may affect the Group's financial reporting and its effect will be assessed continuously in 2006.

IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (takes effect 1 January 2006). IFRIC 5 is not relevant to the Group's financial reporting.

IFRIC 6, Liabilities arising from Participation in a Specific Market - Waste Electrical and Electronic Equipment (took effect as of 1 December 2005). IFRIC 6 is not relevant to the Group's financial reporting.

2.2 Consolidation principles

a) Subsidiaries

Subsidiaries are defined as all units (including undertakings with limited purposes, so-called Special Purpose Entities) where the Group has decisive influence on the unit's financial and operational strategies, generally through owning more than half of the voting equity. In determining whether decisive influence is present, the effect of potential voting rights that, as of the balance sheet date, may be exercised or converted, is included. Subsidiaries are consolidated as of the time control has been transferred to the Group and are deemed no longer consolidated when control ceases.

The acquisition cost method is used in accounting for acquisitions of subsidiaries. Acquisition costs are the fair value of assets used as compensation in the acquisition and direct costs associated with the actual acquisition. Identifiable acquired assets, acquired debt and obligations are entered at their fair value at the time of acquisition, independent of any minority interests. Acquisition costs that exceed the fair value of identifiable net assets in the subsidiary are entered as goodwill in the balance sheet. If the acquisition cost is lower than the fair value of the net assets of the subsidiary, the difference is entered in the profit and loss account at the time of acquisition (see Note 2.6).

Intra-Group transactions, inter-company balances, and unrealized profit between Group companies have been eliminated. Accounting principles of subsidiaries are modified when necessary to achieve conformity with Group accounting principles.

b) Transactions with minority interests

Transactions with minority interests are treated as transactions with third parties. On the sale of shares in subsidiaries to minority interests, the Group's gains or losses are recorded in the profit and loss account. On acquisitions of shares in subsidiaries from minority interests, goodwill arises. The goodwill is equal to the difference between the compensation and the proportion of equity recorded in the accounts of the acquired subsidiary.

c) Associated Companies

Associated companies are entities over which the Group has significant influence, but no control. Significant influence is generally present for investments in which the Group holds between 20 and 50 percent of equity with voting rights. Investments in associates are entered into the accounts using the equity method. At the time of acquisition, investments in associated companies are entered into the accounts at acquisition cost, including goodwill (which is reduced by any subsequent write-downs) (See Note 2.6).

The Group's share of associated companies' profit or loss is entered in the profit and loss account, with the addition of the balance sheet value of the investments and the share of equity changes not recorded in the profit and loss account. The Group does not record its share of loss in the profit and loss account if the entry would result in a negative balance sheet value for the investment (including unsecured receivables of the entity), unless the Group has assumed obligations of the associate or issued guarantees for the associate's commitments.

The Group's share of unrealized profit on transactions between the Group and its associates is eliminated. The same applies to unrealized losses, unless the transaction indicates a write-down of the transferred asset. Where necessary, the accounting principles of associates have been modified to accord with the Group's accounting principles.

2.3 Segment reporting

A business segment is defined as a part of the business activities that delivers products or services subject to risks and returns distinct from risks and returns of other areas of activity. A geographic market segment is a part of the business activities that delivers products or services in a delineated geographic area subject to risks and returns distinct from that of other geographic markets.

2.4 Foreign currency translation

a) Functional currency and presentation currency

Items included in the financial statements of each subsidiary in the Group are recorded in the currency mainly used in the economic area in which the subsidiary operates (functional currency). Hafslund's consolidated financial statements are presented in Norwegian kroner (NOK), which is the functional currency and the presentation currency of the parent company.

b) Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary items (assets and liabilities) denominated in foreign currencies at year-end, are translated at the exchange rate on the balance sheet date, and are recognized in the profit and loss account.

Translation differences on non-monetary items (both assets and liabilities) are included in gains and losses at fair value. Translation differences on non-monetary items, such as shares at fair value are recorded in the profit and loss account as part of gains and losses due to fair value determinations. Translation differences on non-monetary items, such as shares classified as available for sale, are included in equity as changes in fair value not recorded in the profit and loss account.

c) Group companies

The profit and loss account and balance sheet for Group entities (none of which operate in hyperinflationary economies) that have functional currencies other than the presentation currency are translated as shown below:

i. Balance sheet items are translated at the closing rate at the balance sheet date.
ii. Profit and loss items are translated at the average rate (if the average does not yield a reasonable estimate of the accumulated effects of using transaction rate, the transaction rate is used).
iii. Translation differences are recorded directly to equity in a specified item.

The goodwill and fair value of assets and liabilities in acquisitions of foreign entities are recorded alongside the acquired entity and translated at the rate at the balance sheet date.

2.5 Property, plant and equipment

Property, plant and equipment are recognized at acquisition cost less depreciation. Acquisition cost includes costs directly associated with the acquisition of the operating asset. Acquisition cost may also include gains and losses transferred from equity, which are attributable to hedging of cash flows in foreign currencies upon the acquisition of operating assets.

Expenses that significantly increase the life of assets and/or increase capacity are added to the balance sheet value of operating assets or recorded separately in the balance sheet, when it is probable that future economic benefits associated with the expense will flow to the Group, and the expense can be reliably estimated. Other repair and maintenance costs are recognized in the profit and loss account for the period in which the expenses are incurred.

Land is not depreciated, but other operating assets that are in use are depreciated on a straight-line basis, so that the acquisition costs of proporty, plant and equipment are depreciated to their residual value with the annual depreciation rates shown below:

Power generation and regulation facilities	0.5-5%
Grid facilities	2-7%
Machinery, furniture and vehicles	7-33%
Other property	2-5%

The useful life of each operating asset, along with its residual value, is revalued each balance sheet date and modified if necessary.

When the balance sheet value of an operating asset exceeds the estimated recoverable amount, the value is written down to that recoverable amount (Note 2.7). Gains and losses on the disposal of operating assets are recorded in the profit and loss account at the difference between the sales price and balance sheet value.

2.6 Intangible assets

a) Waterfalls

Waterfall rights are recorded in the balance sheet at historic acquisition cost. Because Hafslund's waterfall rights in Norway are not subject to reversion to the government, they are deemed to be perpetual assets and are not depreciated.

b) Goodwill

Goodwill is the difference between acquisition cost and the Group's share of net fair value of the identifiable assets at the time of acquisition. Goodwill on the acquisition of subsidiaries is classified as an intangible asset. Goodwill at the acquisition of a portion of an associated company is included in investments in associates. Goodwill is reviewed annually for impairment, and entered in the balance sheet at acquisition cost less impairment losses. Impairment losses on goodwill are not reversed. Gains or losses on the sale of an activity include the goodwill in the balance sheet of the disposed activity.

Following the initial identification of the need to write down goodwill, goodwill at the acquisition date is allocated to the cash-generating units in question. Allocation is made to the cash-generating units or groups of cash-generating units that were expected to benefit from the acquisition.

c) Customer portfolios

Customer portfolios are recorded in the balance sheet at acquisition cost less depreciation. Customer portfolios have limited useful lives and are amortized on a straight-line basis over a period of five years, based on acquired experience.

d) Customer acquisition costs

Acquisition costs for new customers are recorded in the balance sheet as acquisition costs less amortization. Acquisition costs have limited useful lives, and are amortized on a straight-line basis over a period of five years, based on acquired experience. Acquisition costs include directly associated costs, and each customer contract is subject to individual evaluation.

2.7 Impairment of non-financial assets

Tangible fixed assets and intangible assets with non-definable useful lives are not depreciated, but are reviewed annually for impairment. Tangible fixed assets and intangible assets that are depreciated or amortized are reviewed for impairment when indications are that future earnings can no longer support the balance sheet value. Depreciation is recorded in the profit and loss account as the difference between the balance sheet value and the recoverable amount. The recoverable amount is the higher of fair value less sales costs or value-in-use.

At impairment reviews, fixed assets are grouped at the lowest level at which it is possible to distinguish independent cash flows (cash generating units). At each reporting date, evaluations are done as to reversal of previous depreciation of non-financial assets (with the exception of goodwill).

2.8 Financial assets

The Group places financial assets in the following categories a) recognized at fair value in the profit and loss account; b) loans and receivables; and c) assets available for sale. The classification is made according to the underlying purpose of the asset. Management classifies financial assets upon acquisition and reassesses the classification at each reporting date.

a) Financial assets recognized at fair value in the profit and loss account

This category features two sub-categories: i) financial assets held for trading purposes, and ii) financial assets that management initially has chosen to classify at fair value in the profit and loss account. A financial asset is placed in the fair value category if it was acquired primarily for the purpose of benefiting from gains on short-term price fluctuations, or if management chooses to place it in this category. Derivatives are also classified as held for trading purposes, unless they are part of a hedge. Assets in both sub-categories are classified as current assets if they are held for trading purposes or if they are expected to be realized within 12 months of the balance sheet date.

The Group has significant share investments held in a venture portfolio. With regards to risk, this venture portfolio is managed as a whole, and it is recorded at fair value in the profit and loss account, with recording of changes.

b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed payments that are not traded in an active market. They are classified as current assets unless they fall due more than 12 months after the balance sheet date. In such cases, they are classified as non-current assets. Loans and receivables are classified as Accounts receivable and other receivables in the balance sheet (see Note 2.11).

c) Financial assets available for sale
Financial assets available for sale are non-derivative financial assets that are deemed to fit in this category or that are not includable in any other category. They are included in non-current assets provided management does not intend to sell the investment within 12 months of the balance sheet date.

General description
Regular purchases and sales of investments are recognized at the transaction date, which is the day that the Group commits to buying or selling the asset. All financial assets that are not recognized at fair value in the profit and loss account are initially recorded in the balance sheet at fair value plus transaction costs. Financial assets that are recorded at fair value in the profit and loss account are recognized at acquisition at fair value, and transaction costs are recorded in the profit and loss account. Investments are removed from the balance sheet once the right to receive cash flows from the investment ceases or when the right has been transferred and the Group has transferred all risk and the entire potential for gain associated with ownership. Financial assets available for sale and financial assets at fair value in the profit and loss account are valued at fair value after initial balance sheet recording. Loans, receivables, and investments held to maturity are recognized at amortized cost, using the effective interest method.

Gains or losses arising from changes in the fair value of assets classified as “financial assets at fair value in the profit and loss statement,” including interest income and dividends, are included in the profit and loss account under other (losses)/gains – net in the period in which they arise.

Fair value of listed investments is based on the current purchase price. If the market for the security is not active (or if the security in question is not listed), the Group uses valuation methods to determine the fair value. These include recently completed similar transactions at market terms, referral to other instruments that are materially similar, use of discounted cash flows, and/or option models. The techniques used rely on market information to the greatest extent possible, and rely on company-specific information to the least extent possible.

Financial assets available for sale
At each balance sheet date, the Group assesses whether there are objective indicators of impairment present for individual assets or groups of financial assets. For shares classified as available for sale, an indicator that impairment has occurred would be a significant or long-term decline in fair value to a level below the asset’s acquisition cost. If there are no objective indicators for financial assets available for sale, the overall loss – measured as the difference between the acquisition cost and fair value, less any previously recognized depreciation – will be removed from equity and recognized in the profit and loss account. Impairment of shares or similar instruments classified as available for sale and recognized in the profit and loss account is not reversed in the profit and loss account. Depreciation testing of customer receivables is discussed in Note 2.11.

2.9 Derivatives and hedging
Derivatives are recorded in the balance sheet at fair value when a derivative contract is entered into, and later recorded on a current basis at fair value. Recognition of associated gains and losses depends on whether the derivative has been identified as a hedging instrument, and if so, the type of hedge. The Group classifies derivatives used for hedging purposes as: a) a hedge of fair value of an asset or liability recorded in the balance sheet (fair value hedging), b) a hedge of a highly probable future transaction (cash flow hedging), or c) a hedge of a net investment in a foreign business activity.

At the time of entering into a hedging transaction, the Group documents the connection between hedging instruments and hedging objects, the risk management purpose, and the strategy behind the various hedging transactions. The Group also documents whether derivatives used are effective to offset changes in fair value or cash flow associated with hedging objects. Such assessments are documented both when the hedge is entered into, and on a current basis during the hedging period.

Fair value of a hedging derivative is classified as a non-current or as non-currrent debt if the remaining term to maturity of the hedging object exceeds 12 months; it is classified as a current asset or a current liability if the remaining term to maturity of the hedging object is less than 12 months. Derivatives held for trading purposes are classified as current assets or short-term liabilities.

a) Fair value hedging
Changes in the fair value of derivatives designated as and qualifying for fair value hedges, and which are effective, are recognized in the profit and loss account along with the change in fair value associated with the hedged risk on the associated hedged asset or liability. Gains or losses associated with the ineffective part of a hedge are recognized as other (losses)/gains – net.

If the hedging no longer meets the criteria for hedging accounting, the hedging objects’ recognized hedging effect is recorded at amortized cost over the period to the instrument’s maturity.

b) Cash flow hedging
The effective part of the change in fair value of derivatives that are designated as and qualify for cash flow hedging, is recognized directly to equity. Losses and gains on the ineffective part are recognized as other (losses)/gains – net.

The amount that is recorded directly in equity, is recognized as income or expensed in the period in which the hedged commitment or planned transaction affects the profit and loss account (for example when the planned sale takes place).

When the hedging instrument expires or is sold, or when a hedge no longer satisfies the criteria of hedging accounting, the total gain or loss recorded directly against equity remains in equity and is only recognized when the planned transaction is recognized in the profit and loss account. If a planned transaction no longer is expected to occur, the accumulated gain or loss that was previously recognized against equity is immediately recorded in the profit and loss account.

c) Derivatives that do not qualify for hedging accounting
Some derivatives do not qualify for hedging accounting. Changes in fair value on derivatives that do not qualify for hedging accounting are recognized as other (losses)/gains – net.

End-user contracts at fixed prices
End-user contracts offer customers an option for consuming electric power. The Group's risk associated with such contracts is covered by customers in the form of a risk premium. The risk premium is set forth in the contract. The contract represents a written option for the Group and is recognized at its fair value in the profit and loss account.

Licensed power
Licensed power is intended to provide Norwegian municipalities with reasonably priced electric power. Hafslund has an obligation to deliver such licensed power, corresponding to an agreed-upon volume. To the extent such power is settled financially, it does not fit within the exemption in IAS 39.5 on own consumption; thus, the obligation is covered by IAS 39. Consequently, the obligation to deliver licensed power in upcoming periods is recognized at fair value in the profit and loss account.

2.10 Inventories
Inventories are stated at the lower of cost or net realizable value. Acquisition cost is determined by the first-in, first-out (FIFO) method.

2.11 Customer receivables
Customer receivables are measured at first-time balance sheet recognition at fair value. Allocations for losses are recognized when there are objective indicators that the Group will not receive settlement according to the original terms. Allocations are in the amount of the difference between par value and recoverable value, which is the present value of expected cash flows, discounted by the effective interest rate.

2.12 Cash and cash equivalents
Cash and cash equivalents comprise cash, bank deposits, other short-term and easily tradable investments with original maturities of three months or less, and funds drawn from bank drawing facilities. Such drawn funds are reported in the balance sheet under short-term debt.

2.13 Share capital and share premium fund
Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options, net of tax, are shown in equity as a reduction in proceeds received in equity.

At the acquisition of the company's own (treasury) shares, the consideration paid, including any transaction costs less tax, is entered as a reduction in equity (allocated to company shareholders) until the shares are annulled, reissued, or sold. If treasury shares are subsequently sold or reissued, the compensation, less directly attributable transaction costs and associated tax effects, is recorded as an increase in equity allocated to the company's shareholders.

2.14 Loans
Loans are measured, managed, and monitored based on their fair value according to in-house risk management procedures, and any changes in fair value are reported in in-house management reporting. Loans are recognized at fair value in the profit and loss account according to the Fair Value Option (FVO) allowed by IFRS. New loans that, as of the acquisition date, are managed and reported according to fair value will, in subsequent reporting periods, also be recognized according to the FVO. Loans are recognized at their fair value when payment of the loan takes place. For loans that are measured at fair value in the profit and loss account, transaction costs are expensed directly. Loans are classified as current debt unless there is an unconditional right to defer payment for more than 12 months from the balance sheet date.

2.15 Deferred tax
Deferred income tax is calculated, using the liability method, on all temporary differences between the tax values and consolidated accounting values of assets and liabilities. If the Group purchases an asset or liability in a transaction that is not part of a business combination, deferred tax at the transaction date is not recognized. Deferred tax is determined under taxation rates and tax laws that have been enacted or substantively enacted at the balance sheet date and that are expected to be used when the deferred tax benefit is realized or when the deferred tax is settled.

