



Hafslund

Fourth-quarter and preliminary 2004

Report to shareholders

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We make everyday life safer and better

Hafslund – fourth-quarter and preliminary 2004 report

Fourth-quarter 2004 highlights

- EBITDA more than doubled, compared with 4Q 2003.
- Network and Power Generation turn in record profits.
- Power Sales and security: EBITDA up NOK 54 million.

2004 highlights

- Profit growth by all profit centers, compared with 2003.
- Cash flow for debt payment and dividends: NOK 1,174 million.
- Dividend for 2004: NOK 1.25 per share (proposed).

Key figures — Hafslund Group

Fourth quarter		Profit and loss account (in NOK million)	Year	
2003	2004		2004	2003
2,312	2,309	Operating revenues	8,270	9,300
268	574	EBITDA	2,053	1,810
(13)	428	Operating profit	1,192	850
(70)	296	Profit before tax	693	259
(24)	203	Profit after tax	353	202
Balance sheet (in NOK million)				
20,609	19,059	Total assets	19,059	20,609
5,856	5,977	Equity	5,977	5,856
28%	31%	Equity ratio (in %)	31%	28%
11,326	10,341	Net interest-bearing debt	10,341	11,326
Per-share figures (in NOK per share)				
-0.1	1.0	Profit (EPS)	1.7	1.0
1.2	1.8	Cash flow	6.2	5.9
Electric power production and sales				
600	752	Power generation in Norway (in GWh)	2,895	2,655
3,287	3,332	Power sales (in GWh)	10,985	11,454

FOURTH-QUARTER 2004 REPORT

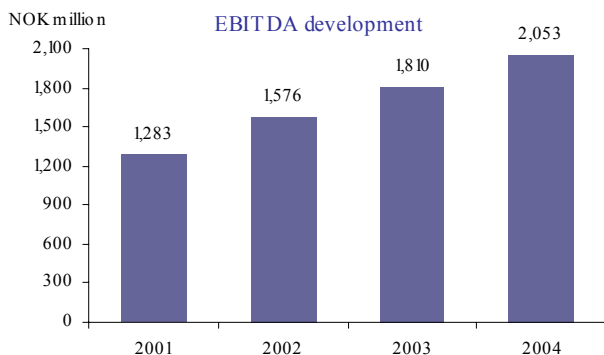
Figures are in NOK, unless otherwise stated. Comparative figures for the fourth quarter of 2003 are stated in parentheses.

The Hafslund Group's operating profit before depreciation (EBITDA) was NOK 574 million for the fourth quarter of 2004 (NOK 268 million); up NOK 306 million from the fourth quarter of 2003. All Hafslund operating business units reported fourth-quarter profit growth, compared with the same reporting period of 2003.

Hafslund's Network and Contracting businesses had a combined fourth-quarter EBITDA of NOK 418 million; up NOK 137 million compared with the fourth quarter of 2003. Profit growth is attributable to the effects of coordination, improved operational processes, staffing cutbacks, and net positive effects from Networks' regulated income activities.

Power Generation's EBITDA of NOK 131 million is a historic high. Adjusted for gains on sales of hydropower facilities in the USA in 2003, this figure corresponds to a profit growth of NOK 20 million in the fourth quarter of 2004, compared with the fourth quarter of 2003. Profit growth is attributable to greater power generation (up 25 percent); however, average power prices declined by 7 percent.

Power Sales and Security had a total EBITDA of NOK 69 million; up NOK 54 million. Profit improvement is attributable to greater operational efficiency, continued effects of coordination and efficiency measures, and lower loss allocations. Hafslund Sikkerhet Privat (residential security) had an EBITDA of NOK 16 million; up NOK 9 million. At year-end 2004, there were 70,000 Hafslund Sikkerhet Privat customers.



Depreciation totaled NOK 146 million for the Hafslund Group in the fourth quarter of 2004 (NOK 280 million), down NOK 134 million. The decline is attributable to NOK 115 million less depreciation at Hafslund Network.

The Hafslund Group's fourth-quarter profit before financial items was NOK 450 million (NOK 83 million). Net financial items amounted to NOK 155 million (NOK 153 million). The Group's fourth-quarter 2004 pre-tax profit was NOK 295 million (NOK -70 million), up NOK 365 million compared with the fourth quarter of 2003. The effective tax rate for the Group for the fourth quarter of 2004 was 32 percent. The Group's after-tax profit was NOK 203 million (NOK -24 million). Earnings per share (EPS) for the fourth quarter of 2004 amounted to NOK 1.01 (NOK -0.13); the same figures apply for diluted EPS.

2004 results

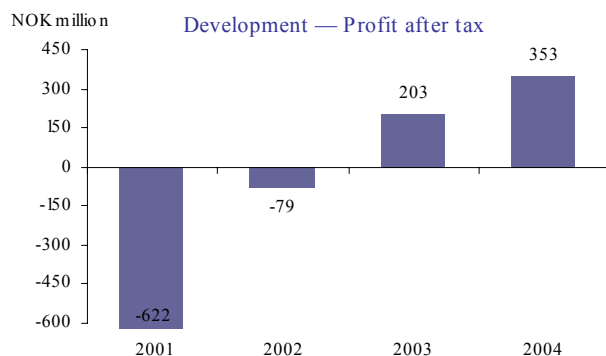
The Hafslund Group had an operating profit before depreciation (EBITDA) of NOK 2,053 million in 2004 (NOK 1,810 million); up NOK 243 million from 2003. All Hafslund operating profit centers reported profit growth in 2004, compared with 2003.

