

SHAREHOLDERS' REPORT AT SECOND QUARTER 2002

To the shareholders of Hafslund ASA

(Comparable pro forma figures for 2001 in brackets.)

Results in the second quarter 2002

The group's operating profit excluding depreciation (EBITDA) in the second quarter was NOK 345 million (NOK 222 million). After depreciation the operating profit was NOK 129 million (NOK 3 million). The increase in the result is mainly due to improvements in operations within the business area End-User Sales and better underlying operations in the grid activities. Power generation in Norway was high this quarter (compared with the normal level), and the achieved sales prices were higher than the spot price for the period. Continued strong organic growth in the number of new domestic alarm customers along with the establishment of Hafslund Contracting AS with effect from 1 May contributed to a negative result for Hafslund Contracting and Security in this quarter.

The cash flow from operations, including share investments but before net financial expenses, was NOK -25 million (NOK 9 million). This includes a result of NOK -154 million from the group's collective share investments (NOK 6 million).

Result before taxes in the second quarter was NOK -199 million (NOK -192 million), while the result after taxes was NOK -167 million (NOK -174 million) corresponding to earnings per share of NOK -0.86 (NOK -0.89).

Hafslund Power Generation

EBITDA for Hafslund Power Generation in the second quarter was NOK 102 million (NOK 106 million), while the operating profit was NOK 90 million (NOK 91 million). Total investments in this quarter were NOK 8 million (NOK 9 million). The underlying operations at the power stations in Glomma have been good, with high production availability and a higher power output than the normal level. The price hedging agreements that have been made have given satisfactory sales prices in a quarter which has otherwise shown low spot prices. The business in the USA has had a hydropower output in this quarter somewhat over the normal level. However, the fact that the result is no better than the same period last year is principally due to non-recurring circumstances concerning both income and costs.

EBITDA for the Norwegian power generation business in the second quarter was NOK 91 million (NOK 94 million). The operating profit was NOK 83 million (NOK 83 million). The achieved sales price in this quarter was 13.6 øre/kWh (13.2 øre/kWh), while the average spot price was 11.9 øre/kWh (20.4 øre/kWh). Power output this quarter was 965 GWh (907 GWh), which is 12 per cent higher than the normal level. Controllable operation and maintenance costs have been reduced by NOK 2 million (15 per cent) compared to the corresponding level last year.

EBITDA for the power generation business in the USA in the second quarter was NOK 11 million (NOK 12 million). The operating profit was NOK 7 million (NOK 8 million). Hydropower generation this quarter was 29 GWh, which is 7 per cent more than the normal level (22 GWh). As a result of low power prices and high fuel costs, the biomass plant in Greenville has only been in operation in June. Improvement projects have been implemented for the plant, and are expected to show positive effects on the result from the third quarter.

Hafslund Infrastructure

EBITDA for Hafslund Infrastructure in the second quarter was NOK 273 million (NOK 220 million). Operating profit this quarter was NOK 101 million (NOK 40 million). Total investments this quarter were NOK 90 million (NOK 135 million).

With effect from 1 May, the contracting activities were transferred to a separate company, Hafslund Contracting AS. From the same date, this company is reported as part of the business area Hafslund Contracting and Security.

The underlying operations this quarter have been positive and are characterised by a better coordinated investment and maintenance activity. Total investments have been reduced by 33 per cent compared to the same quarter last year. An annually income ceiling off NOK 2,092 million are allocated with respectively 29.4 percent in the first quarter and 22.5 percent in the second quarter.

NOK 2 million has been incorporated into the result from the group's minority investments, including from Viken Fjernvarme (33 per cent) and Mjøs kraft (49 per cent).

Hafslund End-User Sales

EBITDA for Hafslund End-User Sales in the second quarter was NOK 31 million (NOK -70 million). The operating profit for this quarter was NOK 11 million (NOK -94 million).

