Annual Report 2022

Lyse

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Financial key figures for Lyse

FROM THE STATEMENT OF PROFIT AND LOSS

			2022	2021	2020	2019	2018
Operating revenues*		NOK mill.	30 219	15 799	7 930	9 230	10 268
EBITDA	(1)	NOK mill.	15 308	7 753	2 616	3 564	3 978
Operating result (EBIT)	(2)	NOK mill.	12 495	5 887	1 042	2 090	2 670
Unrealised changes in value, financial instruments		NOK mill.	-138	-674	-304	276	-398
Non-recurring items, EBITDA		NOK mill.	0	0	0	-35	0
Non-recurring items (-), reversal impairment (+)		NOK mill.	-98	0	96	35	15
Operating result (EBIT) underlying operations	(3)	NOK mill.	12 732	6 561	1 250	1 814	3 053
Net financial items		NOK mill.	645	401	425	401	270
Profit after tax		NOK mill.	2 448	2 137	354	928	1 064

FROM THE STATEMENT OF FINANCIAL POSITION

			2022	2021	2020	2019	2018
Total assets		NOK mill.	69 037	55 820	51 163	33 539	31 903
Of which is PP&E and investments in companies	(4)	NOK mill.	33 751	29 156	27 662	23 605	21 485
Cash and cash equivalents	(5)	NOK mill.	8 862	6 466	4 106	4 718	5 105
Equity		NOK mill.	21 016	20 709	19 578	9 967	9 153
Gross interest-bearing debt, incl. financial leases	(6)	NOK mill.	21 656	17 933	17 924	15 968	14 402
Of which is subordinated loans		NOK mill.	1 662	1 792	1 921	2 051	2 138
Net interest-bearing liabilities, incl. financial leases	(7)	NOK mill.	12 794	11 467	13 817	11 250	9 298
Capital employed	(8)	NOK mill.	33 810	32 176	33 395	21 217	18 451

CASH FLOWS

			2022	2021	2020	2019	2018
Net cash flow from operations		NOK mill.	14 654	7 256	1 887	1 790	3 498
Net interest costs		NOK mill.	500	408	411	416	351
Dividends paid to shareholders		NOK mill.	744	663	627	562	511
Net investments in non-current assets (excl. right of use assets, licences and SAC)		NOK mill.	3 782	2 922	3 161	2 334	2 472
Net investments in ownership interests	(9)	NOK mill.	3 038	56	315	239	-603
Cash and cash equivalents	(5)	NOK mill.	8 862	6 466	4 106	4 718	5 105
Unused drawing rights		NOK mill.	3 633	1 800	1 800	1 800	1 800

FINANCIAL ITEMS

			2022	2021	2020	2019	2018
Net interest-bearing liabilities / EBITDA			0,8	1,5	5,3	3,2	2,3
Funds from operations (FFO)	(10)	NOK. Mill	10 053	4 902	1 837	2 468	2 378
EBITDA interest coverage	(11)		22,7	17,4	5,7	6,8	9,0
FFO interest coverage	(12)		14,9	11,0	4,0	4,7	5,4
FFO / Net interest-bearing liabilities		%	78,6 %	42,7 %	13,3 %	21,9 %	25,6 %
Gross interest-bearing debt - equity ratio	(13)	%	50,7 %	46,4 %	47,8 %	61,6 %	61,1 %
Equity ratio	(14)	%	30,4 %	37,1 %	38,3 %	29,7 %	28,7 %
Equity ratio – taking into account subordinated loans	(15)	%	32,8 %	40,3 %	42,0 %	35,8 %	35,4 %

KEY FIGURES, CONSOLIDATED FINANCIAL STATEMENTS

			2022	2021	2020	2019	2018
EBITDA margin*	(16)	%	50,7 %	49,1 %	33,0 %	38,6 %	38,7 %
EBIT margin*	(17)	%	41,3 %	37,3 %	13,1 %	22,6 %	26,0 %
Return on equity	(18)	%	11,7 %	10,6 %	2,4 %	9,7 %	11,8 %
Return on average capital employed	(19)	%	37,9 %	18,0 %	3,8 %	10,5 %	14,2 %

KEY FIGURES, ENERGY

			2022	2021	2020	2019	2018
Average production	(20)	GWh	9 721	10 075	5 921	5 921	5 921
Water reservoir capacity		GWh	6 803	6 803	5 249	5 249	5 249
Hydropower production	(21)	GWh	7 974	10 353	6 004	4 579	7 524
Area price NO2		øre/kWh	212,77	76,23	9,80	38,66	41,55
Actual price attained (incl. hedging)		øre/kWh	180,00	67,92	18,90	42,73	41,02
Electricity supply, end-user		GWh	2 278	2 529	2 536	2 622	2 798
Supplied volume natural gas, biogas and fuel (incl. internal deliveries)		GWh	412	612	551	519	554
Supplied volume district heating and district cooling		GWh	175	193	171	174	174