Deferred tax benefits are entered in the balance sheet to the extent it is probable that future deferred taxable income will be present, and that the temporary differences can be offset from this income.

Deferred tax is calculated on the temporary differences arising from investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary differences, and it is probable that they will not be reversed in the foreseeable future.

Taxation of power generating activities
In addition to ordinary income taxes, power generating activities in Norway are subject to property tax, a natural resources tax, and an economic rent tax.

The natural resource tax is an income-independent tax assessed on the individual power plant's average power generation over the most recent seven years. The tax rate is NOK 0.013 per kWh. The natural resources tax can be offset NOK for NOK against regular income tax; any natural resource tax that is not offset may be carried forward, with interest. Natural resource tax that is not offset is classified as an interest-bearing receivable.

Economic rent tax represents 27 percent of the power plant's regulated profit in excess of a calculated tax-free income. Any negative economic rent tax on a power plant can be carried forward and offset against later positive economic rent income, with interest, for the same power plant. Negative economic rent tax is included in the basis for calculating deferred tax benefits in economic rent taxation, together with the deferred tax benefits associated with temporary differences in power-generation fixed assets.

Power generating activities in Norway are also subject to property tax of up to 0.7 percent of appraised value. Regular income tax and economic rent tax are recorded in the profit and loss account as ordinary taxes. Property tax is entered in the profit and loss account as an operating expense.

2.16 Pension liabilities, bonus programs, and other employee-benefit plans

a) Pension liabilities

Group companies have various retirement plans. The Group has both defined benefit and defined contribution plans.

Defined benefit plans

Defined benefit plans are retirement plans that define a pension payment to be received by an employee at retirement age; defined benefit plans are financed through contributions to insurance companies or pension funds. Pension payments usually depend on one or more factors such as age, number of years of employment at the company, and salary level. The balance sheet liability associated with defined benefit plans is the present value of the defined benefits on the balance sheet date less the fair value of pension plan assets, adjusted for estimate deviations that have not been recognized in the profit and loss account and costs associated with previous periods' pension earnings, which are not recognized in the profit and loss account. The defined benefit obligation is calculated annually by independent actuaries, using the straight-line earnings method. The present value of defined benefits is the discounted value of estimated future payments, applying a discount rate equivalent to the interest on a corporate bond issued by a company with high credit rating, in the same currency as the benefits are payable in and with a maturity term that approximates the maturity term for the related pension obligation.

Estimate deviations that arise from access to new information or changes in actuarial assumptions over and above the greater of 10 percent of pension asset value or 10 percent of pension liabilities, are recognized in the profit and loss account over a period that corresponds to employees' expected average remaining term of employment.

Changes in pension plan benefits are expensed or taken to income on a current basis in the profit and loss account, unless rights pursuant to the new pension plan are contingent upon the employee remaining in service for a specified period (earnings period). In such cases, the cost associated with changes in benefits is amortized on a straight-line basis over the earnings period.

Defined contribution plans

A defined contribution plan is a retirement plan in which the Group pays fixed contributions to a separate legal entity. The Group has no legal or other obligation to pay additional contributions if the unit does not have sufficient assets to pay all employees benefits associated with earnings in present and previous periods.

For defined contribution plans, the Group contributes to a publicly or privately managed insurance plan for retirement payments, on a compulsory, agreed-upon, or voluntary basis. The Group has no further payment obligations once these contributions have been paid. Contributions are recognized as salary expenses when they fall due. Pre-paid contributions are recorded in the accounts as an asset to the extent the contribution may be refunded or reduced by future contributions.

b) Severance pay

Severance pay is paid when the Group terminates an employee's employment before the normal retirement age, or when employees voluntarily terminate employment conditioned on receipt of such compensation. The Group recognizes severance pay during the period when it can be proven to have an obligation either to terminate one or more employees pursuant to a formal, detailed, non-rescindable plan, or to provide severance pay as part of an offer to encourage voluntary resignations. Severance pay that falls due more than 12 months after the balance sheet date is discounted to present value.

2.17 Allocations

The Group recognizes provisions for environmental improvement measures, restructuring, and legal claims, when: a) the Group has a present obligation, whether legal or constructive, as a result of past events, b) it is more likely than not that the obligation will be settled via a transfer of financial resources, and c) the size of the obligation may be estimated with a sufficient degree of reliability. Provisions for restructuring costs include termination fees on leasing contracts and severance pay to employees. No provisions are made for future operating losses.

If there are multiple obligations of the same nature, the probability of the obligation coming to settlement is determined by assessing the group of obligations as a whole. In cases of multiple obligations, provisions are recognized in the Group's consolidated profit and loss account even if the probability is low that any one individual obligation in the group of obligations will have to be settled.

Allocations are recorded at the present value of expected payments to meet the obligation. A before-tax discount rate is used, reflecting current market conditions and risk specific to the obligation. Any increase in the obligation amount arising from changes in the time-frame used in calculating the obligation's present value is recognized as an interest expense.

2.18 Revenue recognition

Revenues from the sale of goods and services are recognized at fair value, net of value-added tax, returns, and rebates. Intra-Group sales are eliminated. Revenues are recognized in the profit and loss account as shown below:

a) Sale of goods

Revenue from the sale of goods is recognized in the profit and loss account when a unit of the Group has sold the product to the customer.

b) Sale of services
Revenue from the sale of services is recognized in the profit and loss account in the period in which the service is performed.

c) Grid rental charges
Grid rental charges are recognized at the time of invoicing. IFRS defines excess/under income as regulatory liabilities/assets that do not generally qualify for balance sheet recognition. The reasoning behind this is that no contract has been entered into with any specific customer and thus, in theory, the receivable is contingent on a future delivery. Excess/under income was not recorded in the balance sheet as of 31 December 2005, nor in comparative figures as of 31 December 2004.

d) Dividend income
Dividends are recorded in the Group's financial statements in the period in which the right to receive payment arises.

2.19 Leasing agreements
Leasing agreements in which a significant proportion of the risk and return associated with ownership remains with the lessor, are classified as operational leases. Leasing payments arising from operational leases (less any financial incentives granted by the lessor) are expensed on a straight-line basis over the leasing period.

2.20 Dividends
Dividend payments to shareholders are classified as liabilities at the time the dividend payments are approved by the annual general shareholders' meeting.

Note 3 Financial risk management
The Group's activities expose it to a variety of risk factors. The Hafslund Group has an inherent exposure to financial risk associated with the power market – as well as exposure to foreign exchange risk, interest risk, liquidity risk, and credit risk. The Group uses derivative financial instruments to hedge certain financial risk exposures.

Groupwide awareness of financial and operational risk factors and careful management of risk support the Group's value creation and its maintenance of a solid financial platform. Risk management frameworks and objectives are approved by the Board of Directors, as are the associated risk policy and market risk limits. Risk management is generally a key responsibility of each business unit's operational management. Nevertheless, the management of financial risk factors such as power price risk, interest rate risk, and foreign exchange risk, which share many common features across business areas, are centralized to a significant extent.

a) Power price and volume risk
Several of the Group's business areas are exposed to power-market related risk. This market exposure is inherent in ownership of power generation facilities, distribution grid activities, and power sales to customers. In addition to such inherent exposure, the Group actively takes power-market contract positions through the Group's trading function. The power trading department conducts all market trades, but trades made on behalf of other power business units are done on those units' own account and risk.

Risk management for the Group's power generating activities features a three-year horizon; its purpose is to reduce the effects of power market volatility from price fluctuations, as well as ensuring the fulfillment of defined goals. At Hafslund's Corporate and Private business areas, risk management is focused on minimizing uncertainty associated with the margin earned on end-user sales. This is achieved through continuous monitoring of both the power market and weather and temperature conditions, as well as active portfolio management and a focused price-setting strategy.

Standardized power-market derivative products such as futures, forwards, CFDs, as well as options, are used to achieve the desired risk-reducing effect for power portfolios. Hedging trade is mainly conducted or cleared via Nord Pool, the Nordic Power Exchange.

b) Foreign exchange risk
The Group has both assets and liabilities in foreign currencies. In addition, several Group business areas conduct transactions that are exposed to currency fluctuations. All derivative contracts traded via Nord Pool, the Nordic Power Exchange, that feature delivery on or after 1 January 2006 are euro-denominated. The Group is primarily exposed to currency fluctuations associated with EUR, USD, and SEK.

The Group seeks to minimize its foreign exchange risk exposure. On behalf of the operating units, the Group's treasury department is responsible for managing the Group's foreign exchange exposure. For the most part, this is achieved by using forward exchange contracts. In the case of foreign currency loans, a hedge of the principal amount is generally used, as well as a basis swap at the time of the transaction to cover interest rate risk.

c) Interest rate risk
The Group's operating revenues and cash flow from operating activities are largely independent of interest rate fluctuations. The exception, though, is the Group's regulated grid distribution activities, for which determination of the income framework includes a significant interest component. In current grid regulations, the requirement for yield on grid capital is tied to the average interest rate of the past three years' 3-year Norwegian government bonds.

Further, the Group is exposed to interest rate risk with regard to interest-bearing debt. For the company's fixed-interest loans, interest fluctuations will affect the fair value of loans. For loans with floating interest, on the other hand, interest fluctuations will affect the company's cash flow. As of 31 December 2005, approximately 62 percent of the Group's loans feature floating interest rates. The main instruments used to reduce interest rate risk are interest swap agreements, which feature a switch from fixed to floating interest or vice versa.

d) Liquidity risk
Liquidity risk arises from a lack of correlation between cash flow from operations and financial commitments. Cash flow from power trading activities will vary with factors such as market price levels. Thus, the Group has established committed drawing facilities totaling NOK 4.5 billion to secure liquidity in periods when it may be difficult to obtain financing in the markets.

e) Credit risk
Most Group debtors are private individuals who purchase power or security services from Hafslund. Thus, the Group has no meterial consentration of credit risk. Follow-up and invoicing of customer receivables are centralized in a separate unit, Hafslund Fakturaservice (invoicing service).

As to power trading activities, counterparty risk is minimized through extensive use of standardized contracts that are settled via Nord Pool. Interest and foreign currency risk limits, which are set in Board decisions, feature guidelines as to the credit-worthiness of institutional counterparties.

Fair value valuations

The fair value of financial instruments traded in active markets (such as securities available for sale or held for trading purposes) is based on the trading price on the balance sheet date. The trading price used for financial assets is the current purchase price; for financial liabilities, the current sales price is used.

The fair value of financial instruments not traded in an active market is determined using certain valuation methods. The Group employs various methods and makes certain assumptions based on market conditions on each balance sheet date. For long-term liabilities, the trading price for the instrument in question or for a similar instrument is used. Other methods, such as discounted value of future cash flows, are used to determine the fair value of other financial instruments. The fair value of interest swaps is calculated as the present value of estimated future cash flows. Fair value of foreign currency forward contracts is calculated using forward market prices on the balance sheet date.

Face value less write-downs for losses on customer receivables and the face value of trade accounts payable are assumed to correspond roughly to the fair value of the items.

➔ Note 4 Key accounting estimates and assumptions

Estimates and assumptions are continuously evaluated, based on historical experience and other factors, including expectations as to future events deemed probable under the current circumstances.

The Group prepares estimates and makes assumptions for projection purposes in preparing its accounts. Accounting estimates only rarely accord fully with the final outcome. Estimates and assumptions that can result in a significant risk of material changes in the balance sheet value of assets or liabilities in the upcoming accounting year are discussed below.

Determination of fair value of share investment in Renewable Energy Corporation ASA (REC)

The fair value of financial instruments that are not traded in an active market is determined by using valuation methods. The Group applies methods and assumptions that are, in the main, based on market conditions on the balance sheet date.

In its 2005 annual accounts, Hafslund used a value corresponding to NOK 260 per REC share. This valuation is based on present-value assessments of estimated future cash flows, comparison of key figures in similar companies, assessment of known transactions, and the conversion price of convertible bonds issued by REC that are owned by Hafslund.

Both before and after year-end 2005, renewable energy firms and companies that operate in this sector have been in the spotlight. Share prices for the sector show high volatility. After the close of the year, unlisted-market share prices of about NOK 1,000 per REC share were seen. If the Group had used this value in its annual accounts, it would have resulted in a significantly higher book value of the REC shareholding. At year-end 2005, Hafslund owned 5.2 million fully diluted REC shares.

➔ Note 5 Transition to new accounting standards – IFRS

The Group consolidated accounts that are presented as of 31 December 2005 represent the first time Hafslund's annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) accounting principles. The principles applied are described in Notes 2.1 through 2.20. The Group has used IFRS 1 in preparing its annual accounts. Pursuant to IFRS 1, 1 January 2004 is the date of the transition from NGAAP to IFRS. Thus, comparative figures for 2004 have been prepared. The following describes the most important accounting consequences of the transition from NGAAP to IFRS.

Basis for implementation of IFRS

The 2005 Group consolidated accounts have been prepared in full compliance with IFRS. Upon first-time implementation, however, some exemptions and options are allowed pursuant to IFRS 1. Hafslund has chosen to apply the following of these:

- IFRS 3 on mergers and acquisitions will not be applied to transactions completed before the transition to IFRS.
- Operating assets associated with power generation are valued at fair value at the time of the transition; the option of continuing to use cost price less depreciation has been applied to grid operating assets.
- Unrealized estimate deviations associated with pensions are set at zero and charged to other equity at the date of the transition to IFRS.
- Translation differences associated with foreign subsidiaries are set at zero and transferred to other equity at the date of transition to IFRS.
- Both IAS 32 and IAS 39 were implemented as of 1 January 2005. These standards do not require retroactive application. Comparable 2004 figures have not been prepared.

Presentations – changes in classifications due to IFRS

- The upcoming year's repayments on long-term debt are classified as short-term liabilities.
- Dividends are presented under equity, pending a decision on dividend payments by the annual general meeting.
- Financial expenses in the profit and loss account largely comprise interest on debt and agio/disagio items. Other financial revenues, such as profit from share investments, are presented as other (losses)/gains – net and included under operating profit.
- IFRS makes it optional to present the profit and loss account by business activity. Hafslund will continue its current presentation by nature.

The enclosed presentation of 2005 figures and 2004 comparative figures shows the accounting items that have been subject to change, discusses why these changes have been made, and explains any effects they may have on future accounting periods.

IFRS and NGAAP reconciliation

Balance sheet	**31 Dec. 2003/1 Jan. 2004**		
NOK million	**NGAAP**	**Diff.**	**IFRS**
Intangible assets	3,221	(1,116)	2,105
Tangible fixed assets	11,975	3,360	15,335
Financial fixed assets	1,587	(193)	1,394
Receivables and inventory	3,043	(476)	2,567
Investments	455	0	455
Cash and cash equivalents	328	0	328
Total assets	**20,609**	1,575	**22,184**
Equity, majority	5,486	136	5,622
Equity, minority	371	0	371
Allocations for liabilities	462	1,632	2,094
Other non-current liabilities	11,282	(1,691)	9,591
Current liabilities	3,009	1,498	4,506
Total equity and liabilities	**20,609**	1,575	**22,184**

Equity reconciliation	
NOK million	**1 Jan. 2004**
Equity according to NGAAP	**5,857**
- Waterfall rights	(1,116)
- Power generation facilities	3,211
- Network facilities	193
- Acquisition costs, residential alarms (CPO)	(221)
- Excess/under income	(255)
- Pension liabilities	(504)
- Dividend	194
- Total deferred tax due to IFRS effects	(1,366)
Equity according to IFRS	**5,993**

Balance sheet – explanation of changes associated with IFRS as of 1 January 2004

Intangible assets – goodwill

Hafslund's goodwill is mainly recorded for Power Sales, but some goodwill is also recorded for Security activities. Book values as of 1 January 2004 will remain unchanged, provided there are no significant decreases in underlying cash flows.

As part of the acquisition of Hafslund Sikkerhet shares in 2004, a new added-value analysis was performed according to IFRS 1 and IFRS 3 transition rules. Of the total added value of NOK 138 million, NOK 69 million associated with customer portfolios was recorded to equity in 2004. The reason for this treatment is that no excess values associated with customer portfolios were identified at the time of the Group formation.

Pensions

Previous estimate deviations recorded in the balance sheet and lower discount rates will result in a NOK 504 million increase in pension liabilities. Under IFRS, widely recognized, long-term risk-free market interest is to be used to a greater extent than before in determining the discount rate applied. In 2005, IFRIC explicitly stated that only the interest rate on government bonds may be used as a reference for estimating the discount rate. With implementation of IFRS, the Norwegian 10-year government bond interest of 4.65 percent was used.

Dividend

The NOK 194 million allocated dividend as of 31 December 2003 is presented as equity, pending a final decision by Hafslund's annual general shareholders' meeting on 3 May 2004.