Hafslund's Network and Power Generation businesses, which collectively employ about 80 percent of capital, had a 2004 EBITDA of NOK 2,001 million (NOK 1,973 million); both units had record all-time-high profits. Power Sales and Security had a combined 2004 EBITDA of NOK 157 million (NOK 5 million); up NOK 152 million, compared with 2003. The profit growth is attributable to organic growth at Hafslund's security business and Power Sales' greater operational efficiency. The NOK 66 million Power Sales operating profit represents a profit per customer of approximately NOK 120.

Hafslund's Contracting companies had a combined 2004 EBITDA of NOK 71 million (NOK 48 million). Profit growth is attributable to continual focus on greater operational efficiency, including a positive effect of staffing cutbacks.

The Hafslund Group's operating profit rose to NOK 1,192 million in 2004, up NOK 342 million from 2003. Key profit growth factors were a NOK 243 million improvement in EBITDA, of which NOK 115 million reflects lower Network depreciation due to recording longer useful lifetimes for assets.

The Group's 2004 profit before financial items amounted to NOK 1,297 million (NOK 1,066 million). Pre-tax profit was NOK 693 million (NOK 259 million). Group after-tax profit amounted to NOK 353 million (NOK 202 million). Earnings per share (EPS) for 2004 amounted to NOK 1.73 (NOK 0.96).

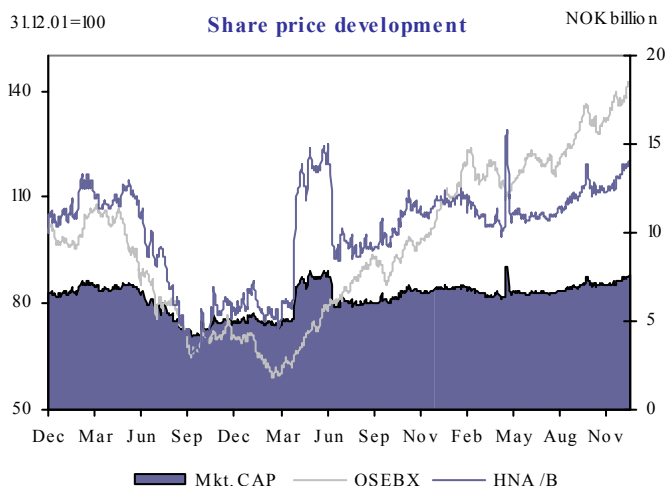


Cash flow, investments, and capital matters

The Hafslund Group had a significantly higher cash flow than profit. This is attributable to operational investments being lower than depreciation, amortization of goodwill, and realization of non-core assets. Over the course of a year, there typically are major working capital fluctuations due to seasonal variations at Power Sales and Network, in particular. In 2004, the realization of assets generated a cash flow of NOK 1,174 million (NOK 993 million), which was applied to servicing debt and paying dividends. The sale of non-core assets accounted for NOK 456 million.

Group net interest-bearing debt was reduced by NOK 1.0 billion in 2004 to NOK 10.3 billion (NOK 11.3 billion) as a result of the high cash flow. At year-end 2004, Hafslund's total assets amounted to NOK 19 billion, down NOK 1.6 billion from year-end 2003. The equity ratio was 31.4 percent at the close of 2004 (28.4 percent).

The Board of Directors will propose to Hafslund's 2 May 2005 General Meeting that a per-share dividend of NOK 1.25 be paid for 2004 (NOK 1.00). This represents a total dividend payout of approximately NOK 243 million.



* The indexes are not adjusted for dividends

BUSINESS ACTIVITIES AND OPERATIONS

Network

NOK million	4Q 2004	4Q 2003	2004	2003
Operating revenues	1,005	852	3,513	3,543
EBITDA	371	267	1,483	1,479
Operating profit	298	95	893	792
Investments	108	104	253	286

Fourth-quarter 2004

Hafslund's Network business had a fourth-quarter 2004 EBITDA of NOK 371 million (NOK 267 million). Fourth-quarter 2004 operating profit was NOK 298 million (NOK 95 million). Total fourth-quarter investments amounted to NOK 108 million (NOK 104 million).

The higher fourth-quarter 2004 profit is attributable to NOK 65 million greater income at Network's regulated activities; a higher contribution margin from other activities and a reduction in operational costs contributed NOK 39 million to this figure.

Regulated-income framework compensation for higher pension expenses in the period 1993-1996, due to the implementation of new accounting standards for pension expenses, resulted in recording of NOK 72 million to income in the fourth quarter of 2004. Adjustments for changes in framework conditions and accrual methods for regulated income through the year were also recorded. Grid loss costs were adjusted upwards following final settlement of grid losses for 2004 as a whole. Sale of the property Noreveien 26 resulted in a NOK 27 million gain in the fourth quarter of 2004. Operation and maintenance costs in the fourth quarter of 2004 were NOK 12 million below the year-earlier level. Fourth-quarter O & M activity levels were higher than in the corresponding 2003 reporting period, but costs associated with maintenance tasks were lower as a result of exposing projects to competition.