KEY FIGURES, TELECOMMUNICATIONS

			2022	2021	2020	2019	2018
Capital employed	(8)	NOK mill.	20 741	10 726	10 635	8 523	7 850
EBITDA	(1)	NOK mill.	2 728	2 123	1 672	1 449	1 276
EBITDA margin	(16)	%	36,6 %	41,0 %	36,9 %	37,3 %	36,4 %
Carrying value PP&E and equity accounted investments		NOK mill.	14 044	10 197	9 603	8 129	7 024
Number of kilometres of fibre optic network		km	70 083	61 298	52 212	42 370	37 855
Number of active optic customers in the Altibox partnership			828 881	784 918	708 913	625 265	536 280
Number of active customers owned by Lyse	(22)		513 606	491 545	445 158	386 759	339 870
Number of smartphone subscribers**			757 305	0	0	0	0
Number of mobile broadband subscribers**			57 453	0	0	0	0
Number of base stations**			3 303	0	0	0	0

KEY FIGURES, POWER GRID

			2022	2021	2020	2019	2018
Number of electricity grid customers			162 300	159 902	158 508	153 706	145 595
Supplied energy (total consumption in the area)		GWh	4 699	5 300	5 110	4 914	5 931
Power grid capital (NVE capital) used as a basis in revenue cap		NOK mill.	4 857	4 387	4 168	3 790	3 509
Return on NVE capital		%	4,8%	3,7%	7,5%	5,0%	5,1%
Measured efficiency (NVE efficiency) distribution grid		%	98,1 %	96,3 %	91,4 %	93,5 %	102,3 %
Measured efficiency (NVE efficiency) regional and central grid		%	116,6 %	133,1 %	127,3 %	120,3 %	104,8 %
KILE costs		NOK mill.	26	23	19	23	22

SHAREHOLDERS

			2022	2021	2020	2019	2018
Subordinated loans from shareholders (municipalities)		NOK mill.	1 600	1 700	1 800	1 900	2 000
Interest and instalments, subordinated loans		NOK mill.	170	144	148	171	165
Dividends/shareholder withdrawals		NOK mill.	650	630	600	550	500
Proposed dividend***		NOK mill.	1 100	650	630	600	550
Proposed dividend per share		NOK	1 090	644	624	595	545
Earnings per share	(23)	NOK	1 342	1 345	287	886	1 008

* The group has re-assessed the accounting principles related to the purchase of power to cover concession power obligation deliveries and power deliveries under bilateral agreements and whether it should be presented gross or net. Lyse decided to change from a gross to a net presentation within the profit and loss statement, see note 2 for more details. Key figures for 2021 are recalculated to reflect these changes.

** Related to the acquisition of Ice in 2022. Comparative figures are therefore not available. See note 4 for further details.

*** Proposed dividend includes a subordinated loan of NOK 400 million.

	Definitions:	
(1)	EBITDA	Operating profit/ loss before depreciation and amortisation
(2)	EBIT	Operating profit/loss
(3)	EBIT, underlying operations	Operating profit/loss adjusted for unrealised changes in value of financial instruments, material non-recurring items and impairments
(4)	PP&E and investments companies	Including tangible fixed assets, right-of-use assets, equity accounted investments and other non-current financial assets
(5)	Cash and cash equivalents	Including short term financial positions
(6)	Gross interest-bearing debt	Non-current and current loans, including financial lease obligations
(7)	Net interest-bearing liabilities	Gross interest-bearing liabilities less cash and cash equivalents (incl. short term financial positions)
(8)	Capital employed	Equity + net interest-bearing liabilities
(9)	Investments in ownership interests	Sale and purchase of shares, and receipt and payments of subordinated loans to associated companies and joint ventures
(10)	Funds from operations (FFO)	EBITDA less paid interest and tax payable in current year
(11)	EBITDA interest coverage	EBITDA/interest costs
(12)	FFO interest coverage	FFO/interest costs
(13)	Interest-bearing debt ratio	Gross Interest-bearing liabilities / (gross interest-bearing liabilities + book equity)
(14)	Equity ratio	Equity/total assets
(15)	Equity ratio – taking into account subordinated loans	Total equity + subordinated shareholders' loans/total assets
(16)	EBITDA margin	EBITDA/operating income
(17)	EBIT margin	EBIT/operating income
(18)	Return on equity	Profit/loss as % of average equity – result for the last 12 months
(19)	Return on average capital employed	Operating profit/loss as % of average capital employed – result for the last 12 months
(20)	Average production	Average production in the last 10 years (changed from 30 years to 10 years in 2022)
(21)	Hydropower generation	Generation of hydropower (GWh) measured at outgoing generation terminal
(22)	Number of active customers owned by Lyse	Including subsidiaries and joint ventures owned by Lyse in Norway
(23)	Earnings per share	Profit/loss allocated to shareholders/no. of shares in the Company

Sustainability key figures for Lyse

SOCIAL DISCLOSURES

HEALTH AND SAFETY

		Unit	31.12.22	31.12.21
Injuries				
Employees - absence injuries	(1)	Number	5	1
Employees - injuries	(2)	Number	9	5
Accidents per million working hours with absence (H1 value)	(3)	H1-value/LTI-rate	1,77	0,52
Accidents per million working hours without absence (H2 value)	(4)	H2-value/TRI-rate	4,96	3,13
Absence due to illness in total	(5)	**%**	**4,18**	**3,57**
- Hereof doctor-certified		%	2,95	2,85
- Hereof self-certified		%	1,23	0,72

EMPLOYEE RATIO

		Unit	31.12.22	31.12.21
Total number of permanent and temporary employees		Number	1 936	1 473
Number of temporary employees		Number	39	20
Number of full-time employees		Number	1 814	1 428
Number of part-time employees		Number	122	45
Number of summer job employees in the period		Number	49	51
Number of graduates in the period		Number	1	5
Number of apprentices in the period		Number	32	22
New hires in the period		Number	480	191
Internal mobility	(6)	Number	74	95
Turnover	(7)	%	8,31	8,79
Seniority	(8)	Year	7,8	9,1
Share of employees who achieve stipulated upper age limit within 5 years	(9)	%	1,37	1,94
Share of employees who achieve stipulated upper age limit within 6-10 years	(9)	%	6,53	6,14
Union density	(10)	%	31,7	45,7

EMPLOYEE RATIO CONT.

