



Hafslund

Third-quarter 2004

Report to shareholders

Hafslund ASA

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We make everyday life safer and better

Hafslund — key events in the third quarter of 2004

- Pre-tax profit 10 percent higher than year-earlier figure.
- Net interest-bearing debt cut by NOK 634 million.
- Network — satisfactory profit despite high level of maintenance activities and lower regulated income ceiling, compared with the third quarter of 2003.
- Power Generation — power sold at higher prices on somewhat higher volumes.
- Power Sales — profit margins and development in controllable operating costs are satisfactory.
- Security — Hafslund is Norway's largest residential alarm company; EBITDA NOK 8 million higher than last year.
- Additional staffing cutbacks to be implemented in the fourth quarter.

Key figures — Hafslund Group

| Third quarter | | | 1 Jan. - 30 Sept. | | Year |
|---|---------------|--|-------------------|--------|--------|
| 2003 | 2004 | Profit and loss account (in NOK million) | 2004 | 2003 | 2003 |
| 1.633 | 1.701 | Operating revenues | 5.961 | 6.988 | 9.300 |
| 473 | 440 | EBITDA | 1.479 | 1.542 | 1.810 |
| 241 | 199 | Operating profit | 764 | 863 | 850 |
| 86 | 95 | Profit before tax | 397 | 329 | 259 |
| 36 | 41 | Profit after tax | 150 | 227 | 202 |
| Balance sheet (in NOK million) | | | | | |
| 19.933 | 18.762 | Total assets | 18.762 | 19.933 | 20.609 |
| 6.030 | 6.016 | Equity | 6.016 | 6.030 | 5.856 |
| 30 % | 32 % | Equity ratio (in %) | 32 % | 30 % | 28 % |
| 11.235 | 10.029 | Net interest-bearing debt | 10.029 | 11.235 | 11.326 |
| Per-share figures (in NOK per share) | | | | | |
| 0,18 | 0,19 | Profit (EPS) | 0,71 | 1,09 | 0,96 |
| 1,24 | 1,45 | Cash flow | 4,43 | 4,64 | 5,95 |
| Electric power production and sales | | | | | |
| 782 | 788 | Power generation in Norway (in GWh) | 2.143 | 2.045 | 2.655 |
| 1.745 | 1.781 | Power sales (in GWh) | 7.653 | 8.168 | 11.420 |

THIRD-QUARTER 2004 REPORT

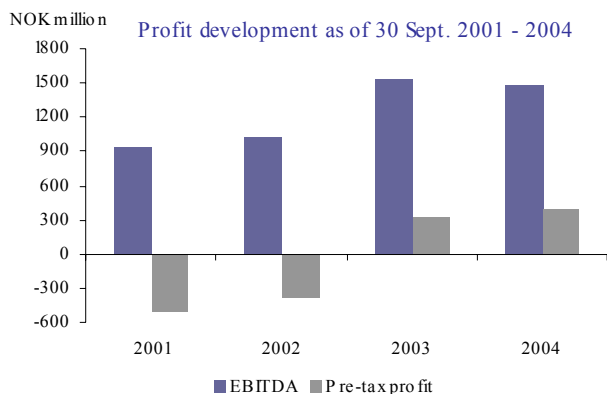
Figures are in NOK, unless otherwise stated. Comparative figures for the third quarter of 2003 are stated in parentheses.

The Hafslund Group's operating profit before depreciation (EBITDA) was NOK 440 million for the third quarter of 2004 (NOK 473 million). The overall profit decline must be considered in light of the magnitude of the profit decline reported by the Network profit center, due to changes in its allocated income framework conditions. Third-quarter profit growth is reported by Hafslund's Power Generation, Security, Contracting, and Other Activities profit centers, compared with the third quarter of 2003.

Hafslund's Network profit center had an EBITDA of NOK 327 million in the third quarter of 2004 (NOK 401 million). The decline is attributable to factors such as the effect on the allocated income ceiling of changes in interest rates, efficiency requirements, consumer price index, and grid loss compensation. Line clearing and maintenance work were greater in the third quarter of 2004 than in the corresponding quarter in 2003.

Power Generation had an EBITDA of NOK 134 million in the third quarter of 2004 (NOK 122 million), up 10 percent compared with the third quarter of 2003. The higher profit is attributable to a combination of 13 percent higher sales prices and 5 percent greater production volume. Generation in the fourth quarter of 2004 is projected to be somewhat above normal.

Hafslund's Contracting business had an EBITDA of NOK 21 million for the third quarter of 2004 (NOK 2 million); up NOK 19 million, compared with the third quarter of 2003. Activity in traditional Contracting markets recovered significantly in the third quarter, compared with the first six months of the year, despite continuing fierce competition and pressure on prices.



Power Sales had an EBITDA of NOK 4 million for the third quarter of 2004 (NOK 17 million). While the underlying trend is satisfactory, the profit decline is attributable to positive, non-recurring items in the third quarter of 2003. Margins were somewhat higher than, and total sales volumes were on a par with the third quarter of 2003. Milder weather in the third quarter of 2004 led to an 8-percent reduction in the volume of retail-market sales. Greater operational efficiency resulted in a 10-percent cut in operating costs.

Hafslund's Security businesses had an EBITDA of NOK 2 million for the third quarter of 2004 (NOK -6 million); up NOK 8 million compared with the third quarter of 2003. Organic growth at Hafslund Sikkerhet Privat continues, but net customer growth is slower than in the third quarter of 2003. Hafslund had 67,700 residential alarm customers as of 30 September 2004, an increase of 4% in the third quarter of 2004.

Hafslund Sikkerhet Bedrift's (corporate market security services) profit was somewhat weaker than expected, partly due to costs related to relocating resources from Gran and Bergen to the new operations center in Oslo.

Profit from share investments and associated companies amounted to NOK -4 million (NOK 53 million). The third-quarter 2004 figure includes a NOK 4 million loss by Viken Fjernvarme. The profit decline, compared with the third quarter of 2003, is partly attributable to a share investment portfolio that has decreased due to sales, and to significant venture-portfolio value growth in the third quarter of 2003.

The Hafslund Group's third-quarter profit before financial items was NOK 195 million (NOK 294 million). Net financial items in the third quarter of 2004 amounted to NOK 100 million (NOK 208 million); a NOK 108 million improvement, compared with the third quarter of 2003. Lower Group net interest-bearing debt, realization of a NOK 50 million gain on interest derivatives, and lower interest expenses generated the improvement.