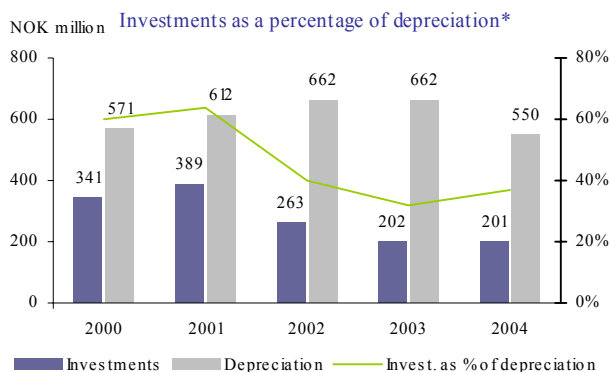
Hafslund's Network activities largely apply industry norms to determine depreciation periods. As a consequence of knowledge gained throughout the Group during IFRS accounting standards implementation, longer useful lifetimes for some Network operating assets have been recorded. This NOK 115 million estimate change covering July 2001 through year-end 2004 has been recognized in full in the fourth quarter. A permanent reduction in annual depreciation on the order of NOK 100 million is projected.

Year 2004

Network's operating profit before depreciation (EBITDA) amounted to NOK 1,483 million (NOK 1,479 million). Operating profit was NOK 893 million (NOK 792 million). Total 2004 investments amounted to NOK 253 million (NOK 286 million).

Despite a NOK 185 million reduction in Network's allocated revenue ceiling due to changed framework conditions, EBITDA is on a par with 2003. The principal factors for this profit performance are the above-mentioned framework compensation for pensions, lower grid loss expenses, higher contributions from other activities, and greater operational efficiency.

Improved profitability at underlying operations has resulted from coordination effects, improved operational processes, and staffing modifications. Cash flow for the year associated with operations and investments improved by just over NOK 600 million its annual rate, compared with 1 January 2002.



Power Generation

NOK million	4Q 2004	4Q 2003	2004	2003
Operating revenues	180	177	692	673
EBITDA	131	131	518	494
Operating profit	124	75	482	401
Sales price (øre/kWh) *	23.8	25.5	23.6	22.5

* 100 øre = NOK 1

Fourth-quarter 2004

Power Generation had an EBITDA of NOK 131 million (NOK 131 million) in the fourth quarter of 2004. Operating profit was NOK 124 million (NOK 75 million).

Power generation in Norway totalled 752 GWh (600 GWh). The volume-weighted sales price for the fourth quarter of 2004 was NOK 0.238 per kWh (NOK 0.255 per kWh). The volume-weighted spot price was NOK 0.229 per kWh (NOK 0.283 per kWh).

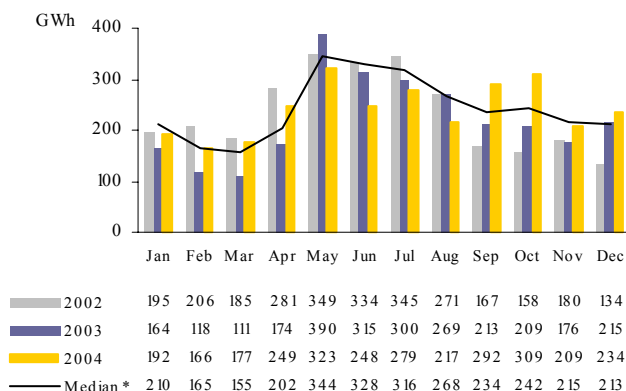
When adjusted for a NOK 20 million gain on the sale of hydropower facilities in the USA, which was recorded in the fourth quarter of 2003, fourth-quarter 2004 profit growth due to increased power generation and operational improvements was greater than in the corresponding quarter of 2003

Year 2004

Power Generation had a 2004 EBITDA of NOK 518 million (NOK 494 million). Operating profit amounted to NOK 482 million (NOK 401 million).

Power production in 2004 was 2,895 GWh: up 240 GWh from 2003. The volume-weighted sales price for the year was NOK 0.236 per kWh (NOK 0.225 per kWh); the volume-weighted spot price for 2004 was NOK 0.243 per kWh (NOK 0.271 per kWh).

Power generation vs. 10-year average



* Average of production over the past 10 years

Contracting

NOK million	4Q 2004	4Q 2003	2004	2003
Operating revenues	210	229	728	714
EBITDA	47	14	71	48
Operating profit	39	6	46	28
Net operating margin	19%	3%	6%	4%

Hafslund Contracting had an EBITDA of NOK 47 million for the fourth quarter of 2004 (NOK 14 million). Operating profit amounted to NOK 39 million (NOK 6 million).

Hafslund Contracting had a 2004 EBITDA of NOK 71 million (NOK 48 million). Operating profit was NOK 46 million (NOK 28 million).

Profit growth has resulted from an ongoing focus on greater operational efficiency and from the effects of staffing cutbacks implemented in 2003 and 2004.

Power Sales

NOK million	4Q 2004	4Q 2003	2004	2003
Operating revenues	877	1,086	3,137	4,469
EBITDA	64	14	139	56
Operating profit	46	(4)	66	(21)
Power sales (GWh)	3,332	3,287	10,985	11,454

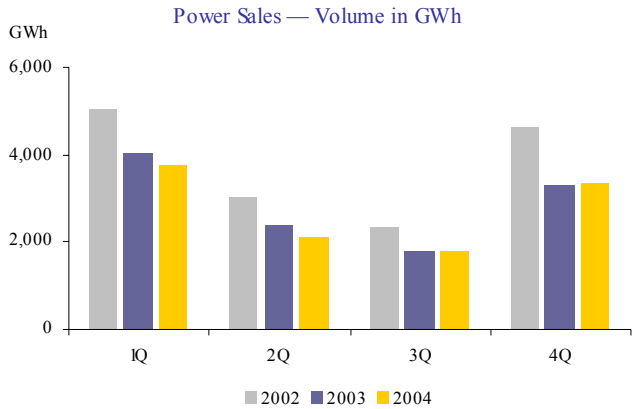
Fourth quarter 2004

EBITDA for Power Sales in the fourth quarter of 2004 was NOK 64 million (NOK 14 million). The operating profit for the quarter was NOK 46 million (NOK -4 million).