		Unit	31.12.22	31.12.21
Equality				
Percentage of women				
- In total		%	31,53	29,80
- Among management positions	(11)	%	33,86	34,21
- In the Group Management		%	50,00	50,00
- In the Group Board		%	50,00	50,00
- Among new hires		%	41,25	31,94
- Among full-time employees		%	31,08	29,05
- Among part-time employees		%	38,52	53,33
- Among permanent employees		%	31,13	29,87
- Among temporary employees		%	51,28	25,00
Average parental leave - women		Number of weeks	18,67	21,57
Average parental leave - men		Number of weeks	10,20	12,97
Involuntary part-time among part-time employees - women	(12)	%	4,30	0,00
Involuntary part-time among part-time employees - men	(12)	%	0,00	0,00
Equal salary				
Salary ratio among all employees	(13)	Ratio	0,86	0,88
Salary ratio among management	(14)	Ratio	0,90	0,88

VIOLATION OF LAWS AND REGULATIONS

		Unit	31.12.22	31.12.21
Non-compliance with environmental laws and regulations		Number	0	0
Non-compliance with laws and regulation in the social and economic area		Number	0	0
Confirmed incidents of corruption		Number	0	0
Confirmed incidents of discrimination		Number	0	0
Registered personal data security breaches	(15)	Number	6	3

ENVIRONMENTAL DISCLOSURES

ENERGY CONSUMPTION

		Unit	31.12.22	31.12.21
Electricity consumption		GWh	73	46
Pumped storage		GWh	180	57
Grid loss		%	4,3	4,5
District heating		MWh	77	321
Natural gas		GWh	38	58
Biogas		GWh	27	21
Diesel		Liter	320 632	352 629
Gasoline		Liter	10 892	4 267

CLIMATE

		Unit	31.12.22	31.12.21
Scope 1: Direct emissions		**tCO2e**	**10 624**	**15 094**
- Gasoline	(16)	tCO2e	25	10
- Diesel	(16)	tCO2e	863	949
- Natural gas	(16)	tCO2e	8 864	13 445
- Leak SF6 gas	(17)	tCO2e	268	81
- Leak natural gas	(18)	tCO2e	0	114
- Leak refrigerants	(19)	tCO2e	604	494
Scope 2: Indirect emissions, energy consumption		**tCO2e**		
- Electricity consumption - market based	(20)	tCO2e	6	0
- Electricity consumption - location based	(21)	tCO2e	804	513
- District heating	(22)	tCO2e	0	0
Scope 3: Other indirect emissions		**tCO2e**	**77 290**	**120 291**
- Sold natural gas		tCO2e	76 826	120 190
- Business travels	(23)	tCO2e	464	102
Biogenic emissions	**(24)**	**tCO2e**	**8 693**	**7 711**
- Biogas consumption		tCO2e	5 262	4 232
- Sold biogas		tCO2e	3 430	3 479

BIODIVERSITY

		Unit	31.12.22	31.12.21
Spawning Stock Targets (SST)	(25)			
Årdalselva in Hjelmeland		% of SST	236	342
Lyseelva in Sandnes		% of SST	240	138
Jørpelandselva in Strand		% of SST	469	448
Espedalselva in Sandnes		% of SST	449	228
Frafjordelva in Gjesdal/Forsand		% of SST	1 118	569

POWER- AND DISTRICT HEATING PRODUCTION

		Unit	31.12.22	31.12.21
Installed capacity - power generation		**MW**	**2 513**	**2 390**
- Hereof hydropower		MW	2 510	2 387
- Hereof other		MW	3	3
Installed capacity - thermal production		**MW**	**182**	**191**
- District heating		MW	95	95
- District cooling		MW	45	48
- Local heating		MW	42	48
Production - power generation		**GWh**	**7 973**	**10 363**
- Hereof hydropower		GWh	7 962	10 353
- Hereof other		GWh	11	10
Production - thermal production		**GWh**	**209**	**223**
- District heating		GWh	139	150
- District cooling		GWh	17	16
- Local heating		GWh	53	57
Renewable energy production from power and thermal production		**%**	**99,4**	**99,5**