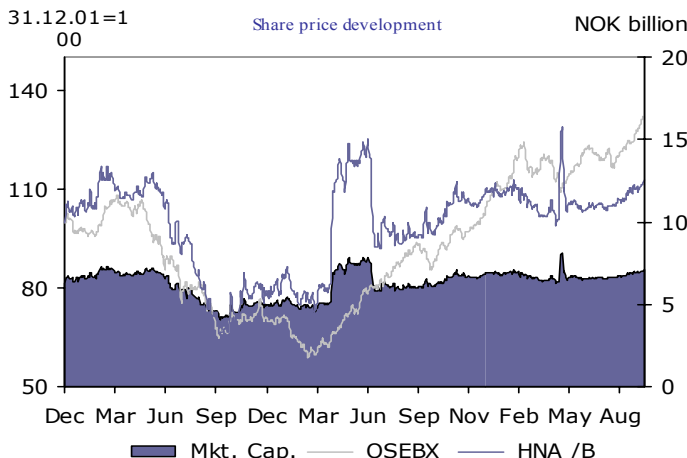
The Group's pre-tax profit was NOK 95 million (NOK 86 million), up NOK 9 million compared with the third quarter of 2003. The effective tax rate for the Group for the third quarter of 2004 was 57 percent; the high rate of taxation is the result of Norway's ground rent tax on the Group's hydropower facilities. The Group's profit after tax was NOK 41 million (NOK 36 million). Earnings per share (EPS) for the third quarter of 2004 amounted to NOK 0.19 (NOK 0.18); the same figures apply for diluted EPS.

Cash flow, investments, and capital matters

The Hafslund Group had a third-quarter 2004 distributable cash flow from operations of NOK 598 million (NOK 675 million). Cash flow from operations was greater than in the third quarter of 2003; however, that increase was offset by a higher level of investment.

The Group freed up an additional NOK 111 million in capital through share sales/settlement in the third quarter of 2004.

Cash flow for servicing debt and for paying dividends amounted to NOK 635 million (NOK 402 million). The stronger cash flow has been applied to debt reduction: so far this year, net interest-bearing debt has been reduced by NOK 1.3 billion, of which NOK 0.7 billion was eliminated in the third quarter. As of 30 September 2004, the Group's net interest-bearing debt amounted to NOK 10.0 billion (NOK 11.3 billion), the average interest rate on the Group's debt was 6.0 percent (6.0 percent), total assets amounted to NOK 18.8 billion, the equity ratio was 32.1 percent.



* The indexes are not adjusted for dividends

BUSINESS ACTIVITIES AND OPERATIONS

Network

| NOK million | Third quarter | | 1 Jan. - 30 Sept. | |
|--------------------|---------------|------|-------------------|-------|
| | 2004 | 2003 | 2004 | 2003 |
| Operating revenues | 764 | 805 | 2.508 | 2.692 |
| EBITDA | 327 | 401 | 1.112 | 1.212 |
| Operating profit | 155 | 225 | 595 | 697 |
| Investments | 50 | 36 | 145 | 139 |

Hafslund's Network business had a third-quarter 2004 EBITDA of NOK 327 million (NOK 401 million). Operating profit for the third quarter of 2004 was NOK 155 million (NOK 225 million). Total third-quarter investments amounted to NOK 50 million (NOK 36 million).

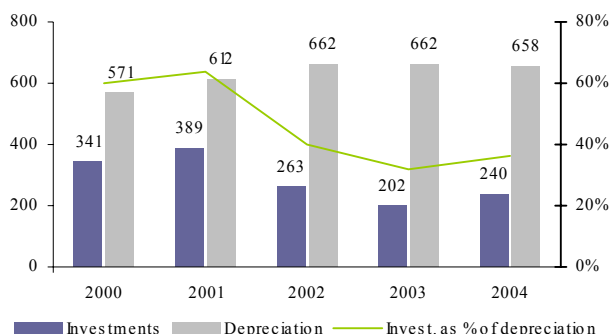
The lower third-quarter 2004 profit is attributable to NOK 65 million revenue decline at Network's regulated activities, due to changes in framework conditions used in determining the revenue ceiling. Such factors include interest rates, efficiency requirements, the consumer price index, and grid loss compensation. Another factor was the method of accruing future quarters of settlement-in-arrears of foreign grid loss costs for all of 2004.

Operational and maintenance costs for the third quarter of 2004 rose by NOK 9 million, compared with the same reporting period in 2003. Nevertheless, better activity coordination and exposure of acquisitions to market competition yielded cost savings of just over NOK 20 million in the third quarter of 2004, compared with the same reporting period in 2003. To ensure high grid supply reliability, extensive line clearing work has been conducted throughout 2004. By 1 May 2005, the entire low-voltage distribution network will be cleared of potential hazards; 53 percent of the grid's length had been cleared by 30 September 2004. Compared with the third quarter of 2003, O & M activities were significantly higher; the number of scheduled and completed maintenance tasks was also higher.

Investments in the third quarter of 2004 amounted to NOK 50 million (NOK 36 million); investments during the first three quarters of the year were NOK 145 million (NOK 139 million). The higher level of investments in the third quarter of 2004 and so far this year stems mainly from planned transfers, and also reflects a somewhat higher overall investment level.

The investment level continues to decrease as a result of mergers being completed, and the resulting coordination of investment activities in a larger grid area. Investment as a percentage of depreciation has been cut from 60 percent in 2000, to 36 percent in 2004 (the 2004 figures are based on projections for the year).

NOK million Investments as a percentage of depreciation*



* Figures do not include Mjøskraft

Profit from associated companies in the third quarter of 2004 amounted to NOK -3 million (NOK -7 million); the figure is largely attributable to investments in Viken Fjernvarme, which is 33 percent owned by Hafslund.

Power Generation

| NOK million | Third quarter | | 1 Jan. - 30 Sept. | |
|-------------------------|---------------|------|-------------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| Operating profit | 184 | 175 | 513 | 496 |
| EBITDA | 134 | 122 | 387 | 362 |
| Operating profit | 125 | 110 | 358 | 327 |
| Sales price (øre/kWh) * | 22.6 | 20.0 | 23.5 | 21.7 |

* 100 øre = NOK 1

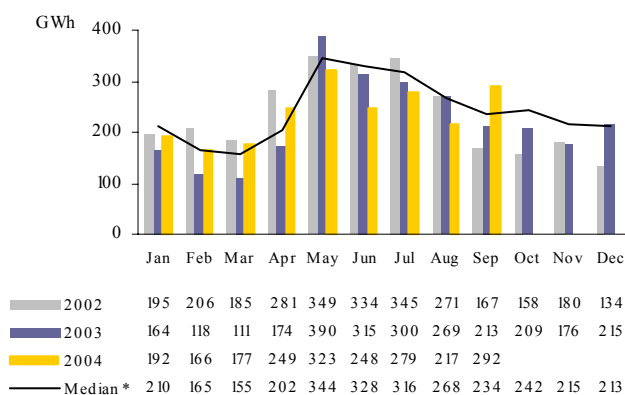
Power Generation had an EBITDA of NOK 134 million in the third quarter of 2004 (NOK 122 million). Operating profit was NOK 125 million (NOK 110 million).