Underlying operations show a positive trend, resulting in a slight improvement in operating profit per customer, compared with the fourth quarter of 2003. The total Power Sales volume in the fourth quarter was 3.33 TWh (3.29 TWh).

Operating costs were trimmed by NOK 23 million, compared with the fourth quarter of 2003, largely due to coordination effects, gains from streamlining operational patterns, and lower loss allocations.

Profit from associated companies amounted to NOK 0.1 million (NOK -2 million), which is largely attributable to Hafslund’s 50% ownership of Göta Energi Holding in Sweden.



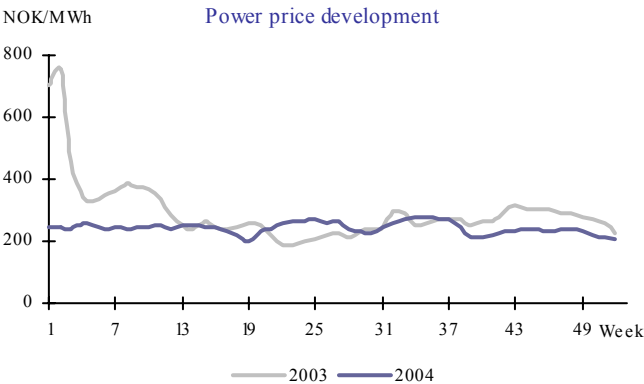
Year 2004

EBITDA for Power Sales in 2004 was NOK 139 million (NOK 56 million). The operating profit for the year was NOK 66 million (NOK -21 million); this figure corresponds to a profit per customer on the order of NOK 120.

Power Sales’ customer base remained stable throughout 2004. The total volume of power sales for 2004 was 11.0 TWh; down 0.5 TWh compared with 2003.

Profit growth is attributable to operational improvements, additional effects of coordination measures, and lower loss allocations. Together, these factors yielded a NOK 38 million decline in 2004 operational costs, compared with 2003.

Profit from associated companies amounted to NOK 1 million (NOK -11 million), which mainly stems from Hafslund’s 50% stake in Göta Energi Holding in Sweden.



* Source: Nord Pool, 31 December 2004

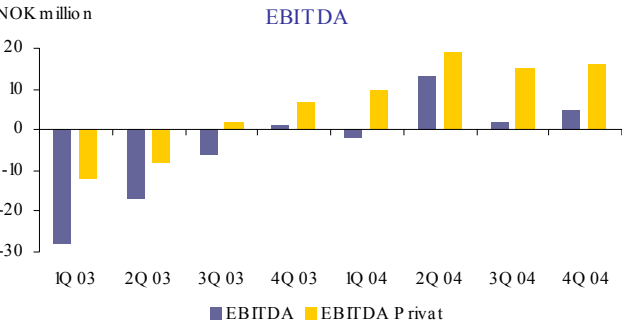
Security

NOK million	4Q 2004	4Q 2003	2004	2003
Operating revenues	131	112	489	338
EBITDA	5	1	18	(51)
Operating profit	(27)	(21)	(98)	(122)
Customers	69,101	56,071	69,101	56,071

Fourth quarter 2004

EBITDA for Hafslund Security was NOK 5 million (NOK 1 million) in the fourth quarter of 2004. Operating profit was NOK -27 million (NOK -21 million). The decline in operating profit is attributable to higher depreciation caused by growth in the number of customers. Total investments amounted to NOK 48 million (NOK 48 million), including acquisition costs for new residential alarm customers.

The residential security business, Hafslund Sikkerhet Privat, continued its profit growth; its fourth-quarter EBITDA was NOK 16 million (NOK 7 million).

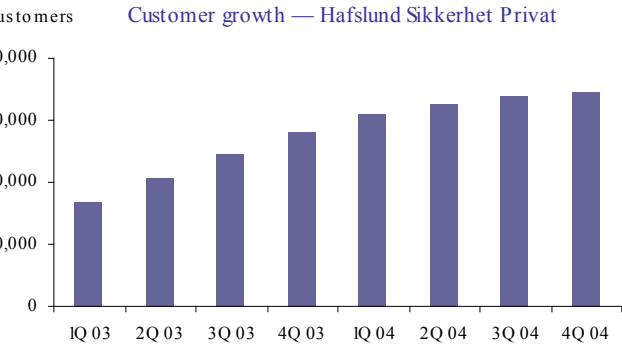


The year 2004

EBITDA was NOK 18 million (NOK -51 million). Operating profit was NOK -98 million for the year (NOK -122 million). Total investments amounted to NOK 174 million (NOK 179 million), including acquisition costs related to new residential alarm customers.

Hafslund Sikkerhet experienced rapid organic growth in 2004 both in the residential alarm market and markets for specialized corporate-customer services. Hafslund is now Norway’s largest supplier of residential alarm services, and has consolidated its position as Norway’s leading supplier of cash and valuables transport. Hafslund Sikkerhet is also one of the leading suppliers of security services to Norwegian businesses.

Revenues rose from NOK 338 million in 2003 to NOK 489 million in 2004. Revenues are as follows: residential market, NOK 198 million; corporate market, NOK 291 million.



Thirteen thousand new residential alarm customers were acquired in 2004 — a 23% annual growth rate. At year-end 2004, Hafslund Sikkerhet Privat had about 70,000 customers.