The increase in the result is mainly due to improvements in the operations. The reduction in volume sold resulting from a mild quarter does however diminish this improvement somewhat compared to the same quarter last year. Total sales of power to the end-user market this quarter were reduced by 11 per cent and amounted to 3,028 GWh (3,388 GWh). At the end of the quarter, the business area has approximately 622,000 customers in the mass market. This includes a reduction of 9,000 linked to Økokraft's sale of end-user customers to Eidsiva Energi. The figure does not comprise customers in companies where Hafslund owns less than 50 per cent.

In addition, NOK 2 million has been incorporated into the result from minority investments.

Hafslund Contracting and Security

EBITDA for Hafslund Contracting and Security in the second quarter was NOK -9 million and the operating result was NOK -16 million. Total investments this quarter were NOK 24 million.

Hafslund Contracting AS was established with effect from 1 May by the transfer of the resources from the grid activities in the group. Comparable results for 2001 and the year's first four months have not been compiled but are included as part of the reporting from Hafslund Infrastructure. The company has around 630 employees and its strategy is to supply amenities on current market terms for maintenance, development and services to grid companies, power producers and other business activities.

EBITDA within the security sector was NOK -11 million in the second quarter. This quarter is still affected by strong organic expansion, and the number of domestic alarm customers increased by 35 per cent.

Hafslund Services

EBITDA for Hafslund Services in the second quarter was NOK -13 million and the operating loss was NOK -16 million. The business area was formed on 1 January and comparable figures for 2001 have not been compiled but are included as part of the results for the individual business areas. Hafslund Services' business concept is to be the group's cost-efficient and competitive supplier of services in the fields of metering, settlement of accounts and invoicing. It will also be a customer centre for the grid and end-user sales business. In addition, the business area will provide support functions such as ICT, accounting etc. to other parts of the group.

Hafslund Investments

EBITDA for Hafslund Investments in the second quarter (including the result from share investments) was NOK -174 million (NOK -7 million). The operating loss this quarter was NOK -16 million (NOK -13 million), which includes a positive result from the power trading activities. However, the business area's total result is diminished due to allocations to loss linked to receivables in the share investments profit area.

The result from share investments in the second quarter was NOK -158 million (NOK 6 million). The result from the financial marketable securities portfolio was NOK -144 million (NOK -10 million), corresponding to a rate of return of -29.9 per cent. As a comparison, the OSEBX index on the Oslo Stock Exchange had a rate of return of -17.1 per cent. Due to a reduction in the portfolio, it has been less relevant to compare the rate of return with the OSEBX-index. Marketable securities have been reduced by NOK 202 million during this quarter and have a cost price of NOK 525 million and an unrealised loss of NOK 140 million at the end of the quarter. The result from long-term investments was NOK -14 million (NOK 16 million) and includes write-downs of the venture portfolio of NOK 29 million.

Other business areas

Other business areas include corporate staff, Hafslund Manor and Agriculture. The operating result for the second quarter was NOK -25 million (NOK -21 million).

Important transactions

• A long-term loan of EURO 500 million

An agreement on taking up a loan of EURO 500 million was entered into in July 2002. The loan was well received in the market and resulted in an over-subscription and downscaling of the amounts the participating banks original subscribed for. The loan facility has a term of five years and will be used for refinancing existing debts and for the general financing of operations.

• Sale of shares in Elverum Energiverk Nett (49 per cent)

With effect from 30 June, the group's 49 per cent ownership share in EEV was sold to Eidsiva Energi. At the same time, the buyer took over approximately 9,000 of a total of around 62,000 end-user customers from Økokraft AS, where Hafslund has an ownership share of 75 per cent. The total purchase price of NOK 163 million will be settled on 1 October 2002 and had no effect on the result.

• Share programme for employees

In May the group carried out the sale of 389,590 of its own Hafslund B shares in connection with a general share purchase scheme for the employees in the group. A total of 757 employees took advantage of the scheme.

Balance sheet as of June 2002

At the end of the second quarter, Hafslund has a total capital of approximately NOK 20.3 billion and an equity ratio of 26.7 per cent.

Net interest-bearing debt as of 30 June 2002 was NOK 11.6 billion, an increase of NOK 0.2 billion from the turn of the year.