The volume-weighted sales price for the third quarter of 2004 was NOK 0.226 per kWh; this corresponds to 89 percent of the spot market price for the reporting period. The corresponding 3Q 2003 figure was NOK 0.200 per kWh, which was 79 percent of the spot price. The volume-weighted spot price for the third quarter of 2004 was NOK 0.254 per kWh (NOK 0.253 per kWh).

Power production in the third quarter of 2004 was 788 GWh, which is 4 percent below average production for the period and 5 GWh above the third quarter of 2003. A great deal of precipitation in September resulted in hydropower reservoir levels that were 5 percent above normal. Provided precipitation for the rest of the year is normal, power generation for the year is projected to be 2,830 GWh, which is 175 GWh above 2003 production and 2 percent below average annual production.

Winding down of Hafslund's power generation activities in the United States is in its final phase. A sales agreement for the remaining US production facilities has been entered into; it is expected to be finalized in 2004.

Power generation vs. 10-year average



* Average of production over the past 10 years

Contracting

| NOK million | Third quarter | | 1 Jan. - 30 Sept. | |
|----------------------|---------------|---------|-------------------|------|
| | 2004 | 3Q 2003 | 2004 | 2003 |
| Operating revenues | 183 | 149 | 517 | 484 |
| EBITDA | 21 | 2 | 24 | 34 |
| Operating profit | 15 | (1) | 7 | 22 |
| Net operating margin | 8% | -1% | 1% | 5% |

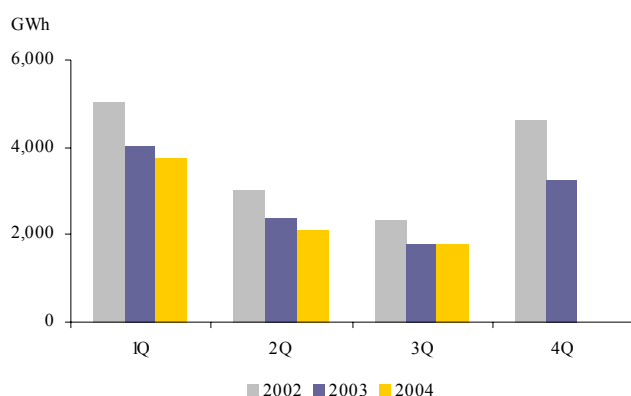
EBITDA for Hafslund Contracting was NOK 21 million for the third quarter of 2004 (NOK 2 million). Operating profit for the quarter was NOK 15 million (NOK -1 million). Third-quarter 2004 profit development was good at Hafslund Contracting's Installasjon, ToKom (two-way communications), and Elsikkerhet companies. Traditional power-industry construction, the core markets of Hafslund Entreprenør AS, can be characterized as poorly structured, with pricing pressure. Efforts to enhance market adaptation continue, and organizational and staffing modifications have been initiated to improve competitiveness.

Power Sales

| NOK million | Third quarter | | 1 Jan. - 30 Sept. | |
|----------------------|---------------|-------|-------------------|-------|
| | 2004 | 2003 | 2004 | 2003 |
| Operating revenues | 518 | 508 | 2,260 | 3,383 |
| EBITDA | 4 | 17 | 75 | 43 |
| Operating profit | (14) | (2) | 20 | (15) |
| Power sales (in GWh) | 1,781 | 1,745 | 7,653 | 8,339 |

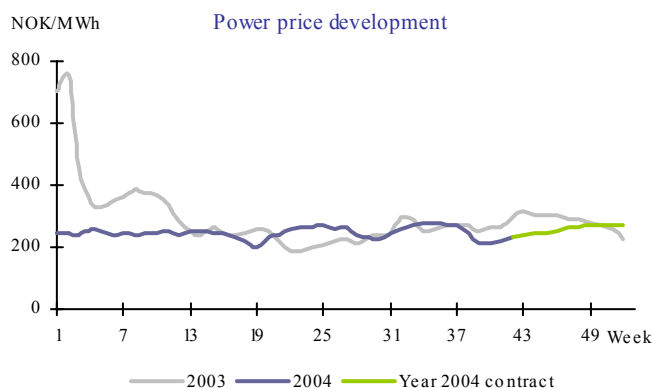
EBITDA for Power Sales in the third quarter of 2004 was NOK 4 million (NOK 17 million). Operating profit was NOK -14 million (NOK -2 million). Underlying operations continue to develop positively, and profit margins were somewhat better than in the third quarter of 2003. The profit decline is largely attributable to positive, non-recurring items recorded in the third quarter of 2003. Second and third quarter profit figures are usually weak, as less power is sold during the summer.

Power Sales — Volume in GWh



The total volume of power sales in the third quarter of 2004 was 1,781 GWh, on a par with the third quarter of 2003. Retail market sales were 1,342 GWh (1,452 GWh); down just under 8 percent. Milder weather and lower consumption mainly account for the decline in retail volumes, compared with the third quarter of 2003.

Focus on efficiency-enhancing measures and cost cutting have resulted in an almost 10-percent decline in operating costs, compared with the third quarter of 2003.



* Source: Nord Pool, 30 September 2004

Profit from associated companies in the third quarter of 2004 amounted to NOK 0.1 million (NOK 1.0 million), largely resulting from Hafslund's 50 percent ownership of Göta Energi Holding in Sweden.

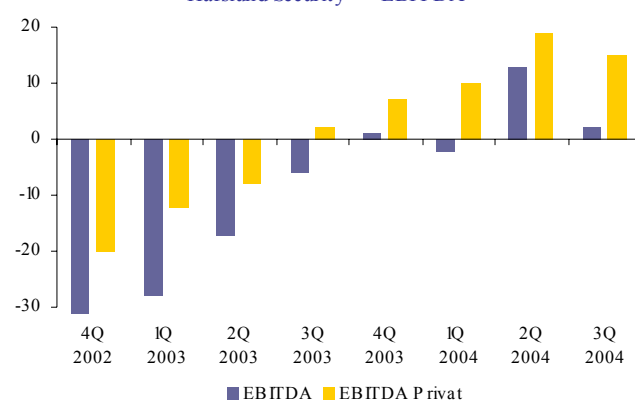
Security

| NOK million | Third quarter | | 1 Jan. - 30 Sept. | |
|--------------------|---------------|------|-------------------|--------|
| | 2004 | 2003 | 2004 | 2003 |
| Operating revenues | 126 | 91 | 358 | 226 |
| EBITDA | 2 | (6) | 13 | (52) |
| Operating profit | (30) | (25) | (71) | (101) |
| Customers | | | 67,699 | 48,755 |

Hafslund Security's EBITDA was NOK 2 million in the third quarter of 2004 (NOK -6 million). Operating profit was NOK -30 million (NOK -25 million). Total investments amounted to NOK 44 million in the third quarter of 2004 (NOK 38 million), including acquisition costs related to new residential alarm customers.