Power Trading

NOK million	4Q 2004	4Q 2003	2004	2003
Operating revenues	12	(33)	10	(1)
EBITDA	8	(38)	(4)	(15)

EBITDA in the fourth quarter of 2004 was NOK 8 million, up NOK 46 million, compared with the fourth quarter of 2003. Throughout much of 2004, Hafslund's power trading unit applied its expertise to strengthening the Group's overall risk management by improving hedging activities at Power Sales and Power Generation. EBITDA for all of 2004 was NOK -4 million, a NOK 11 million profit growth, compared with 2003.

Other Activities

NOK million	4Q 2004	4Q 2003	2004	2003
EBITDA	(39)	(78)	(151)	(130)
Operating profit	(45)	(79)	(170)	(139)
Profit, shares, & assoc. cos.	12	62	75	175

Organizational changes implemented in early 2004 make direct comparisons with 2003 figures inadequate for providing an accurate picture of developments at Hafslund's Group support units comprising Other Activities.

Other Activities had a fourth-quarter 2004 EBITDA of NOK -39 million; up NOK 39 million from the fourth quarter of 2003. Improved profitability is attributable to lower activity levels, to non-recurring items in the fourth quarter of 2003 associated with expenses incurred for centralizing corporate and business activities, and to changes in actuarial assumptions associated with outtake of early-retirement plans.

2004 EBITDA for Other Activities was NOK -151 million, a NOK 21 million decline, compared with 2003.

Profit from share investments in the fourth quarter of 2004 amounting to NOK 12 million (NOK 62 million) is largely attributable to developments in the Group's venture portfolio. At year-end 2004, the venture portfolio had a market value of NOK 492 million, which corresponds to the portfolio's book value.

KEY EVENTS AFTER THE REPORTING PERIOD

NorgesEnergi acquires Norske Shell's retail power customers

Hafslund's NorgesEnergi has entered into an agreement with AS Norske Shell to acquire the latter's power customers in Norway as of 3 January 2005. The contract is valued at NOK 50 million.

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 31 December 2004, the company had 8,188 shareholders; the ten largest owned a total of 93.6 percent of the company's shares. Hafslund holds 561,685 of its own Class B shares.

Hafslund stock is listed on the Oslo Stock Exchange. Hafslund's market capitalization at year-end 2004 was NOK 7.6 billion, which corresponds to 7 percent growth for shareholders in the fourth quarter of 2004 and 14.3 percent growth for the year 2004. A total of 4.5 million Hafslund shares were traded in 2004.

Shareholders (as of 31 Dec. 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	124	1,209	1,333	0.7 %
Odin Norden	235	946	1,181	0.6 %
Fortius A/S	540	150	690	0.4 %
JP Morgan Chase Bank		680	680	0.3 %
Hafslund ASA	-	562	562	0.3 %
Total, 10 largest shareholders	111,478	71,164	182,642	93.6 %
Other shareholders	3,987	8,594	12,581	6.4 %
Total	115,465	79,758	195,223	100%

PERSONNEL

At year-end 2004, the Hafslund Group had a total of 2,882 employees, an increase of 334 since 31 December 2003. This overall figure does not indicate the extent of staff downsizing. During the same period, Hafslund Security added 382 employees to meet staffing requirements resulting from organic growth.

Personnel (no. of employees)	31.12.04	30.09.04	31.12.03
Network	205	207	284
Power Generation	20	20	20
Contracting	602	680	652
Power Sales	261	260	259
Security	1,484	1,402	1,102
Other	310	236	231
Total	2,882	2,805	2,548

OUTLOOK

All Hafslund profit centers reported profit growth in 2004. After only three years in the security services business, Hafslund has become Norway's leading supplier of residential alarms. During 2004, Hafslund repaid debt and strengthened its financial soundness. Following a period of consolidation, restructuring, and major efficiency enhancing measures, attention will now increasingly be focused on growth through greater marketing-related strengths. Improved contact with and attractiveness to customers, along with value growth, are core features of the Group's strategy for the years ahead. Customer service, product development, power generation, and grid investment activities will be prioritized. Norway's market for security services has yet to mature, so the prospects for further growth are promising.

Hafslund is an industry innovator; the platforms we have established and our consistent, well-focused targeting of electric power and security services also make for a promising outlook. Hafslund's Network and Power Generation businesses have solid earnings; both delivered historically high profits in 2004 and 2003, and continuing good results are expected for 2005. These factors represent a foundation for further growth and solid profits in 2005.

Oslo, 8 February 2005
Board of Directors
HAFLUND ASA

Profit and loss account

HAFSLUND GROUP

Fourth quarter		Amounts in NOK million	Year	
2003	2004		2004	2003
2.312	2.309	Operating revenues	8.270	9.300
(311)	(265)	Personnel expenses	(1.022)	(979)
(1.677)	(1.458)	Other operating expenses	(5.173)	(6.430)
(57)	(13)	Restructuring costs	(21)	(81)
268	574	Operating profit before depreciation (EBITDA)	2.053	1.810
(280)	(146)	Depreciation	(860)	(959)
(13)	428	Operating profit	1.192	850
96	23	Profit from share investments and associated companies	105	216
83	451	Profit before financial items	1.297	1.066
(153)	(155)	Net financial items	(603)	(807)
(70)	296	Profit before tax	693	259
45	(93)	Tax	(341)	(57)
(24)	203	Profit after tax	353	202
(25)	199	Majority's share of profit	337	188
1	4	Minority's share of profit	16	14
-0,13	1,02	Earnings per share (in NOK)	1,73	0,96