Deferred tax

Deferred tax has risen by NOK 1.4 billion under IFRS. The most significant increase is associated with an increase in power plant valuations. In calculating deferred tax, the nominal taxation rate on profit (28 percent) and the economic rent tax (27 percent), collectively 55 percent, have been applied. Deferred tax associated with changed power plant values amounts to NOK 1.6 billion. Based on long reversal periods, there will be significant differences between book value and fair value for deferred tax. IFRS does not permit the use of an effective tax rate, and the economic rent tax is not included in the definition of surtaxes. Surtaxes are excluded from calculations of deferred tax.

Other changes in deferred tax are the net effects of valuation changes in grid operating assets, CPO, pensions, and recording of Network's excess/under income in the balance sheet.

Loans

Under IFRS, the upcoming year's repayments on long-term loans are to be recorded under short-term debt. That reclassified amount as of 1 January 2004 is NOK 1.7 billion.

Network – operating assets

Network facilities were acquired in the 2001 merger and are continued at their cost price under IFRS, less depreciation based on expected useful lifetime. As a result of a reclassification of operating assets, called decomposition, and changes in useful lifetimes, annual depreciation will be reduced on the order of NOK 100 million. The decomposition reclassification, applied retroactively, resulted in a NOK 193 million upward adjustment of book value.

Network – excess/under income

IFRS defines excess/under income as a regulatory liability/asset that generally does not qualify for balance sheet recording. The reason is that no contract has been entered into with any specific customer and the receivable, in theory, is conditioned upon a future delivery. Excess/under income as of 1 January 2004 has been removed from the balance sheet and other interest-bearing receivables have been reduced by NOK 255 million.

Power generation – operating assets

Power generating facilities are implemented at their fair value, resulting in a NOK 3.2 billion upward revaluation. After subsequent accounting reporting pursuant to IFRS, the cost method was chosen as an accounting principle. Operating assets were subject to decomposition, so that groups of operating assets with the same reinvestment and maintenance cycles are depreciated

Note 5

over the same period. Decomposition has generally resulted in a prolongation of depreciation periods.

Waterfall rights are recorded at their original cost price. Thus, upward valuations of NOK 1.1 billion in the period from 1960 to 1986 are reversed.

Security – Customer acquisition costs (CPO)
CPO in the balance sheet, valued at NOK 221 million as of 1 January 2004 under NGAAP, can no longer be recorded in the balance sheet under IFRS because systems for satisfactory accounting identification of individual customers/facilities have not been in place.

NGAAP vs. IFRS comparison Profit and loss account and balance sheet as of 31 Dec. 2004

Profit and loss account		**1 Jan. – 31. Dec. 2004**	
NOK million	**NGAAP**	**Diff.**	**IFRS**
Operating revenues	8,270	260	8,530
Purchased materials and energy	(4,106)	(43)	(4,149)
Salaries and other personnel expenses	(1,043)	(78)	(1,121)
Other operating expenses	(1,067)	(27)	(1,094)
Operating profit before depreciation	**2,054**	112	**2,166**
Depreciation	(860)	166	(694)
Operating profit	**1,193**	279	**1,472**
Profit from shares and associated companies	105	(105)	0
(Net) financial items	(603)	(74)	(677)
Pre-tax profit	**694**	100	**795**
Tax	(341)	3	(338)
Profit for the year	**353**	104	**457**
Majority's share of profit	337	99	436
Earnings per share (in NOK) (= undiluted EPS)	1.73	0.51	2.23

Balance sheet		**31 Dec. 2004**	
NOK million	**NGAAP**	**Diff.**	**IFRS**
Intangible assets	3,180	(1,080)	2,100
Tangible fixed assets	11,515	3,395	14,910
Financial fixed assets	1,408	(312)	1,096
Receivables and inventory	2,355	(487)	1,868
Investments	494	0	494
Cash and cash equivalents	108	0	108
Total assets	**19,060**	1,516	**20,576**
Equity, majority	5,638	220	5,858
Equity, minority	339	1	340
Allocations for liabilities	335	1,539	1,874
Other non-current liabilities	8,385	(1,858)	6,527
Current liabilities	4,361	1,614	5,976
Total equity and liabilities	**19,060**	1,516	**20,576**

Business segments		**2004**	
NOK million	**NGAAP**	**Diff.**	**IFRS**
Network	893	63	956
Power Generation	482	(6)	476
Power Sales	66	70	136
Security	(98)	(44)	(142)
Contracting	46	3	49
Share investments and other financial income	0	178	178
Other Activities	(197)	15	(182)
Total operating profit	**1,193**	279	**1,472**

Equity reconciliation	
NOK million	**2004**
Equity according to IFRS as of 1 January	5,993
- Profit for the year 2004	457
- IFRS effect of acquisitions 2004	(69)
- Dividend payment 2003	(194)
- Translation adjustments	(9)
- Change in own (treasury) shares	13
- Other adjustments	8
Equity according to IFRS as of 31 December	6,198

Profit and loss account – explanation of IFRS-related modifications for 2004

Operating revenues
Operating revenues will increase by NOK 142 million as a result of changes in accounting presentation. Under IFRS, profit from share investments and other financial income is recorded under other operating revenues and not as financial income as was the case under NGAAP. See the corresponding reductions in Profit from share investments and associated companies and Net financial items.

Pension expenses
Following the transition to IFRS, pension expenses will be reduced by NOK 13 million. The decrease is largely a result of previously recorded balance sheet estimate deviations that under NGAAP would be recorded in the profit and loss account and now are recorded directly against equity.

Amortization of intangible assets
Under IFRS, goodwill will not be subject to annual amortization. Amortization on the order of NOK 108 million has been reversed for 2004.

Network – depreciation of operating assets
Hafslund's distribution grid activities largely apply industry norms to determine depreciation periods. As a consequence of information gained through the Group's IFRS implementation project in 2004, the useful lifetimes of some Network operating assets were extended; the fourth-quarter 2004 profit and loss account reflects those changes. The effect was a NOK 115 million estimate change covering the period from July 2001 through year-end 2004. Of the NOK 115 million, NOK 110 million is expec-

ted to constitute a permanent reduction in annual depreciation after the transition to IFRS.

Network – excess/under income
The effect of disallowing the recording of excess/under income in the balance sheet is that Network's allocated income ceiling is no longer identical to grid rental revenues. Thus, 2004 operating revenues increase by NOK 59 million, while after-tax profit increases by NOK 42 million.

Power Generation – depreciation of operating assets
Annual depreciation for Hafslund's power generating activities will increase by about NOK 10 million, as facilities are recorded in the balance sheet at fair value.

Security – customer acquisitions (CPO)
2004 acquisition costs amounting to NOK 136 million (under NGAAP) were recorded directly in the profit and loss account. As of 2005, changes facilitating individual accounting follow-up of customers/facilities and associated acquisition costs are recognized in the balance sheet and depreciated over a period of five years.

Balance sheet as of 1 January 2005 – implementation of IAS 32 and IAS 39

IAS 39 was implemented as of 1 January 2005. Under IFRS 1, comparable figures for 2004 are not required to be restated. The effect of changes in accounting principles is to be recorded against Other equity as of 1 January 2005.

Equity reconciliation

NOK million	1 Jan. 2005
Equity according to IFRS	6,199
- Shares	38
- Power derivatives	48
- Interest derivatives	(163)
- Fair value of loans	(473)
- Power generation licenses	(102)
- Total deferred tax due to IFRS effects	209
Equity according to IFRS	**5,756**

Loans – implementation of fair value option (FVO)
The so-called fair value option (FVO) allowed under IFRS is used in the valuation of certain financial instruments. As of 1 January 2005, Hafslund has restated according to fair value all managed and reported loans. The restatement's implementation effect of NOK 473 million, of which NOK 47 million are transaction costs previously recorded in the balance sheet, results in an increase in the balance sheet value of loans. A consequence of electing FVO as an accounting principle is that the Group's recorded interest expenses must reflect prevailing market interest rates – and rate fluctuations. In other words, the Group's interest expenses presented in the profit and loss account will now follow developments in market interest even though the Group has significant fixed-rate debt. Interest expenses in 2005 were reduced by NOK 169 million, and after-tax profit rose by NOK 121 million due to FVO.

Interest derivatives
Interest derivatives are valued at market value and entered at their fair value in the balance sheet. Under IAS 39, interest derivatives are financial instruments that must always be recorded in the balance sheet at fair value unless they are part of accounting hedging. The fair value of said derivatives is NOK -163 million. Provided an unchanged interest curve, this will have a NOK 117 million positive effect on financial items in 2005.

Shares
The most significant of the Group's share investments are collectively risk-managed in a venture portfolio. Before IFRS implementation, shares were valued at the lower of book or market value for the portfolio as a whole. As of 1 January 2005, changes in the fair value of the Group's share investments will be recognized in the profit and loss account. After implementation on 1 January 2005, the difference between fair value and book value of said items is NOK 38 million. The figure is recorded directly against equity.

Power Sales – power derivatives
Fixed-price contracts associated with future deliveries to customers of electric power (Power Sales business) are valued at their market value and are shown in the balance sheet at fair value. The accounts thus reflect financial hedging. The Group has not made a priority of implementing adaptations to satisfy the stringent requirements for hedging accounting under IFRS.

Power Generation – balance sheet recording of licensed power
The purpose of power licensing is to secure electric power at reasonable prices for Norwegian municipalities. Power licenses require Hafslund to supply an agreed-to volume of power. To the extent that these power deliveries are settled financially, they do not meet the exception provided in IAS 39.5 governing self-consumption. Instead, the aforesaid obligation is covered by IAS 39, Financial Instruments: Recognition and Measurement. Consequently, the obligation to make power licensing deliveries in future periods is recorded at fair value in the profit and loss account, in contrast to current accrual, which was previously applied. The implementation effect as of 1 January 2005 is a NOK 102 million increase in financial liabilities classified as derivatives. The 2005 profit and loss effect of recording license power in the balance sheet is immaterial.

Power Generation – balance sheet recording of license fees
License fees represent a liability for future payments in return for the waterfall rights Hafslund acquires. Where a liability has been identified, this will represent compensation for a specific right/license received. Asset value at the time of investment should correspond to the value of the allocation for the license fee liability as of the same date. The effect of implementation as of 1 January 2005 is a NOK 100 million increase in both operating assets and other liabilities. The effect on profits of recording the license fee in the balance sheet is immaterial in 2005.

Note 6 Business segment reporting

Business segment reporting only presents Hafslund's primary reporting segments, which are defined by the Group's management and in-house reporting structure. Most of the Group's business activities are in and around Oslo and Akershus counties. Activities outside of this region, which have revenues of some NOK 500 million annually, mainly comprise power sales and security services.

Segment reporting for continued operations:

Amounts in NOK million	Heat and Infrastructure	Technical Services	Private	Corpo-rate	Venture and Finance	Other	Elimi-nations	Group
2004								
Gross segment sales [1]	4,113	618	2,166	1,053	180	407	(709)	7,828
Sale among segments	73	328	1	8	1	298	(709)	0
Sales revenues	4,040	290	2,165	1,045	179	109	0	7,828
Operating profit	1,402	37	(8)	(3)	172	(181)		1,419
Financial expenses	(505)	(22)	(10)	(6)	(47)	(82)		(672)
Pre-tax profit	897	15	(18)	(9)	125	(263)		747
Tax expense	(378)	(6)	(4)	17	(8)	48		(331)
Profit for the year	519	9	(22)	8	117	(215)	0	416
2005								
Gross segment sales [1]	4,227	770	2,280	1,076	664	408	(730)	**8,695**
Sale among segments	77	322		8		323	(730)	**0**
Sales revenues	4,150	448	2,280	1,068	664	85	0	**8,695**
Operating profit	1,481	87	81	15	657	(317)		**2,004**
Financial expenses	(502)	(37)	(12)	(14)	(63)	119		**(509)**
Pre-tax profit	979	50	69	1	594	(198)		**1,495**
Tax expense	(399)	(1)	(32)	10	3	20		**(399)**
Profit for the year	**580**	**49**	**37**	**11**	**597**	**(178)**	**0**	**1,096**

[1] Gross segment sales comprise revenues presented as operating revenues, other (losses)/gains – net, and share of profits from associated companies.

Items included in segment reporting:

Amounts in NOK million	Heat and Infrastructure	Technical Services	Private	Corpo-rate	Venture and Finance	Other	Elimi-nations	Group
2004								
Depreciation, property, plant and equipment	(596)	(12)	(8)	(16)		(17)		(649)
Depreciation, intangible assets				(1)				(1)
Write-downs, property, plant and equipment		(2)				(2)		(4)
Losses on receivables	(6)	(1)	(23)	(2)				(32)
Restructuring costs						(21)		(21)
2005								
Depreciation, property, plant and equipment	(574)	(11)	(14)	(23)		(26)		(648)
Depreciation, intangible assets			(9)					(9)
Write-downs, property, plant and equipment		(2)				(7)		(9)
Losses on receivables	(26)	(2)	(14)	(7)	(2)	(56)		(107)

Segment assets and liabilities as of 31 December and investments for the year:

Amounts in NOK million	Heat and Infrastructure	Technical Services	Private	Corpo-rate	Venture and Finance	Other	Elimi-nations	Group
2004								
Assets	17,718	437	2,581	198	1,623	10,561	(12,957)	20,161
Associated companies					400			400
Total assets	17,718	437	2,581	198	2,023	10,561	(12,957)	20,560
Total liabilities	9,739	181	249	53	10	11,837	(7,706)	14,362
Investment expenditures	331	5	4	183		61		584
2005								
Assets	16,058	545	2,698	203	2,126	9,011	(10,264)	**20,377**
Associated companies					393			**393**
Total assets	**16,058**	**545**	**2,698**	**203**	**2,519**	**9,011**	**(10,264)**	**20,770**
Total liabilities	**8,230**	**259**	**337**	**60**	**22**	**12,022**	**(6,577)**	**14,354**
Investment expenditures	440	57	173	57		55		**782**

Note 7

Note 7 Property, plant and equipment

Amounts in NOK million	Machinery, furniture and vehichles	Power and regulating facilities	Distribution network	Facilities under construction	Other property	Total
As of 1 Jan. 2004						
Acquisition cost	796	6,658	12,294	121	225	20,094
Accumulated depreciation and write-downs	(371)	(2,802)	(1,522)		(29)	(4,724)
Book value as of 1 Jan. 2004	425	3,856	10,772	121	196	15,370
2004 accounting year						
Book value as of 1 Jan. 2004	425	3,856	10,772	121	196	15,370
Operating investments	149		18	264	4	435
Transferred from facilities under construction	14		46	(60)		0
Disposals at book value	(48)		(51)		(142)	(241)
Depreciation and write-downs in 2004	(93)	(41)	(517)		(2)	(653)
Currency translation differences	(1)					(1)
Book value as of 31 Dec. 2004	446	3,815	10,268	325	56	14,910
As of 1 Jan. 2005						
Acquisition cost	910	6,758	12,307	325	87	**20,387**
Accumulated depreciation and write-downs	(464)	(2,843)	(2,039)	0	(31)	**(5,377)**
Book value as of 1 Jan. 2005	446	3,915	10,268	325	56	**15,010**
2005 accounting year						
Book value as of 1 Jan. 2005	446	3,915	10,268	325	56	**15,010**
Expansion investments	58		(6)		0	**52**
Operating investments	216	29	2	298	14	**559**
Transferred from facilities under construction	70		224	(294)		**0**
Disposals at book value	(87)	(7)	(531)	(43)	(15)	**(683)**
Depreciation and write-downs in 2005	(118)	(42)	(495)	0	(1)	**(656)**
Currency translation differences	1					**1**
Book value as of 31 Dec. 2005	586	3,895	9,462	286	54	**14,283**
As of 31 Dec. 2005						
Acquisition cost	1,168	6,780	11,996	286	86	**20,316**
Accumulated depreciation and write-downs	(582)	(2,885)	(2,534)	0	(32)	**(6,033)**
Book value as of 31 Dec. 2005	586	3,895	9,462	286	54	**14,283**
Rate of depreciation (in %)	7-33	0.5-5	2-7	-	2-5	

Gains on sale of operating assets comprises:	**2005**	2004
Book value	**82**	121
Gains/(losses) on sale of property, plant and equipment	**68**	151
Compensation at sale of property, plant and equipment	**150**	272

The Hafslund Group holds facilities licenses for all its power generation and distribution activities in Norway.

As of 31 December 2005, Hafslund had total future leasing commitments associated with office premises of NOK 698 million.