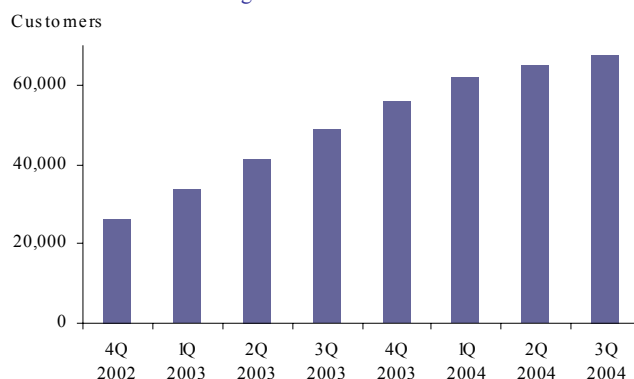
The residential security business, Hafslund Sikkerhet Privat, continued its profit growth; third-quarter 2004 EBITDA was NOK 15 million (NOK 2 million).

Hafslund Security — EBITDA



The number of residential alarm customers increased by 4 percent, or 2,600, in the third quarter of 2004 (7,500). Net residential sales in July and August of 2004 were below the corresponding 2003 levels; September 2004 net sales were as planned. Hafslund Sikkerhet Privat had 67,700 residential alarm customers as of 30 September 2004.

Customer growth — Hafslund Sikkerhet Privat



Profit for Hafslund Sikkerhet Bedrift (corporate market) was affected by costs associated with relocating resources from Gran and Bergen to a new operations center in Oslo. Measures to further enhance efficiency were implemented in the third quarter of 2004.

Power Trading

| NOK million | Third quarter | | 1 Jan. - 30 Sept. | |
|--------------------|---------------|------|-------------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| Operating revenues | (2) | (12) | (2) | 32 |
| EBITDA | (5) | (15) | (12) | 22 |
| Operating profit | (6) | (16) | (13) | 20 |

EBITDA for the third quarter was NOK -5 million, up NOK 10 million compared with the third quarter of 2003. Throughout the year, the Power Trading unit has provided hedging services to Hafslund's Power Sales and Power Generation business sectors, as well as risk management assistance to the Group.

Other Activities

| NOK million | Third quarter | | 1 Jan. - 30 Sept. | |
|------------------|---------------|------|-------------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| EBITDA | (33) | (43) | (112) | (51) |
| Operating profit | (38) | (46) | (124) | (61) |
| Profit shares. | (1) | 59 | 64 | 113 |

EBITDA for Other Activities was NOK -33 million; a NOK 10 million improvement, compared with the third quarter of 2003. Because of organizational changes implemented in late 2003, comparison with 2003 figures does not provide an accurate picture of developments in the underlying operations at Hafslund's Group support units.

A review of Other Activities has been initiated, with the aim of lowering the cost base. Recommendations are to be implemented beginning 1 January 2005.

Profit from share investments amounted to NOK -1 million in the third quarter of 2004 (NOK 59 million). Lower profits from share investments must be expected as a consequence of recent realization of non-core assets. Further, the solid third-quarter 2003 profit was attributable to venture-portfolio profit growth.

KEY EVENTS

Additional capital freed up

In October, a NOK 62 million agreement was entered into for the sale of a distribution-grid operations building to Statnett. The sale will generate a gain on the order of NOK 27 million, to be recorded in the fourth-quarter 2004 profit and loss account.

Integration of Hafslund Power Sales and Security

Hafslund's Power Sales (Strøm) and Security (Sikkerhet) businesses were gathered under joint operational management as of 1 September 2004. The business area is organized according to three customer categories: Private-market customers, corporate customers, and security customers that require tailored solutions. Hafslund Privat will market standardized power and security products and services to households. Hafslund Bedrift will have a parallel, corporate-market role. Hafslund Sikkerhet will deliver tailored security solutions to larger-sized corporate customers. The reorganization has been implemented to capture synergies in unified targeting and servicing of power and security customers.

Further manpower modifications

One hundred employee man-years have been identified as excessive. Most are jobs in traditional Hafslund Contracting businesses; some 20 employees will be let go during the fourth quarter of 2004. The remaining 80 employees will be transferred to Hafslund's Job and Service center; 50 of them will leave the Group by year-end 2005.

SHAREHOLDER MATTERS

The total number of Hafslund ASA shares is 195,223,448, of which 115,464,943 are Class A shares and 79,758,505 are Class B shares. As of 30 September 2004, the company had 8,352 shareholders; the ten largest shareholders owned a total of 93.2 percent of the company's shares. Hafslund holds 561,685 of its own Class B shares.

Hafslund's market capitalization as of 30 September 2004 was NOK 7.1 billion, which corresponds to 8 percent growth in market capitalization in the quarter. A total of 0.9 million Hafslund shares were traded in the third quarter of 2004.

Shareholders (as of 30 Sept. 2004)

| (in thousands of shares) | A shares | B shares | Total | Holding |
|--------------------------------|----------|----------|---------|---------|
| Oslo Kommune | 40.498 | 27.974 | 68.472 | 35,1 % |
| Fortum Forvaltning AS | 37.853 | 28.706 | 66.559 | 34,1 % |
| Oslo Kommune Holding AS | 27.027 | 9.369 | 36.396 | 18,6 % |
| Østfold Energi AS | 5.201 | 4 | 5.205 | 2,7 % |
| MP Pensjon | | 1.564 | 1.564 | 0,8 % |
| Odin Norge | 37 | 933 | 970 | 0,5 % |
| Odin Norden | 152 | 651 | 803 | 0,4 % |
| Fortius A/S | 535 | 150 | 685 | 0,4 % |
| JP Morgan Chase Bank | | 680 | 680 | 0,3 % |
| Vital Forsikring ASA | 37 | 532 | 569 | 0,3 % |
| Total, 10 largest shareholders | 111.340 | 70.563 | 181.903 | 93,2 % |
| Other shareholders | 4.125 | 9.195 | 13.320 | 6,8 % |
| Total | 115.465 | 79.758 | 195.223 | 100 % |

PERSONNEL

At the close of the third quarter of 2004, the Hafslund Group had a total of 2,805 employees, an increase of 257 employees thus far in 2004. The increase is largely attributable to significant organic growth at Hafslund Sikkerhet.

| Personnel (no. of employees) | 30.09.04 | 31.12.03 |
|------------------------------|----------|----------|
| Network | 207 | 284 |
| Power Generation | 20 | 20 |
| Contracting | 680 | 652 |
| Power Sales | 260 | 259 |
| Security | 1.402 | 1.102 |
| Other | 236 | 231 |
| Total | 2.805 | 2.548 |

OUTLOOK

Profit growth in operations is expected to continue in the fourth quarter, compared with the corresponding quarter of 2003. Network, Power Sales, and Group support functions are the main profit centers for which profit growth is forecast. Profit growth at Hafslund Security is expected to continue for the residential alarm business; however, organic growth and pressure on margins for valuables transportation and technical operations create uncertainty as to whether EBITDA for the fourth quarter will reach the break-even point. Provided high market prices for electric power continue, and given normal precipitation in the last quarter of the year, Power Generation is expected to continue to yield solid profits in the fourth quarter of 2004.