BUSINESS SEGMENTS

Fourth quarter		Amounts in NOK million	Year	
2003	2004		2004	2003
852	1.005	Network	3.513	3.543
177	180	Power Generation	692	673
1.086	877	Power Sales	3.137	4.469
112	131	Security	489	338
229	210	Contracting	728	714
(33)	12	Power Trading	10	(1)
(111)	(106)	Other / eliminations	(300)	(436)
2.312	2.309	Total operating revenues	8.270	9.300
95	298	Network	893	792
75	124	Power Generation	482	401
(6)	46	Power Sales	66	(21)
(21)	(27)	Security	(98)	(122)
6	39	Contracting	46	28
(38)	7	Power Trading	(6)	(18)
(79)	(45)	Other Activities	(170)	(139)
(45)	(14)	Other	(22)	(72)
(13)	428	Total operating profit	1.192	850

Balance sheet

Amounts in NOK million	31 Dec. 2004	31 Dec. 2003
Intangible assets	3.180	3.221
Fixed assets	11.515	11.975
Financial assets	1.408	1.587
Accounts receivable and inventory	2.355	3.043
Investments	494	455
Cash and cash equivalents	108	328
Total assets	19.059	20.609
Paid-in capital	4.276	4.275
Retained earnings	1.701	1.582
Allocations for provisions	335	462
Other long-term debt	8.385	11.282
Short-term liabilities	4.361	3.009
Total equity and liabilities	19.059	20.609

Cash flow analysis

Amounts in NOK million	Fourth quarter		Year	
	2004	2003	2004	2003
EBITDA (operating profit before depreciation)	575	268	2.053	1.810
Change in net working capital	(803)	(432)	(240)	(87)
Cash flow from operating activities	(228)	(164)	1.813	1.723
Operating investments	(77)	26	(156)	(160)
Acquired companies and expansion activities	0	(110)	(143)	(152)
Distributable cash flow from operating activities	(305)	(248)	1.514	1.411
Cash flow from share investments before net purchases/sales	3	64	49	138
Net share purchases/sales	16	309	184	406
Cash flow after share investments	(286)	125	1.747	1.955
Change in net interest-bearing debt (excl. bank)	180	(189)	(1.209)	(792)
Payment of financial items and taxes	(25)	(52)	(573)	(962)
Dividends — capital transactions	0	0	(184)	(21)
Cash flow after financial activities	(131)	(116)	(220)	179
Cash and cash equivalents at beginning of period	239	444	328	149
Cash and cash equivalents at close of period	108	328	108	328

Equity matters

Amounts in NOK million	2004	2003
Equity at beginning of period	5.856	5.571
Profit for the period, majority's share	337	188
Profit for the period, minority's share	16	15
Changes in minority interests	0	318
Adjustments booked to equity	(9)	(4)
Change in Class B shares held (treasury shares)	13	77
Dividend	(243)	(201)
Other changes affecting equity	7	(108)
Equity at close of reporting period	5.977	5.856

Profit and loss

Amounts in NOK million

4Q 2004

4Q 2003

Change

Operating revenues

-

2.309

2.312

0 %

Comments:

The Hafslund Group's fourth-quarter revenues are on a par with those of the fourth quarter of 2003. Power Sales revenues declined by some NOK 200 million, largely due to lower power sales prices invoiced to customers. Operating revenues for Hafslund's network activities rose by approximately NOK 150 million in the fourth quarter of 2004, compared with 4Q 2003. The increase is attributable to compensation in the regulated income framework for increased pension costs in the period 1992-1996, modifications to framework conditions, and the sale of the Noreveien property in Oslo. Hafslund Security continued its organic growth in the fourth quarter of 2004; revenues rose by NOK 19 million, compared with 4Q 2003.

Personnel expenses

▼

(265)

(311)

-15 %

Comments:

The decline in personnel expenses from 4Q 2003 to 4Q 2004 is largely the result of staffing cutbacks (NOK 20 million) and lower pension costs (NOK 40 million). Personnel expenses at Hafslund Security rose (NOK 20 million) due to continued organic growth.

Other operating expenses

▼

(1.458)

(1.677)

-13 %

Comments:

Other operating expenses declined by NOK 219 million, compared with 4Q 2003. The decline is largely attributable to lower costs for power purchases, mainly by Power Sales, due to lower wholesale prices at the Nordic Power Exchange. The effects of prevailing prices also apply to the aforementioned discussion of Power Sales' lower revenues from its customers.

Restructuring cost

▼

(13)

(57)

-77 %

Comments:

The recorded restructuring costs are attributable to severance pay paid to 29 individuals as part of staffing modifications implemented in the fourth quarter.

Profit from share in investments and associated companies

▼

23

96

-77 %

Comments:

The NOK 23 million fourth-quarter profit is attributable to NOK 11 million in profits from associated companies (largely from Viken Fjernvarme) and venture portfolio value growth of NOK 10 million. Fourth-quarter 2003 gains on sales of ownership interests in Oppdal Elverk and the Drammensveien 144 property in Oslo affect the profit comparison.

Net financial items

▲

(155)

(153)

1 %

Comments:

The Group's fourth-quarter 2004 net financial expenses are on a par with the fourth-quarter 2003 figure. However, net interest-bearing debt is NOK 1 billion less than for the fourth quarter of 2003. The reduction in net interest-bearing debt and lower interest rates resulted in net interest expenses declining by approximately NOK 30 million. Other net financial revenues declined by about NOK 32 million, compared with the fourth quarter of 2003.

Tax expenses

▲

(93)

45

-305 %

Comments:

The Hafslund Group's effective tax rate on pre-tax profit was 31 percent for the quarter. The general corporate tax rate in Norway is 28 percent, and the 31% rate is mainly attributable to a NOK 17 million payment of Norway's ground rent tax on hydropower activities.