Amounts in NOK million	
2006	62
2007	56
2008	51
2009	50
2010	50
2011	51
2012	52
2013 and thereafter	326
Total leasing commitments	**698**

Note 8 Intangible assets

Amounts in NOK million	Customer portfolios	Acquisition costs, sale of residential alarms	Waterfall rights and regulating facilities	Total	Goodwill	Total intangible assets
As of 1 Jan. 2004						
Acquisition cost			376	376	2,275	2,651
Accumulated depreciation and impairment losses			(102)	(102)	(510)	(612)
Book value as of 1 Jan. 2004	0	0	274	274	1,765	2,039
2004 accounting year						
Book value as of 1 Jan. 2004	0	0	274	274	1,765	2,039
Expansion investments				0	75	75
Investments in operations			6	6		6
Disposals at book value				0	(21)	(21)
Depreciation and impairment losses in 2004			(1)	(1)		(1)
Book value as of 31 Dec. 2004	0	0	279	279	1,819	2,098
As of 1 Jan. 2005						
Acquisition cost	0	0	382	382	2,329	**2,711**
Accumulated depreciation and impairment losses	0	0	(103)	(103)	(510)	**(613)**
Book value as of 1 Jan. 2005	0	0	279	279	1,819	**2,098**
2005 accounting year						
Book value as of 1 Jan. 2005	0	0	279	279	1,819	**2,098**
Expansion investments	69			69	55	**124**
Investments in operations		46	1	47		**47**
Disposals at book value				0	(266)	**(266)**
Depreciation and impairment losses in 2005	(6)	(4)		(10)	0	**(10)**
Book value as of 31 Dec. 2005	63	42	280	385	1,608	**1,993**
As of 31 December 2005						
Acquisition cost	69	46	383	498	2,118	**2,616**
Accumulated depreciation and impairment losses	(6)	(4)	(103)	(113)	(510)	**(623)**
Book value as of 31 Dec. 2005	63	42	280	385	1,608	**1,993**
Rate of depreciation (in %)	20	20	-		-	

Notes 8, 9

Impairment test for goodwill

Goodwill is allocated to cash-generating units for each of the Group's business areas.

Summary of goodwill allocation by segment

Business area	Heat and Infrastructure	Technical Services	Private	Corporate	Other Activities	Group
Amounts in NOK million	310	100	1,162	29	7	1,608

Hafslund's Private business area is managed as an integrated entity for the sale of power and security services to residential customers. In the impairment test, however, Power sales and Security are presented separately and are not treated as a single cash-generating unit. Goodwill recorded by the Private business area constitutes a significant proportion of the Group's total goodwill. Other goodwill items are not deemed to be of such magnitude so as to require specific presentation.

The recoverable amount for a cash-generating unit is based on calculations of the value that the asset would generate for the business.

All cash flows are based on the company's official 2006 budgets and on projections for 2007 and 2008. For 2009 and 2010, they are largely based on 2008 forecasts and projections. Residual values are based on a 20-year continuation of 2010 cash flows.

Assumptions used in calculating recoverable amounts Hafslund Private

Amounts in NOK million	Power Sales	Security
Operating profit	132	82
Rate of growth	2.5%	2.5%
Discount rate	9%	9%

Operating profit adjusted for non-recurring items. The discount rate used is pre-tax, and reflects the specific risk for that unit. Further, a safety margin has been added to the discount rate to ensure the robustness of the calculation.

Note 9 Investments in associated companies

Amounts in NOK million Company	Year of acquisition	Acquisition cost 31 Dec. 2005	Business address	Ownership	Share of voting rights
Viken Fjernvarme AS	2001	383	Oslo	33%	33%
Rakkestad Energiverk AS	2001	43	Rakkestad	33%	33%
Göta Energi Holding AB	2001	23	Kungälv	50%	50%

Amounts in NOK million	**2005**	2004
Book value as of 1 January	**400**	407
Disposals, subsidiaries	**(17)**	0
Share of profit	**33**	28
Dividend	**(23)**	(35)
Book value as of 31 December	**393**	400
Added values amortization for the year	**5**	5
Added values as of 31 December	**79**	84

Investments in associated companies as of 31 December 2005 include NOK 33 million in goodwill. This figure is unchanged from 2004.

Assets, liabilities, revenues and profit for the year of those of Hafslund's associated companies of greatest significance to Group profit are shown in the following table

Amounts in NOK million	Registered business address	Assets	Liabilities	Revenues	Profit
2004					
Viken Fjernvarme AS	Oslo	1,160	303	468	79
Göta Energi Holding AB	Kungälv	173	193	316	2
		1,333	496	784	81
2005					
Viken Fjernvarme AS	Oslo	1,219	279	487	84
Göta Energi Holding AB	Kungälv	189	198	319	9
		1,408	477	806	93

None of the above companies are exchange-listed.

Note 10 Derivatives

Current assets

Amounts in NOK million	31 Dec. 2005	1 Jan. 2005
Foreign exchange derivative contracts	**7**	1
Fixed-price contracts, power sales to end-users	**18**	93
Forward contracts, power purchases	**9**	0
Total current assets	**34**	94

Current liabilities

Amounts in NOK million	31 Dec. 2005	1 Jan. 2005
Interest rate swaps	**62**	163
Licensed power	**103**	103
Total current liabilities	**165**	266

Derivatives held for trading purposes are classified as current assets or liabilities. None of these derivative instruments are included in accounting hedging.

Interest swaps
The face value of interest swaps outstanding as of 31 December 2005 was NOK 2,0 billion (2004: NOK 5.0 billion).

As of 31 December 2005, fixed interest rates ranged from 4.7 percent to 6.2 percent (2004: from 4.8 percent to 6.9 percent), and floating interest rates were NIBOR.

Note 11 Other non-current receivables

Amounts in NOK million	31 Dec. 2005	31 Dec. 2004
Interest-bearing loans and receivables	**239**	225
Contribution to pension funds	**91**	91
Other	**33**	89
Total other non-current receivables	**363**	405

Note 12 Current accounts receivable and other receivables

Amounts in NOK million	31 Dec. 2005	31 Dec. 2004
Accounts receivable	**579**	768
Write-downs to cover losses	**(24)**	(68)
Accounts receivable, net	**555**	700
Accrued, not invoiced revenues	**671**	856
Interest-bearing receivables	**37**	5
Accrued interest income	**13**	0
Other receivables	**182**	256
Total current accounts receivable and other receivables	**1,458**	1,817

There is no concentrated credit risk because the bulk of the Group's customer receivables arise from customers in the retail-market segment; the customer base is evenly distributed in the geographic market.

Note 13 Financial assets recognized at fair value in the profit and loss account

Amounts in NOK million	31 Dec. 2005	31 Dec. 2004
Shares and convertible bonds, Norway	**1,701**	633
Shares, USA	**210**	151
Financial assets recognized at fair value in the profit and loss account	**1,911**	784

The Group has share investments that are held in a venture portfolio. For risk and reporting purposes, the venture portfolio is managed as a whole and recognized at fair value in the profit and loss account. For 2005, profit from share investments is recorded under other (losses)/gains – net.

Venture portfolio share investments in which the Group's ownership exceeds 20 percent are recognized at fair value in the profit and loss account.

In 2004, the venture portfolio was subject to a portfolio evaluation, and was valued at the lower of average acquisition cost or fair value on the balance sheet date. Shares in the portfolio that had suffered a lasting and significant decline in value were removed from the portfolio and valued separately. Venture portfolio profit were presented in the profit and loss account under Profit from share investments and associated companies.

Investments in which Hafslund's shareholdings exceed 10 percent and were single investments exceed NOK 10 million

Amounts in NOK million	No. of shares held	Ownership	Book value as of 31 Dec. 2005
Renewable Energy Corporation ASA (incl. convertible bonds)	5,207,064	24.85%	**1,363**
Scudder Latin Power Funds		15.92%	**210**
Fesil ASA	2,911,690	36.40%	**136**
Cogen ASA	884,090	39.1%	**50**
Elis AS	5,280	34.90%	**18**
Energy Future Invest AS	12,017	14.30%	**14**
Policom AS	1,360 988	48.01%	**12**
Other			**108**
Total, financial assets recognized at fair value in the profit and loss account			**1,911**

Note 14 Cash and cash equivalents

Amounts in NOK million	31 Dec. 2005	31 Dec. 2004
Bank deposits in Group account systems	**120**	0
Bank deposits other than in Group account systems	**146**	108
Total cash and cash equivalents	**266**	108

Cash and cash equivalents, which amounted to NOK 266 million as of 31 December 2005, include NOK 24 million pledged as security for the Hafslund Group's power trading activities and NOK 4 million in restricted assets.

The Hafslund Group has two group account systems, one with DnB NOR and the other with Nordea. A group account system entails joint responsibility for companies participating in the system. Hafslund ASA's accounts constitute single, unified accounts for transactions with its banks, while receivables and debt in subsidiaries' accounts are treated as internal items. Companies that are part of the Group account systems have joint surety responsibility for total drawings on the two Group account systems, which is limited to NOK 550 million. As of 31 December 2005, a total of NOK 120 million was deposited in the Group accounts. NOK 23 million had been drawn on the Group accounts as of 31 December 2004. Total bank drawing facilities amount to NOK 550 million.

Note 15 Share capital and share premium fund

As of 31 December 2005, Hafslund ASA's share capital was made up of the following share classes:

Amounts in NOK million	Class A shares	Class B shares	Total	Share premium fund	Total
As of 1 January 2004	115	80	195	4,080	4,275
As of 31 December 2004	115	80	195	4,080	4,275
As of 31 December 2005	**115**	**80**	**195**	**4,080**	**4,275**

Shares have a par value of NOK 1. There are no share options outstanding. Class B shares carry no voting rights. In all other respects, all shares provide the same rights in the company. At year-end 2005, Hafslund held 262,058 of its own (treasury) Class B shares; the corresponding 2004 figure was 561,685 Class B shares.

As of 31 December 2005, the largest Hafslund ASA shareholders were:

Amounts in thousands **Shareholders**	**A shares**	**B shares**	**Total**	**Ownership**	**Share of voting rights**
City of Oslo	40,498	27,974	68,472	35.1%	35.1%
Fortum Forvaltning AS	37,853	28,706	66,559	34.1%	32.8%
Oslo Kommune Holding AS	27,027	9,369	36,396	18.6%	23.4%
Østfold Energi AS	5,201	4	5,205	2.7%	4.5%
Odin Norge	499	1,677	2,176	1.1%	0.4%
Odin Norden	572	1,523	2,095	1.1%	0.5%
Total >1% ownership	**110,579**	**70,582**	**181,161**	**92.8%**	**95.8%**
Total, other shareholders	3,814	10,505	14,319	7.3%	3.3%
Total number of shares	**115,465**	**79,759**	**195,223**	**100.0%**	**100.0%**

Note 16 Accounts payable and other current debt

Amounts in NOK million	**31 Dec. 2005**	31 Dec. 2004
Accounts payable	**217**	202
Public duties payable	**363**	480
Incurred interest	**283**	331
Incurred expenses	**420**	457
Total accounts payable and other current debt	**1,283**	1,470

Note 17 Loans

Amounts in NOK million	**31 Dec. 2005**	1 Jan. 2005	31 Dec. 2004
Non-current debt			
Fixed-interest-rate bonds	**3,799**	4,450	4,726
Floating-interest-rate bonds	**2,366**	2,101	3,273
Nordic Investment Bank (NIB)	**784**	333	327
Other loans	**189**		59
Total non-current debt	**7,137**	6,884	8,385
Current debt			
Fixed-interest-rate bonds	**505**	665	
Floating-interest-rate bonds	**1,324**	1,201	
Certificate loans	**1,871**	2,503	2,509
Total currrent debt	**3,701**	4,369	2,509
Total loans	**10,838**	11,253	10,894

All loans are recorded in the balance sheet at fair value, which is arrived at by discounting of the loans' cash flows. Comparative 2004 figures are shown at cost price. The discount rate applied is the Norwegian swap interest rate, adjusted for Hafslund's margin spreads (in basis points).

Margin spread (in basis points)

Maturity (years)	**0.5**	**0.75**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
31 Dec. 2005	1	2	3	7	11	17	22	27	31	34	37	40
1 Jan. 2005	8	12	16	25	35	40	45	52	60	65	70	75

In 2005, the fair value option (FVO) for valuation of certain financial loans were allowed. Hafslund has restated all its fixed-interest loans managed and reported at fair value effective 1 January 2005.

The Group's loans are exposed to interest-rate fluctuations. The following table presents loan interest maturities:

Amounts in NOK million	2005	2004
0-6 months	**6,734**	6,368
6-12 months	**300**	411
1-3 years	**3,156**	2,627
More than 3 years	**648**	1,847
Total loans	**10,838**	11,253

In May 2005, Hafslund established a syndicated EUR 500 million drawing facility with a term to maturity of five years. At year-end 2005, the entire amount was unused.

Hafslund's loan covenants prohibit the pledging of fixed assets as loan security. Some loan agreements also stipulate that significant assets cannot be divested without the approval of the banks involved, and have an ownership clause requiring that more than 50 percent of shares issued by Hafslund ASA 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 be approved by the lending banks.

Hafslund has a NOK 450 million floating-interest bond loan that matures on 18 October 2007. However, the bondholder is entitled to demand bond redemption in October 2006 at 99.95 percent of face value.

Debt repayment schedule for interest-bearing loans

Year	2006	2007	2008	2009	2010	Thereafter	Total
Amounts in NOK million	3,701	2,296	1,461	1,215	550	1,615	10,838

Closely related parties

As part of the 2002 merger between Hafslund and Viken Energinett, bond loans were extended by the City of Oslo. As of 31 December 2005, NOK 1.8 billion of the loans were outstanding (NOK 1.7 billion face value). The loans were established at market terms and listed on the Oslo Stock Exchange. Norsk Tillitsmann (trustee for listed bonds) is the contractual counterparty. The loans are included in Fixed-interest bond loans in the first table in this note. The maturity profile of the loans is presented below.

Year	2006	2007	2008
Amounts in NOK million	505	527	806

Note 18 Deferred tax

Deferred tax is to be entered net when the Group has a legal right to offset deferred tax benefits against deferred tax in the balance sheet. The following amounts were recorded net:

Amounts in NOK million	31 Dec. 2005	31 Dec. 2004
Deferred tax benefit:		
Deferred tax that reverses in more than 12 months	**672**	745
Deferred tax that reverses within 12 months	**21**	128
Total deferred tax benefit	**693**	873
Deferred tax liability:		
Deferred tax that reverses in more than 12 months	2,108	2,305
Deferred tax that reverses within 12 months	**37**	0
Total deferred tax liability	**2,145**	2,305
Total deferred tax - net	**1,452**	1,432

Amounts in NOK million	2005	2004
Change in deferred tax in balance sheet		
Book value as of 1 January	**1,432**	1,469
Implementation of IAS 39	**(210)**	0
Acquisition/sale of subsidiaries	**(23)**	0
Recognized in the period	**254**	211
Other	**(1)**	(248)
Book value as of 31 December	**1,452**	1,432

Change in deferred tax benefit and deferred tax liability

Amounts in NOK million	Operating assets	Temporary differences	Total
Deferred tax			
As of 1 January 2004	**2,205**	**20**	2,225
Recognized in the period	372	(116)	256
Charged to equity	(27)	28	1
Effect of reorganization, Network	(248)		(248)
As of 31 December 2004	**2,302**	**(69)**	2,233
Recognized in the period	(117)	131	**14**
Charged to equity	(57)	(21)	**(78)**
Acquisitions/sale of subsidiaries	(23)	0	**(23)**
As of 31 December 2005	**2,105**	**41**	**2,145**

Amounts in NOK million	Pensions	Loans and commitments	Excess/under income	Carryforward losses	Total
Deferred tax benefit					
As of 1 January 2004	**(154)**		**(71)**	**(531)**	(756)
Recognized in the period	32		17	(93)	(44)
31 December 2004	**(123)**	**-**	**(54)**	**(624)**	(801)
Recognized in the period	25	65	33	115	**238**
Charged to equity		(132)			**(132)**
As of 31 December 2005	**(98)**	**(67)**	**(21)**	**(509)**	**(693)**

Note 19 Pensions

Pension expenses

Amounts in NOK million	2005	2004
Defined benefit plans		
Present value of pension earnings	**47**	38
Interest cost on pension liabilities	**71**	73
Yield on pension assets	**(69)**	(82)
Net amortization	**5**	10
Social security contributions	**2**	13
Pension expenses, defined benefit plans	**56**	52
Contribution plans		
Employer's contribution	**11**	6
Total pension expenses	**67**	58

Pension assets and liabilities

Amounts in NOK million	31 Dec. 2005	31 Dec. 2004
Gross pension liabilities	**(1,901)**	(1,506)
Pension assets	**1,458**	992
Actual net pension liabilities	**(443)**	(514)
Non-amortized deviation from plan/assumption	**53**	73
Net pension assets (pension liabilities)	**(390)**	(441)
Net pension liabilities in balance sheet	**(390)**	(441)
Net pension assets in balance sheet	**0**	0

Notes 19, 20, 21

Amounts in NOK million	2005	2004
Net pension liabilities, 1 January	**(441)**	(538)
Liabilities acquired at acquisition of business	**(1)**	0
Pension expenses for the year	**(56)**	(52)
Pension payments and payment of pension premiums	**108**	149
Net pension liabilities as of 31 December	**(390)**	(441)
Calculations are based on the following assumptions:		
Expected yield on pension funds	**4.9%**	5.7-4.9%
Discount rate	**3.9%**	4.7-3.9%
Salary growth	**2.7%**	3.0-2.7%
Change in social security contribution	**2.7%**	3.0-2.7%
Early retirements (under AFP plans)	**30-80%**	30-80%

The interest rate on Norwegian 10-year government bonds is used as a reference for estimating discount rates.