Oslo, 26 October 2004
Board of Directors
HAFSLUND ASA

Profit and loss account

HAFSLUND GROUP

| Third quarter | | Amounts in NOK million | 1 Jan. - 30 Sept. | | Year |
|---------------|----------------|--|-------------------|---------|---------|
| 2003 | 2004 | | 2004 | 2003 | 2003 |
| 1.633 | 1.701 | Operating revenues | 5.961 | 6.988 | 9.300 |
| (187) | (254) | Personnel expenses | (758) | (668) | (979) |
| (968) | (1.004) | Other operating expenses | (3.716) | (4.753) | (6.430) |
| (4) | (2) | Restructuring costs | (9) | (25) | (81) |
| 473 | 440 | Operating profit before depreciation (EBITDA) | 1.479 | 1.542 | 1.810 |
| (232) | (242) | Depreciation | (715) | (679) | (959) |
| 241 | 199 | Operating profit | 764 | 863 | 850 |
| 53 | (4) | Profit from share investments and associated companies | 82 | 120 | 216 |
| 294 | 195 | Profit before financial items | 846 | 983 | 1.066 |
| (208) | (100) | Net financial items | (449) | (654) | (807) |
| 86 | 95 | Profit before tax | 397 | 329 | 259 |
| (50) | (54) | Tax | (248) | (103) | (57) |
| 36 | 41 | Profit after tax | 150 | 227 | 202 |
| 35 | 37 | Majority's share of profit | 138 | 213 | 188 |
| 1 | 4 | Minority's share of profit | 12 | 14 | 15 |
| 0,18 | 0,19 | Earnings per share (in NOK) | 0,71 | 1,09 | 0,96 |

P&L — BUSINESS SEGMENT

| Third quarter | | | 1 Jan. - 30 Sept. | | Year |
|---------------|--------------|---------------------------------|-------------------|-------|-------|
| 2003 | 2004 | | 2004 | 2003 | 2003 |
| 805 | 764 | Network | 2.508 | 2.692 | 3.543 |
| 175 | 184 | Power Generation | 513 | 496 | 673 |
| 508 | 518 | Power Sales | 2.260 | 3.383 | 4.469 |
| 91 | 126 | Security | 358 | 226 | 338 |
| 149 | 183 | Contracting | 517 | 484 | 714 |
| (12) | (2) | Power Trading | (2) | 32 | (1) |
| (84) | (72) | Other / eliminations | (194) | (326) | (436) |
| 1.633 | 1.701 | Total operating revenues | 5.961 | 6.988 | 9.300 |
| 225 | 155 | Network | 595 | 697 | 792 |
| 110 | 125 | Power Generation | 358 | 327 | 401 |
| (2) | (14) | Power Sales | 20 | (15) | (21) |
| (25) | (30) | Security | (71) | (101) | (122) |
| (1) | 15 | Contracting | 7 | 22 | 28 |
| (16) | (6) | Power Trading | (13) | 20 | (18) |
| (22) | (38) | Other Activities | (124) | (60) | (211) |
| (28) | (8) | Other | (8) | (28) | (0) |
| 241 | 199 | Total operating profit | 764 | 863 | 850 |

Balance sheet

| Amounts in NOK million | 30.09.04 | 30.09.03 | 31.12.2003 |
|-------------------------------------|---------------|---------------|---------------|
| Intangible assets | 3.282 | 3.117 | 3.221 |
| Fixed assets | 11.499 | 12.140 | 11.975 |
| Financial assets | 1.319 | 1.776 | 1.587 |
| Accounts receivable and inventory | 1.953 | 1.968 | 3.043 |
| Investments | 469 | 488 | 455 |
| Cash and cash equivalents | 240 | 444 | 328 |
| Total assets | 18.762 | 19.933 | 20.609 |
| Paid-in capital | 4.276 | 4.346 | 4.275 |
| Retained earnings | 1.740 | 1.684 | 1.582 |
| Allocations for provisions | 299 | 275 | 462 |
| Other long-term debt | 8.410 | 11.678 | 11.282 |
| Short-term liabilities | 4.037 | 1.950 | 3.008 |
| Total equity and liabilities | 18.762 | 19.933 | 20.609 |

Cash flow analysis

| Amounts in NOK million | Third quarter | | 1 Jan. - 30 Sept. | | Year |
|---|---------------|------------|-------------------|--------------|--------------|
| | 2004 | 2003 | 2004 | 2003 | 2003 |
| EBITDA (operating profit before depreciation) | 440 | 473 | 1.479 | 1.542 | 1.810 |
| Change in net working capital | 316 | 241 | 562 | 345 | (87) |
| Cash flow from operating activities | 756 | 714 | 2.041 | 1.887 | 1.723 |
| Operating investments | (113) | (40) | (79) | (186) | (160) |
| Acquired companies and expansion activities | (45) | 1 | (143) | (42) | (152) |
| Distributable cash flow from operating activities | 598 | 675 | 1.819 | 1.659 | 1.411 |
| Cash flow from share investments before net purchases/sales | 3 | 6 | 46 | 74 | 138 |
| Net share purchases/sales | 111 | 33 | 168 | 97 | 406 |
| Cash flow after share investments | 713 | 714 | 2.033 | 1.830 | 1.955 |
| Change in net interest-bearing debt (excl. bank) | (603) | (164) | (1.390) | (603) | (792) |
| Payment of financial items and taxes | (78) | (312) | (547) | (912) | (962) |
| Dividends — capital transactions | 0 | 0 | (184) | (21) | (21) |
| Cash flow after financial activities | 32 | 238 | (88) | 295 | 180 |
| Cash and cash equivalents at beginning of period | 208 | 206 | 328 | 149 | 149 |
| Cash and cash equivalents at close of period | 240 | 444 | 240 | 444 | 329 |