Hafslund ASA's share capital is NOK 195,223,448 divided into 115,464,944 class A shares and 79,758,504 B shares of NOK 1. The price on the Oslo Stock Exchange as of 28 June 2002 was NOK 39.0 for A shares and NOK 28.0 for B shares. The price as of 31 December 2001 was NOK 33.50 for A shares and NOK 30.50 for B shares.

At the end of the second quarter the group has 4,077,197 of its own B shares, the total cost price of these being NOK 111.7 million.

Oslo, 19 August 2002

HAFSLUND ASA
The Board of Directors

MAIN FIGURES – SECOND QUARTER 2002 (The accounts are unaudited)**PROFIT/LOSS FOR THE GROUP AT SECOND QUARTER 2002**

NOK mill.	2 nd Qtr 02	2 nd Qtr 01*	1 st half 02	1 st half 01*	2001*
Operating revenues	1,422	1,599	3,517	3,753	7,377
Operating expenses	1,077	1,377	2,704	3,141	6,094
EBITDA	345	222	813	612	1,283
Depreciation	216	219	427	441	880
Operating profit	129	3	386	171	403
Income from share investments and associated companies	-154	6	-58	67	-97
Income before financing costs	-25	9	328	238	306
Net financing costs	-174	-201	-382	-418	-835
Income before taxes	-199	-192	-54	-180	-529
Taxes	32	18	-45	-101	-93
Period's income after taxes	-167	-174	-99	-281	-622
Profit/loss attributable maj. interests	-156	-172	-92	-282	-619
Profit/loss attributable min. interests	-11	-2	-7	1	-3
Earnings per share (NOK)	-0.86	-0.89	-0.51	-1.44	-3.17
No. of shares (in 1,000) used in compute of EPS	195,223	195,223	195,223	195,223	195,223

BUSINESS SEGMENTS

NOK mill.	2 nd Qtr 02	2 nd Qtr 01	1 st half 02	1 st half 01*	2001*
Hafslund Kraftproduksjon (Gen.)	148	154	262	294	596
Hafslund Infrastruktur (Infrastructure)	665	681	1,542	1,657	3,210
Hafslund Kraftomsetning (End-User)	536	814	1,639	1,935	3,429
Hafslund Entreprenør og sikkerhet (Contracting & Security)	140	-	180	-	84
Hafslund Investeringer (Investments)	10	-6	32	-14	37
Hafslund Tjenester (Services)	86	-	143	-	-
Other /elimination	-163	-44	-281	-119	21
Total operating revenues	1,422	1,599	3,517	3,753	7,377
Hafslund Kraftproduksjon (Gen.)	90	91	157	168	340
Hafslund Infrastruktur (Infrastructure)	101	40	329	275	441
Hafslund Kraftomsetning (End-User)	11	-94	35	-150	-146
Hafslund Entreprenør og sikkerhet (Contracting & Security)	-16	-	-27	-	-2
Hafslund Investeringer (Investments)	-16	-13	-7	-55	-100
Hafslund Tjenester (Services)	-16	-	-40	-	-
Other /elimination	-25	-21	-61	-67	-130
Total operating profit	129	3	386	171	403

*Pro forma figures

CONSOLIDATED BALANCE SHEET

NOK mill.	30.06.2002	31.03.2002	31.12.2001
Intangible assets	3,253	3,165	3,114
Fixed assets	12,054	11,768	11,905
Financial assets	2,208	2,601	2,484
Current assets	2,740	4,249	4,288
Total assets	20,255	21,783	21,791
Shareholder equity	5,402	5,826	5,720
Provisions for liabilities & charges	600	691	825
Long-term liabilities	6,826	8,077	8,055
Short-term liabilities	7,427	7,189	7,191
Total liabs. & shareholder equity	20,255	21,783	21,791

STATEMENT OF CASH FLOW FOR THE GROUP

NOK mill	2 nd Qtr 02	1 st half 02
Net income	-167	-99
Cash flow other operations	-180	433
Net cash operations	-347	334
Net cash investment activities	-410	-562
Net cash financial activities	-139	-505
Net change in cash and cash equivalents	-897	-733
Cash and cash equivalents at beginning of period	1,257	1,093
Cash and cash equivalents at end of period	360	360

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