ECONOMIC DISCLOSURES

CONTRIBUTION TO SOCIETY

		Unit	31.12.22	31.12.21
Gross operating revenues		NOK millions	31 127	16 797
Unrealised changes in the value of energy contracts		NOK millions	-929	-998
Paid to suppliers for good and services		NOK millions	-10 285	-5 262
Gross value added		**NOK millions**	**19 913**	**10 538**
Depreciation and impairment		NOK millions	-2 813	-1 866
Other operating expenses		NOK millions	-2 322	-1 394
Net value added		**NOK millions**	**14 779**	**7 278**
Financial income		NOK millions	342	87
Net gain from sale of business		NOK millions	20	0
Share of profit from associates		NOK millions	22	19
Value for distribution		**NOK millions**	**15 163**	**7 384**
DISTRIBUTION OF VALUE GENERATED				
Employees				
- Gross salaries and social benefits		NOK millions	1 524	1 145
Lenders / owners				
- Financial costs		NOK millions	1 009	507
- Dividend		NOK millions	1 100	650
The public sector*				
- Profit tax		NOK millions	2 731	1 205
- Resource rent tax		NOK millions	6 672	2 144
- Regulatory fees		NOK millions	780	246
Net distributed values employees, lenders, owners and the public sector		**NOK millions**	**13 815**	**5 897**
The company				
Retained values		NOK millions	1 488	1 432
Non-controlling interest's share of result		NOK millions	-140	55
Net distributed values company		**NOK millions**	**1 348**	**1 487**
Distributed values		**NOK millions**	**15 163**	**7 384**
Reconciliation of profit allocated to non-controlling interests		**NOK millions**	**1 094**	**780**
- Non-controlling interests power consumption		NOK millions	1 234	725
- Other non-controlling interests		NOK millions	-140	55
Indirect value creation				
Proportion of spending on local suppliers	(26)	%	26,0	21,0

* NOK 2 670 million of profit tax, resource rent tax and regulatory fees is the non-controlling interest's share

Definitions:

(1) Work-related injuries which have resulted in absence extending beyond the day of the injury

(2) Work-related injuries, with and without absence. Includes injuries which resulted in absence, medical treatment or need for alternative work assignments

(3) H1 injuries are the sum of the number absence injuries and the number of deaths. The H1 value is calculated as follows: Number of absence injuries + number of deaths * 1,000,000 hours / Number of hours worked

(4) H2 injuries are covered by the total number of deaths, work-related personal injuries and injuries without absence which: a) led to medical treatment (not first aid injuries) or b) reduced ability to work and / or the need for relocation to alternative work. The H2 value is calculated as follows: Number of absence injuries (incl. death) and number of injuries without absence (see above) * 1,000,000 hours / (divided by) total number of hours worked

(5) Absence due to illness or injury as a percentage of normal working hours

(6) Number of new hires where existing employees moved to a new position within the group

(7) Turnover: number of employees leaving, divided by the average number of employees in the same period, multiplied by one hundred (not including retirement or internal relocation)

(8) Seniority: Number of years a person has been employed by the Lyse Group (including internal relocation)

(9) The upper age limit in Lyse is 70 years

(10) Percentage of employees organised in a trade union

(11) Management positions include the employees who are part of the Group Executive Management and the employees who are part of the management group within each company in the Group

(12) A survey among the part-time employees has been conducted. Response rate was 19%

(13) Average salary for women in relation to average salary for men

(14) Average salary for women in relation to average salary for men among managers.

(15) Registered breaches of personal data security that have resulted in a report to the Norwegian Data Protection Authority (Datatilsynet)

(16) Including CO_2, CH_4 and N_2O using GHG Calculation Tool Stationary Combustion

(17) Global Warming Potential value from IPCC Sixth Assessment Report (2021). Refilled gas in Lnett

(18) Calculated as methane emissions with Global Warming Potential value from IPCC Sixth Assessment Report (2021)

(19) Calculated using the GHG Protocols RAC Tool

(20) 100% percent covered by guarantees of origin in 2021. In 2022, the entire group is covered by guarantees of origin with the exception of the subsidiary in Denmark.

(21) Calculation based on conversion factors from The Norwegian Water Resources and Energy Directorate (NVE) for Norway (factor from 2021) and the European Environment Agency (EEA) for Denmark (factor from 2021)

(22) The district heating supplied by Lyse is considered climate neutral as only heat recovery and biogas are used in production, including CO_2

(23) Includes flights in Lyse that are registered via Lyse's travel agency and trips booked by employees of Altibox Denmark and Ice

(24) Emissions from biogenic sources. Calculated using GHG Calculation Tool Stationary Combustion

(25) The spawning stock target (SST) is a management target set by the Scientific Council for Salmon Management. We use SST for salmon as an indicator of the condition of the salmon stock affected by our hydro power regulation. SST is the amount of female salmon needed in the river when spawning to produce maximum smolts. A stock larger than SST is thus good and shows that there is a harvestable surplus in the watercourse. The target is decided by the river area and assumptions about the productivity of the river. Please note that there are several other factors affecting the SST as it is also dependent on river and survival in sea. The survival in sea is not affected by Lyse’s activities.

(26) Only companies with head offices in the owner municipalities are included in the calculation. Includes all suppliers. Considered local if the registered address in Brønnøysund is linked to our owner municipalities. With this definition, for example, the audit costs are not considered local even if we use a Stavanger office as the company is registered with an address in Oslo

Board of directors' report

2022

Lyse is a Norwegian group with operations within renewable energy and telecommunications

The Lyse group is a national player in renewable and regulated hydropower and is the country's fourth largest hydropower producer. Lyse has long been a driving force behind the development of robust digital infrastructure. Through the nationwide Altibox partnership, the group delivers broadband and entertainment services to a significant proportion of the population and through the mobile operator Ice we are building Norway's third 5G mobile network.