Equity matters

| Amounts in NOK million | 1 Jan. - 30 Sept. | | Year |
|---|-------------------|--------------|--------------|
| | 2004 | 2003 | 2003 |
| Equity at beginning of period | 5.856 | 5.570 | 5.571 |
| Profit for the period, majority's share | 138 | 213 | 188 |
| Profit for the period, minority's share | 12 | 13 | 15 |
| Changes in minority interests | (4) | 181 | 318 |
| Adjustments booked to equity | 1 | 1 | (4) |
| Change in Class B shares held (treasury shares) | 13 | 63 | 77 |
| Dividend | | 0 | (201) |
| Other changes affecting equity | | (11) | (108) |
| Equity at close of reporting period | 6.016 | 6.030 | 5.856 |

Profit and loss account

Amounts in NOK million

| | | 3Q 2004 | 3Q 2003 | Change |
|---|---|---------|---------|--------|
| Operating revenues | ▲ | 1.701 | 1.633 | 4 % |
| Comments: | | | | |
| Continued organic growth at Hafslund Sikkerhet and higher activity levels for the Group's contracting business contributed to raising aggregate revenues. A lower revenue ceiling, due to interest rate reductions and regulatory authorities' efficiency requirements, lowered revenues for Network activities somewhat. | | | | |
| Personnel expenses | ▲ | (254) | (187) | 36 % |
| Comments: | | | | |
| The increase in personnel expenses is attributable to organic growth at Hafslund Sikkerhet, salary increases, and more maintenance activities than investment activities by Group employees in the third quarter of 2004, compared with the third quarter of 2003. | | | | |
| Other operating expenses | ▲ | (1.004) | (968) | 4 % |
| Comments: | | | | |
| The increase in Other operating expenses is largely attributable to somewhat higher expenses for power purchases, and Hafslund Security's organic growth. | | | | |
| Restructuring costs | ▼ | (2) | (4) | -50 % |
| Comments: | | | | |
| Profit from share investments and associated companies | ▼ | (4) | 53 | |
| Comments: | | | | |
| Profit from share investments was mainly affected by profit from associated companies and from the Group's venture portfolio. Third-quarter 2004 profit is entirely from associated companies. Norway's accounting act does not allow recording venture-portfolio value growth in the profit and loss account prior to realization of ownership interests. | | | | |
| Net financial items | ▼ | (100) | (208) | -52 % |
| Comments: | | | | |
| The reduction in net interest expenses is attributable to lower net interest-bearing debt, better interest rates, and a NOK 50 million gain on the realization of interest derivatives in the third quarter of 2004. Net interest-bearing debt was NOK 1.2 billion lower, and the effective interest rate was 0.35 percentage points lower than in the third-quarter 2003 reporting period. | | | | |
| Tax expenses | ▲ | (54) | (50) | 8 % |
| Comments: | | | | |
| The Group's effective tax rate on pre-tax profit was 57 percent for the quarter, which accords with the figure for the third quarter of 2003. The high taxation rate is largely attributable to ground rent tax on power generation activities. | | | | |

Cash flow analysis

| Amounts in NOK million | | 3Q 2004 | 3Q 2003 | Change |
|-------------------------------------|---|---------|---------|--------|
| Cash flow from operating activities | ▲ | 756 | 714 | 6 % |
| Cash flow to loans and dividends | ▲ | 635 | 402 | 58 % |

Comments:

The high cash flow for servicing loans and dividends continues. In the third quarter of 2004, net interest-bearing debt was reduced by NOK 635 million. Working capital will increase in the fourth quarter of the year, largely because of higher seasonal sales by Hafslund's Power Sales profit center.

Financial strength

| Amounts in NOK million | | 30 Sept. 2004 | 30 June 2004 | Change |
|------------------------|---|---------------|--------------|--------|
| Assets | ▼ | 18.762 | 19.082 | -2 % |

Comments:

Reduction of the Group's total tied up capital continues. In the third quarter of 2004, total tied-up capital declined by NOK 320 million; the figure reached NOK 18.8 billion as of 30 September 2004. The decline is attributable to factors such as seasonal variations in working capital, investments that are less than depreciation, and capital freed up through realization of non-core assets.

| | | | | |
|--|---|--------|--------|-------|
| Net interest-bearing debt | ▼ | 10.029 | 10.663 | -6 % |
| Average interest, including derivatives (in %) | ▲ | 6,0 % | 5,7 % | 5,3 % |
| Duration (in years) | ▼ | 1,5 | 1,7 | (0,1) |

Comments:

High third-quarter 2004 cash flow allowed for a NOK 634 million reduction in net interest-bearing debt in the quarter. The average interest on Group debt rose as a result of realization of interest derivatives in the third quarter of 2004.

| | | | | |
|--------|---|-------|-------|-----|
| Equity | ▲ | 6.016 | 5.978 | 1 % |
|--------|---|-------|-------|-----|

Comments:

Please see the table that details equity changes.