Note 20 Other (losses)/gains – net

Amounts in NOK million	2005	2004
Other financial assets recognized at fair value in the profit and loss account		
Shares – fair value gains	**421**	0
Dividends received	**30**	0
Other financial income	**66**	0
Derivatives		
Interest rate swaps on loans	**100**	0
Currency swaps	**10**	7
Options	**(34)**	0
End-user contracts at fixed power prices and associated power derivative contracts	**(31)**	0
Other financial assets		
Gains on sale of shares	**3**	58
Dividends received	**0**	17
Other financial income	**0**	59
Total other (losses)/gains - net	**565**	141

Note 21 Other operating expenses

Amounts in NOK million	2005	2004
Maintenance	**291**	364
Consulting services	**107**	111
Rent, electricity, etc.	**161**	175
Sales and marketing expenses	**83**	96
Other operating expenses	**144**	264
Total other operating expenses	**786**	1,010

Total auditors' fees recorded in the profit and loss account for the Group in 2005 amounted to NOK 6.3 million (2004: NOK 7.7 million). The fees are divided as follows: NOK 3.7 million for legally required auditing services, other certification services NOK 0.1 million, tax advisory services NOK 0.8 million, and services other than auditing NOK 1.7 million.

Note 22 Salaries and other personnel expenses

Amounts in NOK million	2005	2004
Salaries	**875**	841
Social security contributions	**132**	112
Pension expenses - defined benefit plans	**56**	52
Pension expenses - contribution plans	**11**	6
Other benefits	**53**	47
Own work recorded in balance sheet	**(43)**	(35)
Restructuring costs	**0**	21
Total salaries and other personnel expenses	**1,084**	1,044

As a facet of achieving a moderate 2005 Group salary and wage agreement, the parties agreed to a share allocation to employees. Employees, dependent upon type of position, position percentage and period of employment, will each receive up to 256 Hafslund class B shares. An allocation of NOK 45 million is included in the salary expenses for 2005 in relation to the allocation of shares to employees.

Remuneration of leading personnel (Amounts in NOK)	Group management	President and CEO	Board of Directors
Salary and remuneration	11,507,827	3,017,013	2,123,000
Pension premiums	874,000	580,000	-

The President and CEO has a six months' notice period. At the end of his employment, he is entitled to receive salary for 18 months after the end of the notice period; certain conditions apply. If the President and CEO initiates his departure, he is entitled, under certain terms, to an amount equal to the present value of a paid-up policy for a pension on salary exceeding 12 times the Social Security base amount for the time he has held the position of President and CEO.

Retirement age is 67 years, with a mutual right to terminate said employment upon reaching the age of 60, provided the President and CEO was employed by Hafslund for at least ten years. Early retirement pension is set at 66 percent of basic salary from the age of 60 years, until reaching the retirement age of 67 years. The President and CEO is entitled to an annual bonus limited to a maximum of 30 percent of his fixed salary; the bonus is determined annually.

Other members of the Group management team are entitled to receive salary for 12 to 18 months after the end of their employment periods; certain conditions apply. Remuneration to Group management members comprises a fixed salary and bonuses limited to 20 percent, 30 percent, or 50 percent of their annual fixed salaries. Bonuses are determined annually. Group management members participate in the Group's regular defined benefit pension plan; in addition, they are enrolled in a contribution-based pension plan for which annual contributions correspond to 5 percent of their salaries.

As of 31 December 2005, Hafslund had granted loans as set forth below to senior executives. The loans are interest-free and are repaid over a period of ten years.

Rune Bjerke	NOK 455,208
Ingeborg Aass Holten	NOK 348,333
Per Kristian Olsen	NOK 308,333
Tove Pettersen	NOK 286,667
Bjørn Frogner	NOK 260,000
Christian Berg	NOK 243,349

The President and CEO and other members of Group management do not receive any material benefits in kind other than what is presented above.

In 2005, Group had, on average, 2,816 employees; the corresponding figure for the parent company was 280.

Note 23 Financial expenses

Amounts in NOK million	2005	2004
Effective interest expenses, loans	**(476)**	(607)
Financial expenses	**(22)**	(52)
Agio gains/(-losses)	**(11)**	(13)
Total financial expenses	**(509)**	(672)

Effective interest expenses for 2005 include nominal interest expenses and the effect of changes in the fair value of loans. 2004 figures included nominal interest expenses.

Note 24 Tax expenses

Amounts in NOK million	2005	2004
Tax payable	**125**	125
Deferred tax	**254**	211
Other tax effects	**21**	1
Discontinued operations	**(1)**	(6)
Total tax expense	**399**	331

Tax on the Group's pre-tax profit differs from the amount that would have resulted from application of the Group's average taxrate. Reconciliation of the nominal tax rate and the effective tax rate is shown below:

Amounts in NOK million	2005	2004
Profit before tax expense incl. discontinued operations	**1,575**	795
Expected tax expense, 28% nominal taxation rate	**(441)**	(223)
Economic rent tax	**(106)**	(105)
Income from shares - not subject to taxation	**130**	7
Profit from associated companies	**9**	10
Dividend	**6**	12
Non-deductible expenses	**8**	(19)
Tax effect, Group items	**(6)**	(19)
Discontinued operations	**1**	6
	(399)	(331)
Average tax rate	**25%**	42%

The change in the effective tax rate from 2004 to 2005 is largely attributable to share investment value changes that are not subject to taxation.

Note 25 Discontinued operations

The Mjøskraft group was divested in May 2005. Profits from divested businesses are removed from continued activities and shown on a separate line in the profit and loss account.

	1 January - 31 December	
	2005	**2004**
Operating revenues	**255**	692
Purchased materials and energy	**(170)**	(448)
Salaries and other personnel expenses	**(31)**	(78)
Depreciation and write-downs	**(11)**	(40)
Other (losses)/gains – net	**70**	8
Share of profit from associated companies	**0**	2
Other operating expenses	**(32)**	(84)
Operating profit	**81**	52
Financial expenses	**(2)**	(5)
Pre-tax profit	**79**	47
Tax	**(1)**	(6)
Profit for the year, discontinued operations	**78**	41

Note 26 Contingencies and post-balance sheet items

Hafslund Nett AS has the following unresolved disputes with public authorities represented by the Norwegian Water Resources and Energy Directorate (NVE):

- Adjustment of income ceiling to reflect increases in power deliveries for the period 1997-2001.
- NVE's determination of the income ceiling cost basis, due to the implementation of new accounting standards for pension liabilities. Norway's Ministry of Petroleum and Energy in principle supports Hafslund's position in the matter.
- Compensation for actual extra expenses to cover requirements by public authorities to report non-delivery of energy (ILE) as of 2001.
- Application for exemption from compensation regulations for non-delivered energy caused by extreme weather conditions at Romerike on 16 August 2001.

In the first three of the above issues, appeals have been filed with Norway's Ministry of Petroleum and Energy for final determination. In the fourth issue, Hafslund has sued the Ministry of Petroleum and Energy. The case will come to court in the first half of 2006.

Tax valuation of assets at acquisition of network activities

Hafslund is preparing a lawsuit disputing the decision of the tax appeal board regarding allocation of the purchase amount for grid activities. Upon submitting its tax returns for 2001, Hafslund Nett AS (formerly Viken Energinett AS) reported goodwill for taxation purposes of NOK 441 million. The tax appeal board allocated NOK 325 million for the license value, and NOK 116 million for goodwill. Further, the decision stated that the value of the license, for taxation purposes, could be amortized on a straight-line basis over the period of the license, in other words until 2026.

The case came before an Oslo municipal court in June 2005; the court ruled in favor of the company. Norway's corporate tax office (Sentralskattekontoret for storbedrifter, Sfs), has appealed the case to the Court of Appeal; it will come before the court in late 2006. In its accounting, Hafslund Nett AS has applied the decision of the tax appeal board, as presented in Note 18.

A similar issue pertains to the 2002 acquisition of grid activities. In its tax returns for 2002, Hafslund Nett AS recorded goodwill for taxation purposes of NOK 500 million. Tax authorities notified the company that an adjustment would be made to the tax return. Our understanding is that the authorities are seeking to reduce goodwill recognized for taxation purposes to NOK 218 million; the difference affecting amortizable license value. The company disputes the notification of adjustment. In its accounting, Hafslund has applied the adjustment in the tax authorities' notification, as presented in Note 18.

Note 27 Companies consolidated in the accounts

Company	Registered business address	Ownership in %
Hafslund ASA	Oslo	100
Hafslund Venture AS	Oslo	100
Hafslund Delta AS	Oslo	100
Hafslund Varme og Infrastruktur AS	Oslo	100
Hafslund Produksjon AS	Sarpsborg	100
Sarp Kraftstasjon AS	Sarpsborg	100
Hafslund Nett AS	Oslo	100
Hafslund Fjernvarme AS	Ullensaker	100
Hafslund Bredbånd AS	Oslo	100
Hafslund Tekniske Tjenester AS	Oslo	100
Hafslund Tokom AS	Oslo	100
Bredbåndsfabrikken AS	Oslo	100
Bredbåndservice AS	Oslo	100
Hafslund Installasjon AS	Oslo	100
Elrom Installasjon AS	Ullensaker	100
Hafslund Entreprenør AS	Oslo	100
Hafslund Entreprenør AUS AS	Trøgstad	100
Veka Entreprenad AB	Sweden	100
Hafslund Elsikkerhet AS	Oslo	100
Tech Partner AS	Oslo	100
Fortum Elsikkerhet AS	Sarpsborg	100
Hafslund Sikkerhet AS	Oslo	100
Hafslund Sikkerhet Teknikk AS	Oslo	100
Hafslund Sikkerhet Privat AS	Oslo	100
Hafslund Sikkerhet Bedrift AS	Oslo	100
Hafslund Privat AS	Oslo	100
Hafslund Strøm AS	Oslo	100
Fredrikstad EnergiSalg AS	Fredrikstad	100
NorgesEnergi AS	Kristiansand	100
Røyken Kraft AS	Røyken	51
Hallingkraft AS	Ål	76.31
Hafslund Eiendom AS	Oslo	100
Hafslund Fakturaservice AS	Oslo	100
Hafslund Kundesenter AS	Oslo	100
Hafslund Alarmstasjoner AS	Oslo	100
Oslo Energi AS	Oslo	100
Hafslund USA Inc	USA	100
Swift River Hafslund LLC	USA	100
Swift River Operations Inc	USA	100
Greenville Steam Company	USA	71
Hafslund Power Corporation	USA	100
Errol Hydroelectric LLC	USA	100
Brassua Hydroelectric Ltd Partners	USA	100
Hafslund Energy LLC	USA	100
Stri Elv Hafslund Inc	USA	100
Swift River Power Inc	USA	100
Pontook Hydro Inc	USA	100
Hafslund Energy Trading LLC	USA	100
Pontook Operating Ltd Partnership	USA	100

Profit and loss account – Hafslund ASA

Amounts in NOK million	Note	1 January – 31 December 2005	2004	2003
Operating revenues		**171**	157	46
Salaries and other personnel expenses	3	**224**	186	110
Ordinary depreciation	8	**31**	18	3
Other operating expenses	5	**174**	187	73
Operating expenses		**429**	391	191
Operating profit		**(258)**	(234)	(145)
Profit from share investments	6	**22**	18	114
Net financial items	6	**166**	(70)	(30)
Financial items		**188**	(52)	84
Pre-tax ordinary profit		**(70)**	(286)	(61)
Tax on ordinary profit	7	**24**	85	(11)
Profit for the year		**(46)**	(201)	(72)
Allocations:				
Dividend	18	**439**	243	194
Group contribution paid, gross		**0**	0	594

Balance sheet - Hafslund ASA

Amounts in NOK million	Noter	2005	2004	2003
			As of 31 December	
Assets				
Deferred tax benefit	7	**150**	78	0
Property, plant and equipment	8	**125**	95	68
Shares in subsidiaries	9	**8,491**	6,990	6,990
Investments in other companies	9	**403**	405	482
Other receivables	4, 10	**4,912**	6,722	8,480
Total financial non-current assets		**13,806**	14,117	15,952
Total non-current assets		**14,081**	14,290	16,020
Accounts receivable and other receivables	11	**3,323**	4,039	4,390
Cash and cash equivalents	17	**120**	0	0
Total current assets		**3,443**	4,039	4,390
Total assets		**17,524**	18,329	20,410
Equity and liabilities				
Paid-in equity		**4,275**	4,275	4,275
Retained earnings		**1,680**	2,271	2,703
Total equity	18, 19	**5,955**	6,546	6,978
Allocations for liabilities	4	**130**	72	47
Non-current debt	14, 15	**8,708**	8,361	11,222
Other non-current debt		**3**	2	30
Total non-current debt and liabilities		**8,841**	8,435	11,299
Current interest-bearing debt	12	**1,871**	2,515	965
Accounts payable		**55**	22	29
Tax payable		**0**	63	0
Dividend	18	**439**	243	194
Other current liabilities	13	**363**	505	945
Total current liabilities		**2,728**	3,348	2,133
Total equity and liabilities		**17,524**	18,329	20,410

Cash flow statement – Hafslund ASA

Amounts in NOK million	Note	1 January – 31 December 2005	2004	2003
Cash flow from operations				
Profit for the year		**(46)**	(201)	(72)
Deferred tax	7	**(24)**	(85)	11
Gains on sale of operating assets		**(5)**	0	0
Ordinary depreciation		**23**	18	3
Depreciation of property, plant and equipment		**11**	0	0
Change in accounts receivable, inventory, and accounts payable		**45**	344	4,183
Change in other operating items		**496**	(409)	458
Net cash flow from operations		**500**	(333)	4,583
Cash flow from investments				
Investments in property, plant and equipment		**(61)**	(54)	(35)
Investments in companies/subsidiaries	9	**(1,501)**	0	(3,258)
Sale of property, plant and equipment		**6**	12	24
Change in other share investments	9	**1**	77	80
Change in non-current receivables	10	**1,643**	1,758	(1,052)
Net cash flow from investments		**88**	1,793	(4,241)
Cash flow from financial activities				
Change in non-current interest-bearing debt	14	**347**	(2,861)	0
Change in current interest-bearing debt	12	**(644)**	1,550	(456)
Change in other non-current debt/liabilities		**59**	32	30
Dividend paid	18	**(243)**	(194)	0
Own (treasury) shares	19	**13**	13	77
Net cash flow from financial activities		**(468)**	(1,460)	(349)
Net change in cash and cash equivalents		**120**	0	(7)
Cash and cash equivalents as of 1 January		**0**	0	7
Cash and cash equivalents as of 31 December		**120**	0	0

Note 1 Accounting principles

The annual accounts of Hafslund ASA have been prepared in accordance with Norwegian accounting law and generally accepted accounting principles in Norway.

Accruals, classification, and valuation principles

Income recognition principles

Income from the sale of products and services is recorded in the accounts at the time of delivery to customers, provided the customer has assumed title and risk.

Classification

Classification of items in the profit and loss account is as follows: All assets related to the business cycle, receivables payable within one year, and assets not intended for permanent ownership or use by the business, are classified as current assets. Other assets are classified as fixed assets. Liabilities with maturities exceeding one year after the close of the accounting year are entered as long-term liabilities. Other liabilities are classified as short-term liabilities.

Valuation principles

Foreign currency assets and liabilities

Balance sheet items in foreign currencies that are not hedged against foreign currency exchange fluctuations are translated at the exchange rate on the balance sheet date. Balance sheet items that are hedged against exchange rate fluctuations via financial instruments are valued at the hedged rate. Balance sheet items in foreign currencies that hedge each other are translated at the rate on the balance sheet date. Foreign currency exchange gains and losses that arise from exchange rate fluctuations on other balance sheet items are classified as financial items.