Regionally in South Rogaland, Lyse has developed the country's most diversified and complete infrastructure for electricity, bio and natural gas, district heating and cooling, as well as fiber broadband. As a national telecommunications player, the group owns a nationwide fiber network and mobile network for 4G/5G, and has ownership interests in several sea fiber cables to abroad that ensure good digital connections in and out of Norway. Good availability and high delivery security are prioritised.

The group is wholly owned by 14 municipalities in South-Rogaland, and our value creation goes back to the community. Our owner municipalities are based on long-term industrial ownership and have expectations of the company as a community builder with a regional strategic perspective and satisfactory profitability.

ACTIVITIES IN 2022

Important events

- In 2022, Lyse's telecommunications business became a complete telecommunications operator with services in both fixed and mobile network through the purchase of all the shares in Ice Group Scandinavia Holding AS. The purchase included assets and shares belonging to the business of Ice - including all the shares in Ice Communication Norge AS, Phonepartner Norge Holding AS and Ice Retail Holding AS. Through this acquisition, and growth in the number of fiber customers, Lyse's telecommunications business saw revenue growth of 44% in 2022. Lyse's telecommunications business delivers services to over 1.5 million customers on fixed internet and mobile at the end of the year.

- 2022 was characterised by the war in Ukraine and increased geopolitical risk. This has led to fears of energy shortages in Europe and a sharp increase in energy prices, including the market prices for hydropower in Lyse's price area in southern Norway (NO2). The high power prices have again resulted in significant increase in taxation which the government introduced at the end of September. The tax increases entailed an increase in resource rent tax of 8 percentage points, as well as a high price contribution of 23% on power prices above 70 øre/KWh. This entails a massive transfer of value from our municipal owners to the state at the same time as the marginal tax for hydropower in Norway, which is now over 90%, is higher than the marginal tax for the oil industry.

- In October, Lyse decided to postpone the announced upgrade investment in the Røldal Suldal power plants for the time being. This is as a consequence of the introduced high price subsidy, which significantly weakens the profitability of impact investments.

- Lyse is well positioned for the development of offshore wind through collaboration with Shell and Eviny. The consortium has an ambition to apply for permits in both announced areas in the North Sea, Southern North Sea 2 and Utsira North.

- The Altibox partnership continued its growth in 2022 and at the end of 2022, Lyse's wholly owned subsidiary Altibox delivered broadband and entertainment services to 828,881 customers. During the year, the Altibox partnership has achieved the position as Norway's largest supplier of both fixed internet and TV distribution services.

- In 2022, Altibox started work on a new main fiber connection between east and west through a powerful fiber cable from Stavanger to Oslo. This will be put into operation in autumn 2023.

- The wholly owned subsidiary Ice had good customer growth in 2022. At the end of 2022, Ice had 757,305 mobile customers and is number three in the Norwegian mobile market.

- June 2022, Lyse adopted a plan for further investments in the development of our national 5G network, Norway's third mobile network.

- In 2022, the group established a cell tower company to build locations for 5G. In Tårnselskapet, 23 broadband partners in the Altibox partnership have joined together to deliver towers to base stations that will support our national 5G mobile network. The base stations are connected to the Altibox partnership's nationwide fiber network and will provide a very high mobile coverage throughout the country.

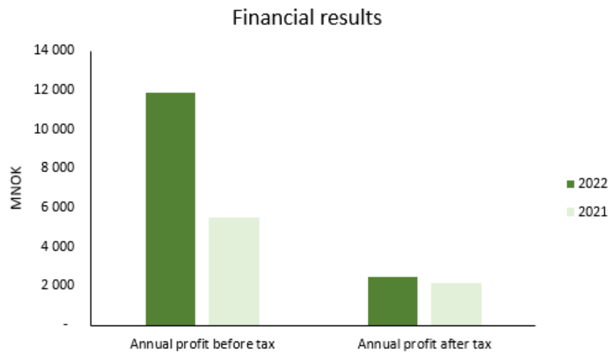
- A new electricity grid rental model was introduced by Lnett from the second half of the year.

- Lnett's new office building in the center of Sandnes is built in solid wood and received the environmental classification BREAAM-NOR Outstanding in 2022.

- In April 2022, Lyse paid out 650 million in dividends based on the set annual accounts for 2021. This is an increase of 20 million from 2021.

Financial perfomance

In 2022, the annual profit before taxes was NOK 11,850 million, compared to NOK 5,486 million in 2021. After taxes, the year's net profit amounted to NOK 2,448 million, compared to NOK 2,137 million the previous year. Of this, NOK 1,354 million goes to the majority owners, compared to NOK 1,357 million in 2021.



The operating profit for the energy business of 11,858 million is 6,880 million higher than in 2021.

The group's annual result is characterised by high power prices, while at the same time a significant tax increase means that most of the price increase is transferred to the government in the form of taxes. The average spot price for the year (NO2) was 212.8 øre/kWh for 2022, compared to 76.2 øre/kWh in 2021. The actual average power price achieved (including hedging) in 2022 was 180.0 øre/kWh, compared to 67.9 øre/kWh in 2021.

Hydropower production ended in 2022 at 8.0 TWh (billion kilowatt hours) compared to 10.4 TWh in 2021. Little water in the reservoirs at the start of the year combined with a dry first half of the year and a last half of the year with water rationing explains the decline in production. Average production in the group is 9.8 TWh, of which 7.1 TWh is Lyse's share. The remaining share mainly belongs to Hydro.