Group key figures — quarterly reporting

Amounts in NOK million

| PROFIT AND LOSS ACCOUNT | 3Q 2004 | 2Q 2004 | 1Q 2004 | 4Q 2003 | 3Q 2003 | 2Q 2003 | 1Q 2003 | 4Q 2002 | 3Q 2002 | 2Q 2002 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Operating revenues | 1,701 | 1,869 | 2,391 | 2,312 | 1,633 | 1,776 | 3,579 | 2,500 | 1,212 | 1,422 |
| Personnel expenses | (254) | (236) | (268) | (311) | (187) | (215) | (266) | (134) | (332) | (167) |
| Other operating expenses | (1,004) | (1,121) | (1,591) | (1,677) | (968) | (1,122) | (2,663) | (1,852) | (558) | (910) |
| Restructuring costs | (2) | (7) | 0 | (57) | (4) | (8) | (13) | 26 | (100) | 0 |
| EBITDA | 440 | 506 | 532 | 268 | 473 | 431 | 637 | 540 | 222 | 345 |
| Depreciation | (242) | (238) | (235) | (280) | (232) | (230) | (217) | (208) | (214) | (216) |
| Operating profit | 199 | 268 | 297 | (13) | 241 | 202 | 420 | 332 | 9 | 129 |
| Profit from share investments and associated cos. | (4) | 27 | 59 | 96 | 53 | 34 | 33 | 64 | (114) | (154) |
| Profit before financial items | 195 | 296 | 356 | 83 | 294 | 237 | 452 | 396 | (105) | (25) |
| Net financial items | (100) | (159) | (190) | (153) | (208) | (224) | (222) | (267) | (225) | (174) |
| Profit before tax | 95 | 137 | 166 | (70) | 86 | 13 | 230 | 129 | (330) | (199) |
| Tax | (54) | (106) | (88) | 45 | (50) | (2) | (51) | 81 | 139 | 32 |
| Profit for the period | 41 | 31 | 78 | (24) | 36 | 11 | 179 | 210 | (191) | (167) |
| Majority's share of profit | 37 | 27 | 74 | (25) | 35 | 6 | 172 | 209 | (194) | (156) |
| Minority's share of profit | 4 | 3 | 4 | 1 | 1 | 5 | 8 | 1 | 3 | (11) |
| Earnings per share (in NOK) | 0.19 | 0.14 | 0.38 | (0.13) | 0.18 | 0.03 | 0.88 | 1.07 | (0.99) | (0.80) |
| | | | | | | | | | | |
| BALANCE SHEET | 30.09.04 | 30.06.04 | 31.03.04 | 31.12.03 | 30.09.03 | 30.06.03 | 31.03.03 | 31.12.02 | 30.09.02 | 30.06.02 |
| Intangible assets | 3,282 | 3,275 | 3,221 | 3,221 | 3,118 | 3,127 | 3,152 | 3,157 | 3,198 | 3,253 |
| Fixed assets | 11,499 | 11,581 | 11,696 | 11,975 | 12,139 | 12,323 | 12,420 | 11,971 | 12,038 | 12,054 |
| Financial assets | 1,319 | 1,407 | 1,521 | 1,587 | 1,776 | 1,818 | 1,807 | 2,186 | 2,189 | 2,208 |
| Accounts receivable and inventory | 1,953 | 2,126 | 2,712 | 3,043 | 1,968 | 2,067 | 3,211 | 2,980 | 1,312 | 1,909 |
| Investments | 469 | 485 | 421 | 455 | 488 | 381 | 369 | 396 | 375 | 470 |
| Cash and cash equivalents | 240 | 208 | 249 | 328 | 444 | 206 | 304 | 149 | 570 | 361 |
| Total assets | 18,762 | 19,082 | 19,820 | 20,609 | 19,933 | 19,921 | 21,263 | 20,840 | 19,682 | 20,255 |
| Paid-in capital | 4,276 | 4,276 | 4,275 | 4,275 | 4,346 | 4,346 | 4,273 | 4,273 | 4,304 | 4,304 |
| Retained earnings | 1,740 | 1,702 | 1,607 | 1,582 | 1,684 | 1,643 | 1,642 | 1,297 | 962 | 1,098 |
| Allocations for provisions | 299 | 360 | 290 | 462 | 274 | 280 | 518 | 491 | 273 | 600 |
| Other long-term debt | 8,410 | 8,356 | 9,992 | 11,282 | 11,678 | 11,790 | 10,876 | 10,698 | 8,401 | 6,826 |
| Short-term liabilities | 4,036 | 4,388 | 3,657 | 3,009 | 1,951 | 1,862 | 3,954 | 4,081 | 5,742 | 7,427 |
| Total equity and liabilities | 18,762 | 19,082 | 19,820 | 20,609 | 19,933 | 19,921 | 21,263 | 20,840 | 19,682 | 20,255 |
| | | | | | | | | | | |
| CASH FLOW ANALYSIS | 3Q 2004 | 2Q 2004 | 1Q 2004 | 4Q 2003 | 3Q 2003 | 2Q 2003 | 1Q 2003 | 4Q 2002 | 3Q 2002 | 2Q 2002 |
| EBITDA (operating profit before depreciation) | 440 | 506 | 532 | 268 | 473 | 431 | 637 | 540 | 222 | 345 |
| Change in net working capital | 316 | 95 | 152 | (432) | 241 | 191 | (87) | (1,334) | 228 | (306) |
| Cash flow from operating activities | 756 | 601 | 684 | (164) | 714 | 622 | 550 | (794) | 451 | 39 |
| Net operating investments | (113) | (83) | 117 | 26 | (40) | (60) | (86) | (40) | (67) | (14) |
| Acquired companies and expansion activities | (45) | (5) | (93) | (110) | 1 | 0 | (43) | 0 | 0 | (459) |
| Distributable CF from operating activities | 598 | 513 | 708 | (248) | 675 | 562 | 421 | (834) | 384 | (434) |
| Cash flow from share invest. before net purch./sales | 3 | 39 | 4 | 64 | 6 | 24 | 44 | (34) | (17) | 11 |
| Net share purchases/sales | 111 | 21 | 36 | 309 | 33 | 28 | 36 | 148 | 79 | 327 |
| Cash flow after share investments | 712 | 573 | 748 | 125 | 713 | 615 | 501 | (720) | 446 | (96) |
| Change in net interest-bearing debt (excl. bank) | (603) | (326) | (460) | (189) | (164) | (502) | 63 | 496 | (89) | (334) |
| Payment of financial items and taxes | (78) | (103) | (367) | (52) | (312) | (193) | (406) | (197) | (148) | (237) |
| Dividends — capital transactions | 0 | (184) | 0 | 0 | 0 | (18) | (3) | 0 | 0 | (229) |
| Cash flow after financial activities | 31 | (40) | (79) | (116) | 238 | (98) | 155 | (421) | 210 | (896) |
| Cash and cash equivalents at beginning of period | 208 | 248 | 328 | 445 | 207 | 305 | 149 | 570 | 361 | 1,257 |
| Cash & cash equivalents at close of period | 240 | 208 | 249 | 328 | 445 | 207 | 305 | 149 | 570 | 361 |