Accounts receivable and other receivables

Accounts receivable and other receivables are recorded at their nominal value less provisions for bad debts. Provisions for losses are made on the basis of individual assessments of receivables. In addition, an unspecified provision is made to cover projected losses on other accounts receivable.

Own shares (treasury shares)

Hafslund allows employees to buy treasury shares at a discount; the plan was established to encourage employee ownership in the company. Upon sales of treasury shares to Hafslund employees at prices below market prices, the sales price differential is recorded in the profit and loss account under Salaries and other personnel expenses. Treasury shares are recorded in the balance sheet as a reduction to equity.

Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are valued according to the cost method. Dividends received and other profit disbursements from companies are recognized as financial income. Valuation of individual companies is done through the Group's adherence to IAS 36.

Investments in long-term shareholdings

Long-term investments in companies of which Hafslund owns or controls more than 20 percent of the ownership interest, but in which it does not have a controlling influence or long-term ownership interest, are entered at acquisition cost, adjusted for any permanent decline in value. Investments are valued individually. Dividends received and any other profit disbursement from the companies are recorded as financial income. Realized gains or losses, and any write-downs due to a permanent decline in value, are included in the profit and loss account under financial items.

Property, plant and equipment

Fixed assets are recorded in the balance sheet at their historical acquisition cost plus revaluation, less accumulated depreciation and write-downs. Own investment activities are capitalized at full manufacturing costs. Operating assets, plants, and facilities are depreciated from the time they are placed in service. Tangible fixed assets are depreciated using straight-line depreciation over the expected useful economic life. Upon any sale of fixed assets, gains are recorded as operating income and losses are recorded as operating expenses.

Pensions and pension liabilities

See Note 2.16 to the consolidated accounts. Hafslund ASA has exercised the right to switch to IAS 19 in its accounting treatment of pension expenses; see comments in Note 4.

Tax expenses – deferred tax – deferred tax benefit

Tax charges are based on the ordinary pre-tax profit. Tax expenses in the profit and loss account consist of taxes payable for the period and any change in deferred tax/deferred tax benefit. Taxes payable are based on taxable profit for the year. Deferred tax recorded in the balance sheet is calculated using the offset method, with full provision for net tax-increasing temporary differences based on the tax rate on the balance sheet date and nominal amounts. Deferred tax benefits recorded in the balance sheet relating to net tax-reducing temporary differences and carry-forward losses are based on the likelihood of sufficient future earnings or ability to benefit from tax positions that can be offset through Group contributions.

Financial derivatives

The manner in which financial instruments are dealt with in the accounts follows the purpose of the underlying contract. For accounting purposes, gains and losses on financial derivatives are recognized in the profit and loss account at maturity if the criteria for hedging transactions are not satisfied.

Uncertain liabilities (allocations)

Uncertain liabilities are recorded in the accounts if it is more likely than not that they will come to settlement. Best estimates are used in calculating settlement value.

In the event of decisions to implement measures such as restructuring that significantly change the scope of Group activities, the manner in which they are operated, or measures that trigger severance payments, allocations will be made. Allocations are calculated using the best estimate for expenses that are expected to be incurred.

Cash flow statement principles

The cash flow statement is prepared using the indirect method. Net cash flow from operating activities is arrived at by entering the business unit's after-tax profit for the year, followed by the presentation of net cash flows from ordinary operations, investment activities, and financial activities.

Note 2 Major transactions

There were no major single transactions in 2005.

Note 3 Salaries and other personnel expenses

Amounts in NOK million	2005	2004	2003
Salaries	**165**	100	58
Social security contributions	**19**	14	10
Pension expenses	**19**	21	20
Other benefits	**17**	30	12
Restructuring costs	**4**	21	10
Total salaries and other personnel expenses	**224**	186	110
Number of employees	**264**	295	224

Details on salaries and other remuneration to leading personnel are presented in Note 22 in the consolidated accounts.

Note 4 Pension expenses, assets, and liabilities

Pension expenses

Amounts in NOK million	IFRS 2005	IFRS 2004	NGAAP 2004
Defined benefit plans:			
Present value of pension earnings	**13**	13	13
Interest cost on pension liabilities	**17**	18	17
Yield on pension assets	**(16)**	(15)	(17)
Net amortization	**1**	3	6
Social security contributions	**3**	–	–
Pension expenses, defined benefit plans	**18**	19	19
Contribution plans:			
Employer's contribution	**1**	2	2
Total pension expenses	**19**	21	21

Pension assets and liabilities

Amounts in NOK million	IFRS 31 Dec. 2005	IFRS 31 Dec. 2004	NGAAP 31 Dec. 2004
Gross pension liabilities	**456**	435	72
Pension assets	**(346)**	(307)	(89)
Actual net pension liabilities	**110**	128	(17)
Non-amortized deviation from plan/assumption	**14**	21	–
Net pension assets (pension liabilities)	**124**	149	(17)
Net pension liabilities in balance sheet	**130**	149	72
Net pension assets in balance sheet	**6**	–	89

	2005	2004
Net pension liabilities as of 1 January	**149**	156
Liabilities assumed at business acquisition	**1**	–
Pension expenses for the year	**18**	19
Pension payments and payment of pension premiums	**(44)**	(26)
Net pension liabilities as of 31 December	**124**	149

Notes 4, 5, 6

Calculations are based on the following assumptions:	IFRS 2005	IFRS 2004	NGAAP 2004
Expected yield on pension funds	**4.9%**	5.7-4.9%	7.00%
Discount rate	**3.9%**	4.7-3.9%	6.00%
Salary growth	**2.7%**	3.0-2.7%	3.00%
Change in social security contribution	**2.7%**	3.0-2.7%	3.00%
Early retirements (under AFP plans)	**30-80%**	30-80%	30-80%

On 1 January 2004, Hafslund joined a program sponsored by Norway's foremost labor and industry groups, which would affect the early retirement plan (AFP) for employees in the Hafslund Public Pension Fund. Under the program, 75 percent of the costs of agreed-to pensions are to be covered by public authorities or by the program itself. Previously, Hafslund covered all expenses associated with early retirement.

Effective 1 January 2005, the company implemented IAS 19 for accounting treatment of pension expenses. The transition led to an increase in pension liabilities. That increase is attributable to zeroing out any so-called corridor amounts and to a lower discount rate. Comparable 2004 figures have not been prepared. Had the 2004 figures been modified, pension liabilities as of 1 January 2004 would have increased by NOK 166 million; expenses would have been largely unchanged.

Norwegian 10-year government bond interest rates are used as references in estimating the discount rate.

Note 5 Other operating expenses

Amounts in NOK million	2005	2004	2003
Consulting services	**49**	48	29
Rent, electricity, etc.	**62**	71	16
Sales and marketing expenses	**20**	34	32
Other operating expenses	**44**	34	0
Total other operating expenses	**174**	187	77

Expensed 2005 auditors' fees for Hafslund ASA amounted to NOK 3.7 million. The fees are divided as shown below:
- Legally required auditing services: NOK 1.1 million.
- Other certification services: NOK 0.1 million.
- Tax advisory services: NOK 0.8 million.
- Services other than auditing: NOK 1.7 million.

Other services include legal assistance associated with:
- Reorganization of production activities: NOK 0.4 million, and
- Other in-house procedures and reorganization: NOK 0.3 million.

Fees for assistance with IFRS implementation amounted to NOK 1.0 million.

Note 6 Profit from share investments and net financial items

Amounts in NOK million	2005	2004	2003
Dividends from associated companies	**22**	18	104
Profit from venture portfolio		–	10
Profit from share investments and associated companies	**22**	18	114
Interest income [1]	**1,056**	618	1,024
Interest expenses	**(1,029)**	(655)	(1,024)
Group contribution	**193**	–	–
Other financial expenses	**(54)**	(33)	(30)
Net financial items	**166**	(70)	(30)

[1] Hafslund ASA interest income includes intra-Group interest, as follows: in 2005: NOK 1,048 million; in 2004: NOK 549 million; and in 2003: NOK 1,006 million.

Note 7 Tax

Tax expense

Amounts in NOK million	2005	2004	2003
Pre-tax profit	**(70)**	(286)	(61)
Permanent differences	**(18)**	(19)	(19)
Change in temporary differences	**(26)**	(22)	757
Group contribution paid	**-**	–	(594)
Basis, tax payable	**(114)**	(327)	83
Tax expenses comprises:			
Tax payable	**-**	–	21
Applied tax credit	**-**	–	(23)
Change in deferred tax	**(24)**	(85)	13
Tax expense	**(24)**	(85)	11
Reconciliation of taxation rate			
Pre-tax profit	**(70)**	(286)	(61)
Expected tax expense, 28% nominal taxation rate	**(20)**	(80)	(17)
Tax effect of dividends received	**(5)**	(9)	(12)
Tax effect of share realization	**-**	4	(6)
Losses and other tax benefits, not previously recognized	**-**	1	45
Tax exempt income and non-deductible expenses	**1**	(0)	0
Tax expense	**(24)**	(85)	11
Effective tax rate (in %)	**34%**	30%	(18%)

Hafslund ASA had a net accounting tax income of NOK 45 million in 2003. This is attributable to the exploitation of deferred tax benefits on losses and to other tax benefits not previously recorded in the balance sheet. Previous deferred tax benefits not recorded in the balance sheet and associated with carry forward losses are used via Group contributions.

Deferred tax - deferred tax benefit

Amounts in NOK million	31 Dec. 2005	31 Dec. 2004	31 Dec. 2003
Basis for deferred tax/deferred tax benefit			
Temporary differences	**(1)**	4	(17)
Operating assets	**6**	15	9
Over-funded pension plans	**-**	89	74
Accrued pension liabilities	**(111)**	(72)	(40)
Accumulated carryforward loss	**(430)**	(315)	–
Basis for deferred tax/deferred tax benefit	**(535)**	(279)	26
Deferred tax in balance sheet	**-**	–	7
Deferred tax benefit in balance sheet	**150**	78	–

Note 8 Property, plant and equipment

Amounts in NOK million	Machinery, equipment, movable property	Land and other real property	Work in progress	Total
Acquisition cost	96	57	7	**160**
Accumulated depreciation and write-downs	(42)	(23)	–	**(65)**
Book value as of 1 Jan. 2005	54	34	7	**95**
Investments	16	14	31	**61**
Disposals (acquisition cost)	(6)	–	–	**(6)**
Disposals (accumulated depreciation)	6	–	–	**6**
Depreciation and write-downs for the year	(30)	(1)	–	**(31)**
Acquisition cost	106	71	38	**215**
Accumulated depreciation and write-downs	(66)	(24)	–	**(90)**
Book value as of 31 December 2005	40	47	38	**125**

Notes 9, 10, 11, 12, 13

Note 9 Shares in subsidiaries and other companies

Amounts in NOK million	Year of acquisition	Business address	Ownership/ voting rights in %	Booked share of company equity as of 31 Dec. 2005	Book value as of 31 Dec. 2005
Hafslund Varme og Infrastruktur AS	2004	Oslo	100	2,470	2,750
Hafslund Nett AS	1998	Oslo	100	4,918	4,334
Sarp Kraftstasjon AS	1987	Sarpsborg	100	96	61
Hafslund Venture AS	1986	Oslo	100	565	498
Hafslund Privat AS	2001	Oslo	100	1,370	618
Hafslund Tekniske Tjenester AS	2002	Oslo	100	114	60
Hafslund Eiendom AS	2003	Oslo	100	139	170
Shares in subsidiaries				9,672	**8,491**
Viken Fjernvarme AS	2001	Oslo	33.3		383
Viken Bolig AS	2004	Oslo	33.3		12
Sinsenveien AS	2004	Oslo	33.3		8
Investments in other companies					**403**

Note 10 Other non-current receivables

Amounts in NOK million	31 Dec. 2005	31 Dec. 2004	31 Dec. 2003
Net pension funds in balance sheet (see Note 4)	**6**	89	74
Interest-bearing loans and receivables	**193**	164	44
Contribution to pension funds	**10**	10	10
Loans to Group companies	**4,700**	6,400	8,289
Other	**3**	59	63
Total non-current receivables	**4,912**	6,722	8,480

Note 11 Accounts receivable and other receivables

Amounts in NOK million	31 Dec. 2005	31 Dec. 2004	31 Dec. 2003
Accounts receivable	**2**	15	1
Receivables, Group companies	**3,275**	3,985	4,355
Other receivables	**46**	39	34
Total accounts receivable and other receivables	**3,323**	4,039	4,390

Note 12 Current interest-bearing debt

Amounts in NOK million	Interest in % as of 31 Dec. 2005	Interest in % as of 31 Dec. 2004	Debt as of 31 Dec. 2005	Debt as of 31 Dec. 2004
Miscellaneous certificates	**2.4-2.8**	2.1-2.7	**1,871**	2,515
Current interest-bearing debt			**1,871**	2,515

Note 13 Other current debt

Amounts in NOK million	31 Dec. 2005	31 Dec. 2004	31 Dec. 2003
Public duties payable	**2**	7	(1)
Incurred interest	**283**	331	301
Provisions for restructuring costs	**-**	7	9
Other non-interest-bearing debt	**75**	25	42
Debt to other Group companies	**3**	135	594
Total other current debt	**363**	505	945

Note 14 Non-current interest-bearing debt

	Interest in % as of 31 Dec. 2005	Interest in % as of 31 Dec. 2004	Debt as of 31 Dec. 2005	Debt as of 31 Dec. 2004
Fixed-interest-rate bonds	**6.2-7.9**	6.2-7.9	**4,053**	4,726
Floating-interest-rate bonds	**2.5-3.5**	2.7-3.0	**3,217**	2,823
Bond loan with put option, floating interest rate	**3,0**	2.5	**450**	450
Nordic Investment Bank (NIB)	**3.0-3.4**	2.8	**761**	327
Japanese financial institution	**2.9**		**179**	
Non-current interest bearing debt			**8,659**	8,326
Other loans	**2.9**	3.6	**49**	35
Total non-current debt			**8,708**	8,361

In May 2005, Hafslund established a syndicated EUR 500 million drawing facility with a term to maturity of five years. At year-end 2005, the entire amount was unused. Additionally, the company has a drawing facility with Nordea and DnB NOR totaling NOK 550 million; this facility, was also unused at year-end.

Hafslund ASA's loan covenants prohibit the pledging of fixed assets as loan security. Some loan agreements also stipulate that significant assets cannot be divested without the approval of the banks involved, and have an ownership clause requiring that more than 50 percent of shares issued by Hafslund ASA 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 be approved by the lending banks.

Hafslund ASA has a NOK 450 million floating-interest bond loan that matures on 18 October 2007. However, the bondholder is entitled to demand bond redemption in October 2006 at 99.95% of face value.

Debt repayment schedule for non-current interest-bearing debt, Hafslund ASA

Year	2006	2007	2008	2009	2010	Thereafter	Total
Amounts in NOK million	1,823	2,213	1,365	1,195	550	1,514	**8,659**

Note 15 Closely related parties

As part of the merger between Hafslund ASA and Viken Energinett AS, bond loans were extended in 2002 by the City of Oslo. As of 31 December 2005, a total of NOK 1.74 billion of the loans was outstanding. The loans were established at market terms and listed on the Oslo Stock Exchange. Norsk Tillitsmann (trustee for listed bonds) is the contractual counterparty. The loans are included in the note Long-term interest-bearing debt under the item Fixed-interest-rate bond loans. The maturity profile of the loans is shown below. (The amounts are also included in the instalment structure shown above in this note.)

Year	2006	2007	2008
Amounts in NOK million	500	500	740

Notes 16, 17, 18, 19

Note 16 Risk management and financial derivatives

For a description of risk management, see Note 3 in the consolidated accounts.

Interest rate swaps

The table below shows outstanding interest rate swaps as of 31 December 2005:

Currency	Amount in NOK million	Hafslund pays		Hafslund receives		Maturity
NOK	200	Fixed/quarterly	6.1%	Floating	3 m. Nib	11 Dec. 2006
NOK	200	Fixed/semi-annually	6.2%	Floating	6 m. Nib	11 July 2007
NOK	200	Fixed/semi-annually	6.2%	Floating	6 m. Nib	11 July 2007
NOK	200	Fixed/annual	5.7%	Floating	3 m. Nib	11 July 2007
NOK	200	Fixed/annual	5.5%	Floating	3 m. Nib	11 July 2007
NOK	100	Fixed/annual	5.3%	Floating	3 m. Nib	11 July 2007
NOK	200	Fixed/annual	4.7%	Floating	3 m. Nib	18 May 2010
NOK	100	Fixed/annual	5.1%	Floating	3 m. Nib	11 July 2010
NOK	200	Fixed/annual	5.1%	Floating	3 m. Nib	11 July 2013
NOK	200	Floating	3 M. Nib +120	Fixed/annual	6.2%	9 Jan. 2014
NOK	200	Fixed/annual	4.9%	Floating	3 m. Nib	9 Jan. 2014

Note 17 Cash and cash equivalents

See Note 14 in the consolidated accounts.