The areas gas/biogas and district heating/district cooling delivered a negative result from ordinary operations in 2022. Significantly increased cost of goods in the form of higher gas prices negatively affected the result within gas/biogas. In addition, there was a write-down of the gas land network in Lyse Neo of NOK 98 million. The electricity sales area also achieved a negative result in 2022. Reduced margin towards customers and loss of fixed price contracts is the main explanation. Measures have been implemented to improve results in both areas in 2023.

The telecommunications business continues to grow and has strengthened its market position during 2022. On the fiber side through organic customer growth and some minor acquisitions. In addition with the purchase of mobile operator Ice, Lyse has now established us as a full-fledged telecoms operator. At the end of the year, the business had 828,881 broadband customers (on own and partners' fibre), and at the end of the year Ice had 757,305 mobile customers and 57,453 mobile broadband customers.

The operating profit for the telecommunications business in 2022 amounted to NOK 758 million, which is a reduction of NOK 197 million from 2021. The fiber part on its own had seen an improvement in the operating profit compared to 2021, but the inclusion of Ice reduced result for the year.

The operating result for the electricity network business in 2022 was NOK 222 million, an improvement of NOK 57 million from 2021. 2022 was in many ways a special year for the electricity network business as well. Increased costs for grid losses and increased feed-in costs lead to a significant increase in the total costs for Lnett. At the same time, at the end of the year, Lnett received a share of the congestion revenue from Statnett which partially compensated for the increased costs. The operating situation was stable in 2022, and the interruption costs were a modest NOK 25.7 million. This is a small increase from 2021, where the corresponding amount was NOK 23 million.

Other activities include support functions in Lyse AS and Lyse Dialog, as well as Lyse Lux, Lyse Agon, Lyse Elkon, Lyse Vekst and Lyse property companies. Lyse AS had a reduction in operating profit in 2022 compared to 2021. This is due to the reorganisation of support functions and increased investments in support systems. Lyse Lux, Lyse Vekst and Lyse's property companies have stable results.
In 2022, the group's operations produced a return of 37.9 % measured by operating profit in relation to average capital employed. Return on book equity was 11.7%.

For Lyse AS, the group's parent company, annual profit was NOK 265 million, compared to NOK 789 million in 2021.

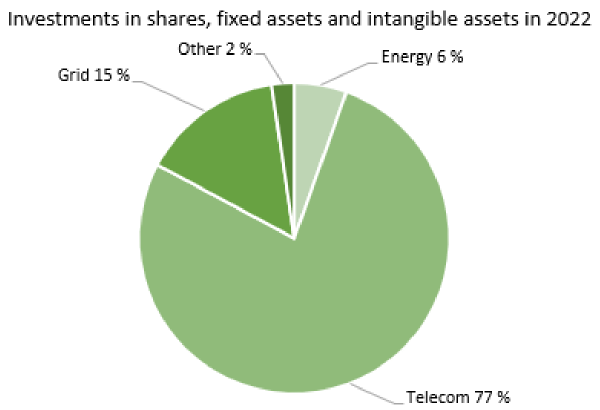
The board confirms that the assumption of continued operation is present in accordance with the Accounting Act § 3-3a and that the consolidated accounts and company accounts of Lyse AS have been prepared in accordance with this.

THE BUSINESS SEGMENTS

Lyse is organised into three business segments and two staff areas. Business segments are Energy, Telecom and Power Grid. Staff areas are customer and market and staff and joint services. All areas have a responsible executive director. The CEO and the executive directors make up the group management. The operating result per business segment breaks down as follows:

(Amounts in NOK millions)	**2022**	**2021**
Energy	11,858	4,978
Telecom	758	955
Electricity Grid	222	165
Others and eliminations	-342	-211
Operating profit	**12,495**	**5,887**

The investments are distributed as follows between the business segments:



(Amounts in NOK millions)	**2022**	**2021**
Energy	373	405
Telecom	5,277	1 447
Electricity Grid	1 011	1,016
Other	159	110
Investments in shares, operating assets, intangible assets excl. right of use, SAC and licenses	**6,820**	**2,978**

Energy

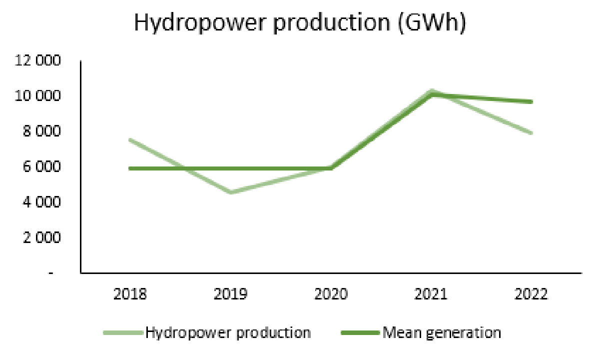
The energy business consists of the businesses in the wholly owned companies Lyse Energi AS, Lyse Strøm AS, Lyse Neo AS and Lyse Produksjon AS which manage the power production in Lyse Kraft DA. In addition, the business segment has an ownership in Lyse Kraft DA of 74.4%. Hydro owns the remaining 25.6% of the company. Lyse Kraft DA owns 95.21% of RSK DA. In addition, the ownership in Jørpeland Kraft AS of 66.67% is included.