Cash flow analysis

amounts in NOK million		4Q 2004	4Q 2003	Change
Cash flow from operating activities	▼	(228)	(164)	-39 %
Cash flow to loans and dividends	▼	(311)	73	-526 %

Comments:

Cash flow from operating activities fell by NOK 64 million, compared with 4Q 2003. Traditionally, the fourth quarter is marked by increased net working capital, largely due to higher seasonal sales by the Power Sales profit center. Improved earnings from operations — EBITDA up NOK 307 million — are offset by a NOK 371 million build-up of working capital, compared with 2003. Furthermore, the reduction in cash flow for servicing loans and dividend payments is also attributable to realization of significant shareholdings in the fourth quarter 2003, such as Arendal Fossekompani and Oppdal Elverk.

Financial strength

Amounts in NOK million		31. Dec. 2004	30. Sept. 2004	Change
Assets	▲	19.059	18.762	2 %

Comments

The Hafslund Group's total assets rose by approximately NOK 300 million in the fourth quarter of 2004. The fourth-quarter is generally marked by elevated working capital due to Power Sales increased sales to customers, and the consequent higher customer receivables. Working capital rose by some NOK 400 million in the fourth quarter 2004.

Net interest-bearing debt	▲	10.341	10.029	3 %
Average interest, incl. Derivatives (in %)	-	6,0 %	6,0 %	0,0 %
Duration (in years)	▼	1,6	1,7	(0,1)

Comments:

The high cash flow in 2004 enabled the Group to reduce its net interest-bearing debt by NOK 1 billion during the year. Working capital build-up in the fourth quarter resulted in a NOK 312 million increase in net interest-bearing debt.

Equity	▼	5.977	6.016	-1 %
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Comments

Please see the table that details equity changes.

Group key figures — quarterly reporting

Amounts in NOK million

PROFIT AND LOSS ACCOUNT	4Q 2004	3Q 2004	2Q 2004	1Q 2004	4Q 2003	3Q 2003	2Q 2003	1Q 2003
Operating revenues	2,309	1,701	1,869	2,391	2,312	1,633	1,776	3,579
Personnel expenses	(265)	(254)	(236)	(268)	(311)	(187)	(215)	(266)
Other operating expenses	(1,458)	(1,004)	(1,121)	(1,591)	(1,677)	(968)	(1,122)	(2,663)
Restructuring costs	(13)	(2)	(7)	0	(57)	(4)	(8)	(13)
EBITDA	574	440	506	532	268	473	431	637
Depreciation	(146)	(242)	(238)	(235)	(280)	(232)	(230)	(217)
Operating profit	428	199	268	297	(13)	241	202	420
Profit from share investments and associated cos.	23	(4)	27	59	96	53	34	33
Profit before financial items	451	195	296	356	83	294	237	452
Net financial items	(155)	(100)	(159)	(190)	(153)	(208)	(224)	(222)
Profit before tax	296	95	137	166	(70)	86	13	230
Tax	(93)	(54)	(106)	(88)	45	(50)	(2)	(51)
Profit for the period	203	41	31	78	(24)	36	11	179
Majority's share of profit	199	37	27	74	(25)	35	6	172
Minority's share of profit	4	4	3	4	1	1	5	8
Earnings per share (in NOK)	1.02	0.19	0.14	0.38	(0.13)	0.18	0.03	0.88
BALANCE SHEET	31.12.04	30.09.04	30.06.04	31.03.04	31.12.03	30.09.03	30.06.03	31.03.03
Intangible assets	3,180	3,282	3,275	3,221	3,221	3,118	3,127	3,152
Fixed assets	11,515	11,499	11,581	11,696	11,975	12,139	12,323	12,420
Financial assets	1,408	1,319	1,407	1,521	1,587	1,776	1,818	1,807
Accounts receivable and inventory	2,355	1,953	2,126	2,712	3,043	1,968	2,067	3,211
Investments	494	469	485	421	455	488	381	369
Cash and cash equivalents	108	240	208	249	328	444	206	304
Total assets	19,059	18,762	19,082	19,820	20,609	19,933	19,921	21,263
Paid-in capital	4,276	4,276	4,276	4,275	4,275	4,346	4,346	4,273
Retained earnings	1,701	1,740	1,702	1,607	1,582	1,684	1,643	1,642
Allocations for provisions	335	299	360	290	462	274	280	518
Other long-term debt	8,385	8,410	8,356	9,992	11,282	11,678	11,790	10,876
Short-term liabilities	4,361	4,036	4,388	3,657	3,009	1,951	1,862	3,954
Total equity and liabilities	19,059	18,762	19,082	19,820	20,609	19,933	19,921	21,263
CASH FLOW ANALYSIS	4Q 2004	3Q 2004	2Q 2004	1Q 2004	4Q 2003	3Q 2003	2Q 2003	1Q 2003
EBITDA (operating profit before depreciation)	574	440	506	532	268	473	431	637
Change in net working capital	(803)	316	95	152	(432)	241	191	(87)
Cash flow from operating activities	(229)	756	601	684	(164)	714	622	550
Net operating investments	(77)	(113)	(83)	117	26	(40)	(60)	(86)
Acquired companies and expansion activities	0	(45)	(5)	(93)	(110)	1	0	(43)
Distributable CF from operating activities	(306)	598	513	708	(248)	675	562	421
Cash flow from share invest. before net purch./sales	3	3	39	4	64	6	24	44
Net share purchases/sales	16	111	21	36	309	33	28	36
Cash flow after share investments	(287)	712	573	748	125	713	615	501
Change in net interest-bearing debt (excl. bank)	180	(603)	(326)	(460)	(189)	(164)	(502)	63
Payment of financial items and taxes	(25)	(78)	(103)	(367)	(52)	(312)	(193)	(406)
Dividends — capital transactions	0	0	(184)	0	0	0	(18)	(3)
Cash flow after financial activities	(132)	31	(40)	(79)	(116)	238	(98)	155
Cash and cash equivalents at beginning of period	240	208	248	328	445	207	305	149
Cash & cash equivalents at close of period	108	240	208	249	328	445	207	305