Bank guarantees have been purchased to secure various obligations. As of 31 December 2005, these guarantees amounted to: NOK 110 million for power contract trade via Nord Pool, NOK 64 million for tax payments, NOK 35 million in rental guarantee, and NOK 107 million for contract performance and payment guarantees.

Note 18 Equity

Amounts in NOK million	Share capital	Share premium reserve	Retained earnings	Total paid-in and retained earnings
Equity as of 31 Dec. 2002	**191**	**4,082**	**2,896**	7,169
Adjustments, previous annual accounts			(2)	(2)
Profit for the year			(72)	(72)
Dividend (NOK 1.00 per share)			(194)	(194)
Change in own (treasury) shares	4	(2)	75	77
Equity as of 31 Dec. 2003	**195**	**4,080**	**2,703**	6,978
Profit for the year			(201)	(201)
Dividend (NOK 1.25 per share)			(243)	(243)
Change in own (treasury) shares			12	12
Equity as of 31 Dec. 2004	**195**	**4,080**	**2,271**	6,546
Change in accounting principles[2]			(119)	(119)
Profit for the year			(46)	(46)
Dividend (NOK 2.25 per share)			(439)	(439)
Change in own (treasury) shares[1]			13	13
Equity as of 31 Dec. 2005	**195**	**4,080**	**1,680**	**5,955**

[1] As of 31 December 2005, Hafslund holds 262,058 Hafslund class B shares, at an average acquisition price of NOK 32.11 per share. The total acquisition cost of the shares was NOK 8,414,682.

[2] A change in pension accounting principles, from NRS 6 to IAS 19, was charged against equity.

Note 19 Share capital and shareholder matters

Information regarding Hafslund ASA's share capital and the company's largest shareholders is presented in Note 15 in the consolidated accounts.

PRICEWATERHOUSECOOPERS

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To the Annual Shareholders' Meeting of Hafslund ASA

Auditor's report for 2005

We have audited the annual financial statements of Hafslund ASA as of December 31, 2005, showing a loss of NOK 46 mill for the parent company and a profit of NOK 1.174 mill for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The annual financial statements comprise the financial statements of the parent company and the group. The financial statements of the parent company comprise the balance sheet, the statements of income and cash flows, and the accompanying notes. The financial statements of the group comprise the balance sheet, the statement of income and cash flows, the statement of changes in equity and the accompanying notes. The regulations of the Norwegian accounting act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the parent company. IFRSs as adopted by the EU have been applied in the preparation of the financial statements of the group. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including standards on auditing adopted by The Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements of the parent company have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the company as of December 31, 2005, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the financial statements of the group have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group as of December 31, 2005, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with IFRSs as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss are consistent with the financial statements and comply with the law and regulations

Oslo, March 15, 2006
PricewaterhouseCoopers AS

Thomas Fraurud
State Authorised Public Accountant (Norway)
Note: This translation from Norwegian has been prepared for information purposes only.

Corporate governance in Hafslund

Hafslund's corporate governance policy is designed to ensure confidence in the company's Board of Directors and management, thus forming the basis for long-term value creation to the benefit of shareholders, employees, other stakeholders, and society at large.

Corporate governance

Hafslund's corporate governance policy is based on the Norwegian Code of Practice for Corporate Governance, and adheres to legislation and regulations governing Norwegian stock-exchange listed companies and Hafslund's articles of association, as well as the Group's corporate vision, mission, and values. Good corporate governance is characterized by responsible interplay among owners, Board, and management, shaped by a long-term, value-creating perspective.

Hafslund's corporate governance policy is deemed to be in accordance with the requirements set forth in the Norwegian Code of Practice for Corporate Governance, with the following two qualifications:

- Hafslund has two share classes. Class A shares entitle holders to one vote per share; Class B shares do not carry ordinary voting rights. The two share classes are an outcome of historic developments. The Board and management are working to promote share liquidity, as well as the company's values. Beyond what is set forth in Norwegian law, there are no ownership restrictions on the Group's shares, which are freely negotiable.
- Hafslund does not have a corporate assembly. However, the Board of Directors comprises five shareholder-elected members and three representatives elected by and among employees; according to the requirements of the Norwegian Public Liability Companies Act.

Ethical guidelines

Hafslund's ethical guidelines apply to all Group employees. The guidelines were revitalized in 2005 to better fit with current requirements for ethical guidelines and Hafslund's present corporate structure. The revised guidelines have been approved by the Board of Directors, and are more widely applicable. Ethical guidelines and procedures for monitoring adherence are to be viewed in light of the Group's work on risk management, corporate management, and sound corporate governance.

Hafslund's ethical guidelines are founded on the Group's corporate values, under which employees are to be recognized for their integrity, courage, and spirit in dealings with colleagues, suppliers and working partners. The ethical guidelines deal with issues such as personal conduct, conflict of interest, bribery, corruption, influence peddling, competition, and sanctions for breaches of ethical guidelines.

Business activities

Hafslund's business purpose clause has the following wording.

The company's purpose is to operate activities that include:

1) Generation, distribution, sales, and use of energy
2) Industrial, trade, consultancy, contracting activities, and financial activities
3) Other activities related to the activities set forth above, including operation and management of the company's real estate and other resources

The business purpose set forth above may be furthered through participation in or cooperation with other businesses in Norway and abroad.

In line with its business purpose clause, Hafslund operates business activities in several areas. A presentation of Hafslund's activities and the goals and strategies of individual business areas is found in this report.

Hafslund is listed on the Oslo Stock Exchange, and the company is governed by Norwegian securities legislation and stock-exchange regulations.

Governing bodies

Hafslund's governing bodies comprise its general shareholders' meeting, nomination committee, Board of Directors, and the compensation committee.

General meeting

The general meeting is the highest governing body of Hafslund ASA and the venue in which shareholders exercise their authority. In accordance with Norwegian law, the general meeting provides a forum for discussion of issues such as approving the annual accounts and report, payment of dividends, selection of sub-committees and appointment of auditors, and adopting changes to Hafslund's articles of association. The annual general meeting is held no later than the close of June each year.

Nomination committee

Hafslund ASA has a nomination committee whose members are elected by the general meeting. The three-member nomination committee is charged with proposing candidates for the Board of Directors and recommending remuneration for board members. Nomination committee members are elected for a term of two years. Because the Board is a strategic and profit-improvement discussion partner for management, in making recommendations for Board members, the nomination committee should emphasize industry competence and business capabilities, as well as gender balance.

Board of Directors

Hafslund's Board of Directors is responsible for managing the company and ensuring appropriate organization of its activities, monitoring executive management, and adopting plans and budgets for the company and its subsidiaries. Typically, a total of eight board meetings is held each year, though no fewer than four may be held. Every year, the Hafslund Board of Directors establishes meeting and work schedules for the Board, thus ensuring that the Board regularly discusses issues related to corporate strategy, organization, risk management, and internal auditing, in addition to critical individual projects.

Board members are elected for terms of two years and must satisfy the Group's requirements as to independence. The composition of the Board adheres to requirements of the Norwegian Code of Practice for Corporate Governance as to members' independence from company management, owners, and business associates. The Hafslund ASA Board of Directors satisfies the legislative requirement for 40 percent women on the boards of listed companies. A presentation of each Board member's background, qualifications, terms of service, and Hafslund shareholdings is found on page 36 of this report. Remuneration paid to the Board of Directors is set forth in Note 22 to the Hafslund Group accounts.

Compensation committee

The Board of Directors has established a compensation committee to advise the Board on all matters relating to the company's remuneration of the President and CEO. The committee is to stay up to date as to remuneration plans for Hafslund Group leading personnel.

Group management

Hafslund's Group management comprises the President and CEO and the Group Senior Vice Presidents, who head business areas. The President and CEO is responsible for day-to-day management of the company's activities. Group Senior Vice Presidents assist the President and CEO in following up on the Group's business areas and reporting to the Board of Directors. A detailed presentation of individual members of Hafslund's Group management is found on page 15 of this report. Remuneration paid to leading executives is presented in Note 22 to the Hafslund Group accounts. The terms that apply to the Group President and CEO are subject to review by the compensation committee and Board of Directors.

> Internal controls and external auditors

Evaluation of Board and Group management

The Board evaluates its own performance and the performance of Hafslund's President and CEO annually. The nomination committee uses the Board's evaluations in their efforts to ensure an appropriate composition of the Board of Directors. Group management evaluates its work and achievements once a year, including an individual evaluation of the President and CEO.

Risk manager

Hafslund's Risk Manager is responsible for establishing and maintaining effective risk-handling procedures in the Group. Leaders at all organizational levels participate in risk management, in order to ensure the satisfactory flow and continuous processing of risk-related information. The Risk Manager reports to the President and CEO.

Auditors

Hafslund's auditors are elected by the company's annual general meeting. Auditors provide the Board with written confirmation, annually, that the auditors meet the appropriate independence and impartiality requirements set forth by the Group.

The auditors report to Group management once or twice a year, participate in Board meetings that discuss annual accounts, and meet with the Board to present their views on the company's accounting principles and in-house control procedures at least once a year.

Additional information

For further information about Hafslund's corporate governance policy, please see:

- Presentation of the Board of Directors, page 36
- Presentation of Group management, page 15
- Remuneration of members of the Board of Directors and Group management, page 73
- Shareholder matters, page 90
- Authorization granted by the annual general meeting to acquire company shares, page 91

- Hafslund's articles of association and corporate governance policy: www.hafslund.no

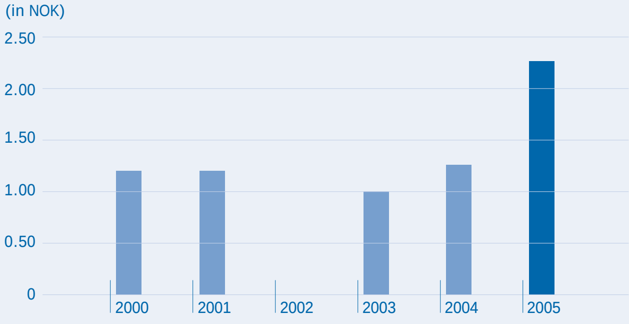
Shareholder matters

Hafslund's goal is to offer shareholders competitive yields on their investment, compared with alternative investments with a similar risk profile. The yield obtained is a combination of value growth and dividends.

› Shareholder policy, dividends, and financial objectives

The Hafslund Group's long-term dividend policy is to pay annual dividends of at least 50 percent of after-tax profits, adjusted for non-cash-generating items, in normal years. The Board of Directors will propose to Hafslund's annual general meeting that a per-share dividend of NOK 2.25 be paid for the 2005 accounting year. The table below shows Hafslund's dividend payments for the six most recent years.

Per-share dividend



› Turnover and share price development

Hafslund has two classes of shares (HNA and HNB). Both classes are listed on the Oslo Stock Exchange. Hafslund's market capitalization, based on year-end 2005 closing prices on the Oslo Stock Exchange, was NOK 14.3 billion; this corresponds to an increase in value of 88.5 percent and a total yield for shareholders of 91.7 percent in 2005. For comparison, the OSEBX benchmark index rose by 40.3 percent in the same period. At year-end, Hafslund share prices were NOK 73.00 for Class A shares and NOK 73.50 for Class B shares. The highest share prices recorded in 2005 were NOK 73.50 for Class A shares and NOK 74.00 for Class B shares. The lowest 2005 share prices recorded were NOK 39.50 for Class A and NOK 38.00 for Class B shares. A total of 7.1 million Hafslund shares were traded in 2005, compared with 4.5 million in 2004. Some 75 percent of the total shares traded were Class B shares.

In October 2004, the Oslo Stock Exchange introduced share liquidity categories. Hafslund's Class A shares are classified as OB Standard; Hafslund's Class B shares were reclassified from OB Standard to OB Match as of June 2005, due to increased trade in Class B shares.

› Share capital and shareholder structure

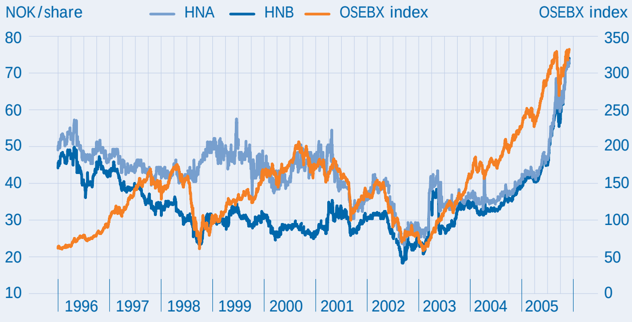
As of 31 December 2005, Hafslund ASA's share capital comprised 195,223,448 shares, of which 115,464,943 are Class A shares and 79,758,505 are Class B shares. Shares of both classes have a par value of NOK 1.

As of 31 December 2005, there were 7,885 Hafslund shareholders, compared with 8,188 at year-end 2004. The distribution of shareholdings as of 31 December 2005 is shown below.

No. of shares held	No. of shareolders	Proportion of capital share
1–100	2,740	0.05%
101–1000	3,602	0.74%
1001–10 000	1,409	1.91%
10 001–100 000	112	1.71%
100 001–500 000	14	1.44%
500 001 -	8	94.15%

At year-end 2005, 0.24 percent of Class A shares and 3.36 percent of Class B shares were held by non-Norwegian shareholders.

Closing prices



› Voting and ownership issues

Class A shares feature one ordinary vote per share. Class B shares do not carry voting rights. The Group has no ownership restrictions, other than as prescribed by Norwegian law.

Hafslund's largest shareholders as of 31 December 2005

Shareholder	A shares	B shares	Total ownership	% of total	% of votes
Oslo Kommune (City of Oslo)	40,497,796	27,974,237	68,472,033	35.1%	35.1%
Fortum Forvaltning AS	37,853,110	28,706,339	66,559,449	34.1%	32.8%
Oslo Kommune Holding AS	27,026,851	9,368,670	36,395,521	18.6%	23.4%
Østfold Energi AS	5,201,416	3,938	5,205,354	2.7%	4.5%
Odin Norge	499,550	1,677,074	2,176,624	1.1%	0.4%
Odin Norden	571,937	1,523,325	2,095,262	1.1%	0.5%
Total, >1 % ownership	**110,579,173**	**70,582,245**	**181,161,418**	**92.8%**	**95.8%**
Total, other shareholders	3,814,283	10,504,922	14,319,205	7.3%	3.3%
Total number of shares	**115,464,943**	**79,758,505**	**195,223,448**	**100%**	**100.0%**

Historically, the distinction in voting rights between Class A and Class B shares has resulted in a significant price differential between Class A and B shares, which reflects the unequal treatment of shareholders of the two share classes. However, in the last two years, the price differential between Class A and Class B shares has narrowed, and in 2005 has been largely eliminated. The Board has discussed a proposal to merge Hafslund´s two share classes with the company´s largest shareholders, and will propose such a share class merger to the 2006 annual general meeting if signals of a positive resolution is received. Merger of the company´s two classes of shares conforms with good corporate governance and is viewed as promoting the liquidity of the Hafslund share.

> Investor Relations

Hafslund is committed to providing its shareholders and the rest of the investment community with timely and relevant information. Increased familiarity with Hafslund and its business activities causes the company's share price to reflect the Group's underlying values and earnings potential as accurately as possible.

Shareholders and the financial market are kept informed about key events through Hafslund's annual and quarterly reports, and via stock exchange notices and media releases. Hafslund regularly schedules meetings with investors and analysts. Financial information, such as presentations to analysts, quarterly reports, annual reports, stock exchange notices, and press releases, are published on Hafslund's website www.hafslund.no to ensure equal access to such information for all interested parties. Hafslund held a Capital Markets Day presentation in Oslo in September and arranged several investor meetings in 2005.

2006 financial calendar

- > 3 May — 1Q 2006 report
- > 3 May — Annual general meeting*
- > 18 July — 2Q 2006 report
- > 27 October — 3Q 2006 report

*The annual general meeting is held on 3 May; Hafslund stock will trade ex-dividend the following day. Dividends will be paid on 22 May 2006.

> Shares issued and share repurchases

The 2 May 2005 annual general meeting authorized the Board of Directors to acquire Hafslund ASA Class B shares, limited to 10 percent of the company's Class B share capital. The authorization is valid until the 2006 annual general meeting.

During 2005, Hafslund purchased a total of 131,247 Hafslund Class B shares, which corresponds to 0.16 percent of outstanding Class B shares. As of 31 December 2005, the company held 262,058 Class B (treasury) shares, which corresponds to 0.13 percent of the total shares outstanding and 0.33 percent of the Class B shares outstanding. The company owns no class A-shares.