Lyse Kraft DA takes care of the ownership role for a power plant portfolio of 10 TWh located in the area from Haukeli in the north to Åna-Sira in the south. Through an operator agreement, Hydro is responsible for the day-to-day operation and maintenance of the power plant portfolio, except for the holdings in the Sira-Kvina and Ulla-Førre plants. In 2021, the concession in Røldal Suldal Kraft (RSK) was converted into an unlimited time concession. In 2022, all the power plants in Røldal-Suldal Kraft were brought together in the company RSK DA, where Statkraft has a minority position of 4.79%.

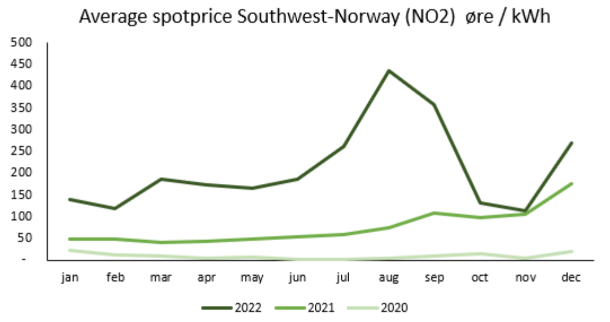
Lyse carries out the water allocation and all physical power trading on behalf of Lyse Kraft DA and manages a total power volume of 10 TWh in the market. The activities and competence to act in the power market have been strengthened after the power plants in Røldal-Suldal Kraft were integrated into the power plant portfolio of Lyse.

Energy (Amounts in NOK millions)	**2022**	**2021**
Hydropower production	12,029	5,069
Gas, heating and cooling operations	-164	22
The end user market	-188	-102
Eliminations	181	-10
Operating profit energy segment	**11,858**	**4,978**

The operating profit was NOK 11,858 million, compared to NOK 4,978 million in 2021. Hydropower production delivered an operating profit of NOK 12,029 million, which is NOK 6,960 million higher than last year.



Power production and market prices for power are decisive for the business segment's profit development, and this year's power production was 8.0 TWh. In comparison, power production prior year was 10.4 TWh. Low reservoir filling at the start of 2022 in combination with a winter with little rainfall resulted in an unusually low reservoir filling after the snowmelt. This, together with the energy crisis in Europe as a result of Russia's attack on Ukraine, increased the uncertainty surrounding security of supply in the winter and spring of 2023. In order to strengthen security of supply, Lyse significantly reduced its own power production in spring 2022 and until a normalisation of the reservoir filling in October. In early summer, the authorities also urged the power producers to conserve water, and extraordinary measures were taken to monitor the reservoir situation on a weekly basis. Both power producers and the society are interested in avoiding a rationing situation.
Low reservoir filling and high prices for gas, coal and CO2 allowances, which are crucial for continental power prices, resulted in extraordinarily high power prices in southern Norway at the start of the year. Russia's attack on Ukraine and the loss of Russian gas supplies to Europe further increased uncertainty with increased gas prices and fears of energy shortages and rationing as a result. In southern Norway, as a result of low reservoir levels and measures to ensure security of supply, mainly power was produced based on unregulated inflows. The historically low power production in Norway resulted in high power prices throughout the summer. The power prices in southern Norway was at the same level as the power prices in our neighbouring countries. An improvement in the storage situation combined with a more clarified supply situation on the continent resulted in falling power prices, but still at a high level throughout the autumn. The probability of rationing was significantly reduced over the autumn, but the uncertainty linked to the weather outlook for the winter was considerable. This led to large fluctuations in prices, with a marked price increase in December.



This unfortunate market situation significantly affected power prices in NO2, and the average price in December was 268.7 øre/kWh. In the South-West Norway price area, where Lyse sells its power production, the area price for 2022 was 212.8 øre/kWh. That is 136.5 øre/kWh higher than the previous year.

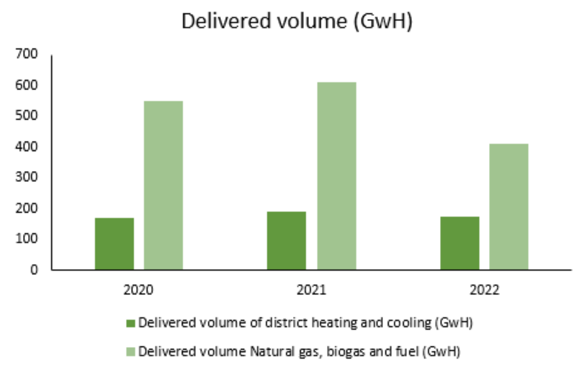
In order to improve security of supply, power production in Lyse was extraordinarily low in the period from May to October. This resulted in low power production in the months when the power price in NO2 was the highest. On 28 September, the government introduced changes to power plant taxation. The basic interest tax rate was increased from 37% to 45% with retroactive effect to 1 January, and a high price subsidy was also introduced, which is a gross tax on power prices above 70 øre. The premium contribution came into effect from 28 September. The tax rate on power production was then 67% for market prices up to 70 øre and 90% for higher prices. A significant proportion of Lyse's power production took place in the 4th quarter. As a consequence of this, there is a significant increase in tax costs compared to previous years.

The revision of conditions in Røldal Suldal power was formally opened in 2022. As part of the work on this, various upgrading and expansion options have been considered to increase both installed power and produced energy. The changes in power plant taxation introduced on 28 September put an effective brake on the development of power projects. A realisation of the potential in Røldal-Suldal power requires the abolition of the high price contribution and long-term predictable framework conditions.