Business segments - quarterly reporting

BUSINESS SEGMENTS	4Q 2004	3Q 2004	2Q 2004	1Q 2004	4Q 2003	3Q 2003	2Q 2003	1Q 2003
Network	1.005	764	854	890	852	805	784	1.103
Power Generation	180	184	186	143	177	175	195	126
Power Sales	877	518	636	1.107	1.086	508	677	2.198
Security	131	126	117	115	112	91	77	58
Contracting	210	183	172	163	229	149	165	171
Power Sales	12	(2)	(3)	3	(33)	(12)	5	39
Other activities	90	95	91	135	130	83	118	103
Elimination	(196)	(167)	(183)	(164)	(238)	(170)	(243)	(219)
Total operating revenues	2.309	1.700	1.869	2.391	2.315	1.630	1.777	3.579
Network	(634)	(437)	(431)	(527)	(585)	(404)	(517)	(558)
Power Generation	(48)	(51)	(41)	(34)	(45)	(53)	(49)	(32)
Power Sales	(813)	(513)	(636)	(1.036)	(1.072)	(491)	(668)	(2.181)
Security	(126)	(124)	(104)	(117)	(111)	(98)	(95)	(86)
Contracting	(163)	(162)	(166)	(166)	(215)	(147)	(139)	(165)
Power Sales	(4)	(4)	(1)	(5)	(5)	(3)	(4)	(3)
Other activities	(129)	(129)	(167)	(138)	(206)	184	(372)	(168)
Restructuring cost	(13)	(2)	(7)	0	(57)	(4)	(8)	(13)
Elimination	195	161	190	164	251	(144)	507	264
Total operating expenses	(1.735)	(1.260)	(1.363)	(1.859)	(2.046)	(1.160)	(1.344)	(2.942)
Network	371	327	422	363	267	401	267	545
Power Generation	131	134	145	108	131	122	146	94
Power Sales	64	4	0	71	14	17	9	17
Security	5	2	13	(2)	1	(6)	(18)	(28)
Contracting	47	21	6	(3)	14	2	25	6
Power Sales	8	(5)	(5)	(2)	(38)	(15)	1	36
Other activities	(39)	(33)	(76)	(3)	(78)	(19)	(13)	(19)
Other activities	(14)	(9)	0	0	(44)	(28)	14	(14)
Total EBITDA	574	440	506	532	268	473	431	637
Network	(73)	(172)	(172)	(174)	(172)	(176)	(175)	(164)
Power Generation	(7)	(9)	(11)	(9)	(56)	(13)	(12)	(12)
Power Sales	(18)	(18)	(18)	(18)	(20)	(19)	(19)	(20)
Security	(32)	(32)	(27)	(25)	(22)	(19)	(16)	(14)
Contracting	(8)	(5)	(5)	(6)	(8)	(4)	(4)	(3)
Power Sales	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Other activities	(7)	(4)	(5)	(3)	(1)	(2)	(2)	(4)
Other activities	0	0	0	0	(1)	0	0	0
Total depreciation	(146)	(242)	(238)	(235)	(280)	(232)	(229)	(218)
Network	298	155	251	189	95	225	92	381
Power Generation	124	125	134	100	75	110	134	82
Power Sales	46	(14)	(18)	52	(4)	(2)	(10)	(3)
Security	(27)	(30)	(14)	(27)	(21)	(25)	(34)	(42)
Contracting	39	15	1	(9)	6	(1)	21	3
Power Sales	7	(6)	(5)	(2)	(38)	(16)	1	36
Other activities	(45)	(38)	(80)	(6)	(79)	(22)	(14)	(25)
Other activities	(14)	(8)	0	0	(45)	(28)	13	(13)
Total operating result	428	199	268	297	(11)	241	203	419

Key figures

			2004 /	2003 /
	Note		as of 31 Dec.	as of 31 Dec.
Capital employed	1	(NOK million)	16,999	17,430
ROE (per annum)	2	%	6,0 %	-
CFROI (per annum)	3	%	11,8 %	-
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	39,20	35,50
Share price, Class B shares		NOK	38,30	34,50
Market capitalization		NOK billion	7,6	6,9
Earnings per share after tax (EPS)	4	NOK	1,73	1,00
Cash flow per share after tax	5	NOK	6,21	5,90
Equity ratio	6	%	31,3 %	28,6 %
P/E	7		21,6	33,9
P/CF	8		6,3	5,9
P/Book value	9		1,3	1,2

Definitions

Note

1. Equity + Gross interest-bearing debt
2. After-tax profit / Average equity
3. (EBITDA + Profit from share investments + Financial income – Taxes payable) / Average capital employed
4. Ordinary net profit after tax / Average number of shares
5. (Ordinary net profit after tax + Depreciation) / Average no. of shares
6. (Equity including minority interests * 100) / Total assets
7. Share price / Earnings per share
8. Share price / Cash flow per share
9. 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.