> Employee share programs

In order to stimulate employee participation in Hafslund's long-term value creation, the Hafslund Group's annual wage settlement provides for some compensation in the form of Hafslund Class B shares. In June 2005, permanent Hafslund employees each received an offer to purchase up to 614 Class B shares each. The shares were offered at a 20-percent discount, pursuant to Norwegian tax rules and regulations. Forty-two percent of eligible employees purchased a total of 428,866 Class B shares. Similarly, as a part of the 2005 Group salary and wage settlement, employees, dependent upon type of position, position percentage, and period of employment, will each receive up to 256 Class B shares.

> RISK – the Hafslund share

(applies to Norwegian shareholders only)
For tax purposes, the value of shares equals the per-share purchase price (for shares acquired before 1989, the upwardly adjusted entrance value), plus the accumulated RISK amount for the holding period, adjusted for any dividends in the years of purchase and sale. Shareholders who can use an upwardly adjusted entrance value as of 1 January 1992, should use NOK 27.50 per Class A share and NOK 30.04 per Class B share. As for the cost price for former Hafslund Nycomed ASA shares, 20 percent is to be allocated to Hafslund ASA. The following table shows the per-share RISK amount development since 1993.

Calendar year	RISK as of 1 Jan.	Accumulated RISK	Per-share dividend payment (in NOK)
1993	(0.31)	(0.31)	0.88
1994	3.75	3.44	0.88
1995	1.30	4.74	1.00
1996	1.15	5.89	1.00
1997	0.42	6.31	1.00
1998	(0.13)	6.18	2.10
1999	(0.72)	5.46	1.10
2000	0.92	6.38	1.20
2001	3.45	9.83	1.20
2002	(0.42)	9.41	1.20
2003	3.37	12.78	0.00
2004	0.71	13.49	1.00
2005	(1.25)	12.24	1.25
2006	(2.25)*	9.99	2.25

* The RISK amount as of 1 January 2006 is an estimate; the actual RISK amount may vary from this figure. RISK adjustment of shares has been discontinued as of the 2006 accounting year.

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Risk management at Hafslund

Risk and risk management are important to value creation as well as decision-making and strategic choices at Hafslund.

Hafslund has established a risk management policy that, together with market risk limits governing power trade, interest, and foreign exchange, comprises the framework and goals of the Group's risk management. The Group's risk management policy and risk framework are adopted by the Board of Directors and updated annually. Awareness and management of financial and operational risk factors contribute to continued value creation and to the maintenance of a solid financial foundation at Hafslund.

Pursuant to Hafslund's business strategy relating to risk, active risk taking is limited to power trading activities of the Group's power trading unit. The Board has adopted risk guidelines for these activities. Risk inherent in the power market, as well as interest and foreign currency risk exposure, are managed within guidelines adopted by the Board. Tolerance limits for risk factors other than the aforementioned are set forth in the company's risk policy.

Market risk and compliance with guidelines on risk limits are continuously monitored and reported on to Group management. Twice-yearly reports are provided to the Board of Directors on the status of other risk factors, overall risk issues, and areas of focus for the Group's risk management.

› Monitoring of risk in the Group

Responsibility for risk management at Hafslund is divided among the following bodies: i) the Board and Group management; ii) operational management, and; iii) Hafslund's Risk Manager. Hafslund's Board and Group management establish rules for risk identification and follow-up. To discover and control risk as close to the source as possible, operational management is generally responsible for risk in its own area of activities. This responsibility includes responsibility for profit performance, responsibility for identifying and monitoring risk, and adherence to established frameworks.

To ensure quality, consistency, and adequate independence in risk management, Hafslund has established a Risk Manager function that reports directly to the Group's President and CEO. The risk manager is responsible for overall risk reporting to the company's management and Board, and for overall monitoring of the Group's Risk Management. Further, the Risk Manager supports and educates business areas, fostering increased understanding of risk in the Group and the establishment of a common terminology.

› Risk factors and risk management

Hafslund is exposed to both financial and operational risk in its business activities. Financial risk factors include changes in power prices, foreign currency exchange rates, or interest rates, which would affect the value of the Group's assets, liabilities or projected cash flows. Operational risk factors would include, for example, the malfunctioning of production facilities, which would affect production volumes, lightning strikes leading to power outages, or valuables-transport robberies.

Financial risk factors

Several financial risk factors, such as power price risk and foreign currency risk, are common across business area borders. Consequently, the Group has decided to centralize the monitoring of such risk by delegating responsibility for risk limits and monitoring of them to the Risk Manager. This is done to achieve the most efficient risk management possible and to optimize use of Group resources.

Risk related to power trade

Hafslund is exposed to power market risk through its ownership of production and grid activities, and via the Group's power sales activities. In addition, the Group's power trading activities hedge positions in the market. With large parts of activities focused on production, distribution, and sale of electric power, the Group's financial performance is affected by power price fluctuations. Risk exposure for power markets includes both price- and volume-related issues; factors such as future power prices, water influx for hydropower generation, and Hafslund customers' power consumption all carry uncertainty.

Risk associated with power trade is managed separately for the areas of power production, end-user power sales, and trading. Risk management for Hafslund's power generation business features a three-year horizon; the goal of risk management here is to reduce the effect of power market price volatility on the company's earnings. Risk management also supports the company's value creation. As to end-user power sales, risk management focuses on minimizing profit margin uncertainty.

Adopted market risk limits govern the Group's power trading activities. Daily Value at Risk (dVaR) frameworks are applied in ongoing management of power trading risk. The frameworks express the maximum one-day potential value loss of the current power portfolios due to market price fluctuations, at a 95 percent confidence level. Constraints apply to the risk limits power trading activities have at their disposal; at year-end 2005 these amounted to 20 percent of total dVaR frameworks for Hafslund's power trade. In 2005, the average percentage of utilization of these limits was approximately 36 percent.

Foreign exchange risk

Hafslund is exposed to foreign currency risk via ownership of assets and liabilities in foreign currencies, transactions in its various business areas, and power contract trade via Nord Pool, the Nordic Power Exchange. As of 1 January 2006, Nord Pool switched from NOK to euro as its trading and clearing currency. All trades with delivery dates after 1 January 2006 are denominated and settled in euro.

Hafslund seeks to minimize its foreign exchange risk. The main purpose of FOREX risk frameworks is to manage risk associated with short-term foreign currency positions. A significant proportion of the Group's foreign currency positions is soon to be associated with euro-denominated power contract trading via the Nord Pool Exchange. Thus, Hafslund is establishing comparable parameters for risk in the areas of power trading and foreign currency exposure. In 2006, Value at Risk limits will be applied to foreign currency.

Interest rate risk

Hafslund is exposed to interest rate risk not only from interest rate fluctuations on the company's interest-bearing loans, but also as a result of the application of interest-rate estimates, among other factors, that determine the Group's government-regulated income ceiling for grid distribution activities. Under the current regulatory regime, requirements for return on grid capital are based on the average interest rate on Norwegian government bonds over the past three years.

A new regulatory regime is being drafted; the new regime will go into effect as of 2007. The return requirements of the new grid regulatory regime have not yet been finalized, although the most recent indications from public authorities are that the annual average of effective interest rates for five-year government bonds will apply.

As for the Group's long-term debt, management of interest rate risk is tied to management of interest sensitivity, expressed as "modified duration." Modified duration measures how many percentage points the market value of the interest portfolio will change in the event of a one percentage point change in market interest. Modified duration goals are established annually in Board-approved risk mandates. Currently, Hafslund's goal is to maintain a modified duration spread between 1 and 3. At year-end 2005, the modified duration of the interest portfolio was approximately 1.4.

Liquidity risk

Liquidity risk arises from a lack of coincidence between cash flow from the business and financial commitments. At Hafslund, cash flow from power trading activities varies with market price fluctuations, among other factors. Thus, Hafslund has established long-term committed drawing facilities to secure adequate liquidity at all times, even in periods when it might be difficult to find financing in the market.

Operational risk

Operational risk comprises issues associated with quality and/or production shortcomings in the Group's day-to-day activities and unforeseen external effects. Every year, the Risk Manager and operational management conduct a Groupwide analysis of operational risk. Findings are measured against the Group's established limits governing operational risk. Guidelines for prioritization, classification, and implementation of risk-reducing measures are discussed and approved by the Board.

Individual line leaders are responsible for identifying risk factors in their areas of responsibility. Line leaders report to the Risk Manager, who compiles an overall risk profile for the Group. Based on this risk profile, a list of risk-reducing measures, in order of priority, is produced. By involving individual business units in this process, Hafslund seeks to increase risk awareness and expertise, as well as reveal any needs for improvement in the Group.

Operational risk can be partly eliminated through insurance policies. Hafslund's operating risk exposure includes the risk of damage to its generation and transmission facilities due to natural causes, fire, and other risk factors. The Group is insured against such risks; various deductibles and stop-loss coverage apply. In addition, the Group has liability coverage for injury or damage to third parties' lives or property that is unintentionally caused by an employee. A crime insurance policy has been drawn to cover potential financial losses resulting from punishable criminal offences.

Operational risk management – an example from ICT

In 2004, Hafslund conducted its first overall risk analysis. Fifteen key units of the Group were analyzed. For the company's ICT area, the analysis uncovered risk associated with reduced up-time at Hafslund's ICT systems. The risk was deemed to be above the Group's acceptable risk tolerance level, and risk-reducing measures were implemented: more lines to external service suppliers were established and more servers for central systems were added. Further, the ICT department focused more on risk and ICT safety, resulting in the preparation of a new ICT security and safety policy. The risk analysis conducted in 2005 showed a significant decline in estimated risk costs associated with the company's ICT systems.

> Regulatory matters (policy risk)

Hafslund's business activities are exposed to considerable risk associated with government regulation. Risks arise from changes in regulatory policy or changes in regulations.

The Group's generation and grid-related activities are particularly vulnerable to changes in regulations. As to generation activities, risk relates to special tax regulations, public fees, and waterway regulation. For grid activities, a regulated income ceiling largely determines earnings. A new regulatory regime governing grid companies is scheduled to go into effect as of 2007. There uncertainty is associated with the effects of the new regime, as key issues remain unsettled. New hearings will be held as to parts of the regulations. The regime is expected to be adopted in its final form in the fall of 2006.

Business segments – key figures

Amounts in NOK million	Network 2005	Network 2004	Power Generation 2005	Power Generation 2004	Tokom 2005	Tokom 2004	Technical Services 2005	Technical Services 2004
Profit and loss account								
Operating revenues*	3,460	3,346	688	692	79	76	770	618
Purchased materials and energy	1,219	1,099	17	19	6	17	340	219
Salaries and other personnel expenses	112	122	25	26	24	24	281	262
Other operating revenues	609	663	135	130	25	16	51	86
Operating profit before depreciation	**1,520**	**1,462**	**511**	**518**	**24**	**19**	**98**	**51**
Operating profit	**1,001**	**914**	**467**	**476**	**13**	**12**	**86**	**36**
Additional key figures								
Operating investments	256	253	24	25	136	65	9	5
Tangible and intangible fixed assets	10,175	11,217	4,186	4,128	196	63	142	103
Financial fixed assets	84	279	69	42			10	59
Net operating capital	(46)	(131)	(407)	(224)	(38)	33	109	31
Deferred tax and other liabilities	593	476	1,754	1,692			119	59
Number of employees	183	205	21	20	23	55	637	599

	Retail Power Sales 2005	Retail Power Sales 2004	Private Security 2005	Private Security 2004	Corporate Power Sales 2005	Corporate Power Sales 2004	Corporate Security 2005	Corporate Security 2004
Profit and loss account								
Operating revenues*	2,026	1,949	254	221	850	859	225	194
Purchased materials and energy	1,759	1,670	3	1	775	770	36	40
Salaries and other personnel expenses	49	37	83	153	11	10	179	196
Other operating revenues	161	154	118	151	27	34	10	14
Operating profit before depreciation	57	88	50	(85)	37	45	(2)	(30)
Operating profit	49	85	33	(90)	37	45	(24)	(47)
Additional key figures								
Operating investments			118	4			34	40
Tangible and intangible fixed assets	1,119	1,183	208	97			98	90
Financial fixed assets	63	76						
Net operating capital	620	1,170	(35)	(69)			24	19
Deferred tax and other liabilities	91	69	0					
Number of employees	49	92	443	602	14		943	830

Amounts in NOK million	Venture, associated com., financial income 2005	Venture, associated com., financial income 2004	Other activities** 2005	Other activities** 2004
Profit and loss account				
Operating revenues*	664	180	408	402
Purchased materials and energy				
Salaries and other personnel expenses	3	4	313	250
Other operating revenues	4	4	379	294
Operating profit before depreciation	657	172	(285)	(143)
Operating profit	657	172	(315)	(183)
Additional key figures				
Operating investments			28	49
Tangible and intangible fixed assets			138	116
Financial fixed assets	2,311	1,166		
Net operating capital	11	(10)		
Number of employees	3	3	435	476

Comments:
* Operating revenues include financial asset value changes.
** Other Activities comprises central staff support divisions, invoicing and customer support services, and power trading.

Key figures – Hafslund Group

	Definition	Unit	2005	2004
Profit and loss account				
Operating revenues		NOK million	8,695	7,828
Operating profit before depreciation		NOK million	2,670	2,073
Operating profit		NOK million	2,004	1,419
Operating margin	1	in %	23	18
Pre-tax profit		NOK million	1,495	747
Profit for the year		NOK million	1,174	457
Cash flow				
Net cash flow from operations	2	NOK million	1,389	1,488
Rates of return				
Return on equity (ROE)	3	in %	18.4	6.7
Return on capital employed (ROCE)	4	in %	11.6	8.0
Capital matters as of 31 December				
Total assets		NOK million	20,770	20,561
Capital employed	5	NOK million	16,982	17,076
Equity		NOK million	6,416	6,198
Equity ratio	6	in %	30.9	30.1
Net interest-bearing debt	7	NOK million	9,528	10,537
Loan face value minus market value of loans		NOK million	(303)	(426)
Market value of interest-rate derivatives		NOK million	(63)	(162)
Proportion of debt with floating interest rate		in %	46	20
Loan duration (interest-rate sensitivity)		year	1.3	1.6
Share-related key figures				
Number of Class A shares		in thousands	115,465	115,465
Number of Class B shares		in thousands	79,759	79,759
Own (treasury) Class B shares		in thousands	262	562
Share price, Class A shares, as of 31 December		NOK	73.00	39.20
Share price, Class B shares, as of 31 December		NOK	73.50	38.30
Market capitalization		NOK million	14,290	7,560
Earnings per share (EPS)	8	NOK	6.02	2.25
Cash flow per share	9	NOK	7.11	7.62
Per-share dividend		NOK	2.25	1.25
Dividend payout	10	in %	37.4	55.6
Other				
Number of employees as of 31 December			2,751	2,882

Key figures – Hafslund Group

	Definition		2005	2004
Hafslund Nett (Network)				
NVE capital (regulatory) as of 31 December		NOK million	5,672	6,327
Income ceiling		NOK million	2,319	2,355
Cash flow in % of income ceiling	11	in %	59	54
Number of customers as of 31 December		in thousands	520	542
Hafslund Kraftproduksjon (Power Generation)				
Production volume		GWh	3,067	2,895
Generation (in % of normal)	12	in %	108	100
Sales price		øre/kWh	23.3	23.6
Hafslund Strømsalg (Power Sales)				
Volume sold — residential		GWh	7,866	7,551
Number of customers — residential		in thousands	574	559
Volume sold — corporate customers		GWh	3,259	3,434
No. of corporate customers as of 31 December		in thousands	49	54
Hafslund Sikkerhet Privat (Private Security)				
No. of residential alarm customers as of 31 December			79,400	69,100

Definitions

1. Operating margin = Operating profit/Operating revenues
2. Net cash flow from operations = as defined in the Group cash flow statement on page 48
3. Return on equity = Profit for the year/Average equity, incl. minority interests
4. Return on capital employed = Operating profit/Average capital employed
5. Capital employed = Equity + Gross interest-bearing debt (face value)
6. Equity ratio = Equity/Total assets
7. Net interest-bearing debt = IB debt minus (IB receivables + Cash and cash equivalents)
8. Earnings per share = Majority's share of profit for the year/Average no. of shares
9. Cash flow per share = Net cash flow from operations/Average no. of shares
10. Dividend payout = Dividend per share/Profit per share
11. Cash flow as a % of income ceiling = (Operating profit before dep. – Operating investments)/Income ceiling
12. The year's power generation as a percentage of the average produced volumes in the ten most recent years

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Hafslund Sikkerhet AS
Hafslund Strøm AS
Hafslund Nett AS
Hafslund Venture AS

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