Business segments — quarterly reporting

Amounts in NOK million

| BUSINESS SEGMENTS | 3Q 2004 | 2Q 2004 | 1Q 2004 | 4Q 2003 | 3Q 2003 | 2Q 2003 | 1Q 2003 | 4Q 2002 | 3Q 2002 | 2Q 2002 |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|----------------|
| Network | 764 | 854 | 890 | 852 | 805 | 784 | 1.103 | 901 | 630 | 665 |
| Power Generation | 184 | 186 | 143 | 177 | 175 | 195 | 126 | 135 | 126 | 148 |
| Power Sales | 518 | 636 | 1.107 | 1.086 | 508 | 677 | 2.198 | 1.272 | 398 | 536 |
| Security | 126 | 117 | 115 | 112 | 91 | 77 | 58 | 55 | 61 | 46 |
| Contracting | 183 | 172 | 163 | 229 | 149 | 165 | 171 | 185 | 127 | 93 |
| Power Trading | (2) | (3) | 3 | (33) | (12) | 5 | 39 | 153 | 26 | 10 |
| Other Activities | 95 | 91 | 135 | 130 | 83 | 118 | 103 | (202) | (156) | (76) |
| Eliminations | (167) | (183) | (164) | (238) | (170) | (243) | (219) | 0 | 0 | 0 |
| Total operating revenues | 1.700 | 1.869 | 2.391 | 2.315 | 1.630 | 1.777 | 3.579 | 2.500 | 1.212 | 1.422 |
| Network | (437) | (431) | (527) | (585) | (404) | (517) | (558) | (651) | (384) | (392) |
| Power Generation | (51) | (41) | (34) | (45) | (53) | (49) | (32) | (45) | (35) | (44) |
| Power Sales | (513) | (636) | (1.036) | (1.072) | (491) | (668) | (2.181) | (1.189) | (392) | (506) |
| Security | (124) | (104) | (117) | (111) | (98) | (95) | (86) | (93) | (77) | (56) |
| Contracting | (162) | (166) | (166) | (215) | (147) | (139) | (165) | (202) | (130) | (92) |
| Power Trading | (4) | (1) | (5) | (5) | (3) | (4) | (3) | (26) | (6) | (6) |
| Other Activities | (129) | (167) | (138) | (206) | 184 | (372) | (168) | 221 | 135 | 19 |
| Restructuring costs | (2) | (7) | 0 | (57) | (4) | (8) | (13) | 26 | (100) | 0 |
| Eliminations | 161 | 190 | 164 | 251 | (144) | 507 | 264 | 0 | 0 | 0 |
| Total operating expenses | (1.260) | (1.363) | (1.859) | (2.046) | (1.160) | (1.344) | (2.942) | (1.960) | (990) | (1.077) |
| Network | 327 | 422 | 363 | 267 | 401 | 267 | 545 | 250 | 246 | 274 |
| Power Generation | 134 | 145 | 108 | 131 | 122 | 146 | 94 | 90 | 91 | 104 |
| Power Sales | 4 | 0 | 71 | 14 | 17 | 9 | 17 | 83 | 6 | 30 |
| Security | 2 | 13 | (2) | 1 | (6) | (18) | (28) | (38) | (16) | (10) |
| Contracting | 21 | 6 | (3) | 14 | 2 | 25 | 6 | (17) | (3) | 1 |
| Power Trading | (5) | (5) | (2) | (38) | (15) | 1 | 36 | 128 | 20 | 4 |
| Other Activities | (33) | (76) | (3) | (78) | (19) | (13) | (19) | 19 | (21) | (57) |
| Other | (9) | 0 | 0 | (44) | (28) | 14 | (14) | 26 | (100) | 0 |
| Total EBITDA | 440 | 506 | 532 | 268 | 473 | 431 | 637 | 540 | 222 | 345 |
| Network | (172) | (172) | (174) | (172) | (176) | (175) | (164) | (151) | (170) | (173) |
| Power Generation | (9) | (11) | (9) | (56) | (13) | (12) | (12) | (7) | (13) | (14) |
| Power Sales | (18) | (18) | (18) | (20) | (19) | (19) | (20) | (30) | (20) | (20) |
| Security | (32) | (27) | (25) | (22) | (19) | (16) | (14) | (11) | (5) | (6) |
| Contracting | (5) | (5) | (6) | (8) | (4) | (4) | (3) | (7) | (2) | (1) |
| Power Trading | (1) | (1) | (1) | (1) | (1) | (1) | (1) | 0 | 0 | 0 |
| Other Activities | (4) | (5) | (3) | (1) | (2) | (2) | (4) | (4) | (2) | (4) |
| Other | 0 | 0 | 0 | (1) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total depreciation | (242) | (238) | (235) | (280) | (232) | (229) | (218) | (208) | (214) | (216) |
| Network | 155 | 251 | 189 | 95 | 225 | 92 | 381 | 100 | 76 | 101 |
| Power Generation | 125 | 134 | 100 | 75 | 110 | 134 | 82 | 83 | 78 | 90 |
| Power Sales | (14) | (18) | 52 | (4) | (2) | (10) | (3) | 53 | (15) | 11 |
| Security | (30) | (14) | (27) | (21) | (25) | (34) | (42) | (48) | (22) | (16) |
| Contracting | 15 | 1 | (9) | 6 | (1) | 21 | 3 | (24) | (5) | (0) |
| Power Trading | (6) | (5) | (2) | (38) | (16) | 1 | 36 | 128 | 20 | 4 |
| Other Activities | (38) | (80) | (6) | (79) | (22) | (14) | (25) | 15 | (23) | (61) |
| Other | (8) | 0 | 0 | (45) | (28) | 13 | (13) | 26 | (100) | 0 |
| Total operating profit | 199 | 268 | 297 | (11) | 241 | 203 | 419 | 332 | 9 | 129 |

Key figures

1 Jan. - 30 Sept. 2004 / 1 Jan. - 30 Sept. 2003 /

| | Note | Unit | 30 Sept. 2004 | 30 Sept. 2003 |
|---------------------------------------|------|-------------|----------------|---------------|
| Capital employed | 1 | NOK million | 16,404 | 17,722 |
| ROCE (per annum) | 2 | % | 10,0 % | 10,5 % |
| Number of Class A shares | | X 1,000 | 115,465 | 115,465 |
| Number of Class B shares | | X 1,000 | 79,759 | 79,759 |
| Class A shares held (treasury shares) | | X 1,000 | - | - |
| Class B shares held (treasury shares) | | X 1,000 | 562 | 987 |
| Share price, Class A shares | | NOK | 37,50 | 33,00 |
| Share price, Class B shares | | NOK | 35,00 | 28,50 |
| Market capitalization | | NOK billion | 7,1 | 6,1 |
| Earnings per share after tax (EPS) | 3 | NOK | 0,71 | 1,09 |
| Cash flow per share after tax | 4 | NOK | 4,43 | 4,64 |
| Return on equity | 5 | % | 3,3 % | 5,2 % |
| Return on total assets | 6 | % | 6,1 % | 6,9 % |
| Equity ratio | 7 | % | 32,1 % | 30,3 % |
| P/E | 8 | | 47,2 | 26,9 |
| P/CF | 9 | | 8,2 | 6,7 |
| P/Book value | 10 | | 1,2 | 1,0 |

Definitions

Note

1. Non-interest-bearing assets – Non-interest-bearing debt
2. EBITDA + Profit from share investments – Operating investments / Capital employed
3. Ordinary net profit after tax / Average number of shares
4. (Ordinary net profit after tax + Depreciation) / Average no. of shares
5. (Profit before extraordinary items – Tax expenses) / Average equity including minority interests
6. (Profit before tax + Gross interest expenses) / Average total assets
7. (Equity capital including minority interests * 100) / Total assets
8. Share price / Earnings per share
9. Share price / Cash flow per share
10. Market capitalization / Equity

The unaudited interim report has been prepared according to Norwegian accounting standards and applies the same principles as the 2003 annual report. The interim report conforms to generally accepted Norwegian accounting practices for interim reporting.