The international connection NorthConnect applied for a license in June 2017. Like NVE, the owners of NorthConnect consider that the project has good socio-economic profitability, but state that there is no political acceptance for new international connections now. A total of 20 GW of offshore wind licenses have been awarded on the British side of the North Sea. With an expected tighter energy balance in Norway, offshore wind from Scotland can provide opportunities for power imports to Norway after 2030. No value of NorthConnect has been recognised in the consolidated accounts. No funds have been added to the project in 2022, but the Lyse Group has cumulatively invested NOK 75 million in the development of NorthConnect.

Operating profit from the gas and heating and cooling operations was negative with NOK 164 million, a reduction of NOK 186 million from 2021. The district heating operation delivered a result of - NOK 18 million. Decentralised district heating plants contributed with a negative operating result of NOK 53 million as a result of significant price increase for fuel. The ordinary district heating business delivered a result of NOK 35 million, which is an increase of NOK 5 million compared to last year. Both district heating and local heating customers have had a price ceiling which has made the products attractive. A total of 175 GWh of heating and cooling was delivered in 2022, which is a reduction of 17 GWh.

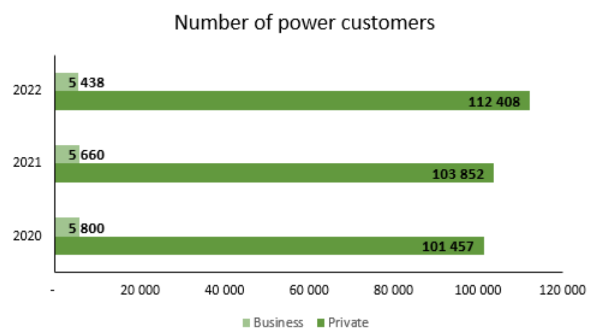
The district heating supplied from the incineration plant at Forus is climate neutral. It's a goal for the business to utilise local resources in circular value chains that also reduce emissions of greenhouse gases.



A significant proportion of the customer portfolio for gas is primary industry and horticulture where gas prices over the past 12 months do not allow for sustainable business operations. Delivery volumes to these customer groups have been significantly reduced throughout the year. Customers have converted to other energy carriers and partly reduced their activity. Delivery volumes are expected to increase when natural gas becomes a competitive product again. In total, 412 GWh of gas was delivered, a reduction of 200 GWh from 2021. The share of biogas amounts to 43 GWh. Increased uncertainty about future delivery volumes means that the value of the land-based infrastructure for gas has been written down by NOK 98 million.

The high gas prices and an indexation towards the customer's alternative energy carriers have also weakened the result from the gas business. Throughout the year, Lyse has changed the price structure so that customers now follow the changes in the purchase price of gas.

The end-user market has been characterised by the energy crisis and the high prices for end-users. The uncertainty in the market, in combination with the long-term outlook that Lyse represents as a power producer, has led to a significant growth in the number of customers. Lyse has emphasised on offering customers simple products that create predictability and overview in a difficult and volatile power market. Lyse will strengthen its work to offer products that give customers predictability and security related to their own electricity expenses. In the autumn of 2022, Lyse launched the option to pay for a heat pump over the electricity bill, and we have so far sold over 1,000 heat pumps.



The company's annual result in 2022 is characterised by the fact that Lyse has reduced margins further and has delivered fixed-price products that have provided significant savings for customers. Investment has also been made in the development of technology and sales activities. By the end of the year, Lyse had sold 15,800 charging points in the housing association market and over 4,000 contacts related to energy services. The development of infrastructure for rapid charging for the private and business market continues, and by the end of the year 41 rapid chargers had been established.

Investments - Energy (Amounts in NOK millions)	2022	2021
Hydropower production	260	314
Gas, heating and cooling business	60	75
The end user market	53	16
Investments in shares and operating assets, including intangible assets in the energy segment	**373**	**405**

The investment in the hydropower business of NOK 260 million is mainly related to the rehabilitation and strengthening of dams in wholly-owned and part-owned power plants.

Telecom

Lyse's telecommunications business consists of the wholly owned digital TV and internet providers Altibox AS and Altibox Danmark AS, ownership in a number of fiber companies throughout Norway and mobile operations through Ice Communications Norway AS. Altibox supplies internet and digital entertainment and utility services to households and businesses in Norway and Denmark, primarily delivered over fiber networks through regional partner companies.

According to Nkom statistics, Altibox has a fixed broadband market share in Norway of 30.7% as of 30 June 2022. The National Communications Authority's overview also shows that Altibox has a market share of TV distribution in Norway of 25.6%.

The Altibox partnership gained 43,963 new customers in 2022, a growth of 5.6%. In total, there are 828,881 customers in the Altibox partnership at the end of the year, compared to 784,918 at the beginning of the year. Of these, Lyse has 457,193 customers in Norway through wholly and partially owned companies at the end of 2022. Altibox Denmark has 53,251 customers at the end of the year, which is an increase of 615 from last year.

The fiber companies that distribute Altibox services are often referred to as the Altibox partnership and consist of 35 fiber companies in Norway and Denmark. Lyse has full or partial ownership of approximately 62% of the customer portfolio.

Lyse's fiber ownership is consolidated in the company Lyse Fiberinvest AS. Lyse Fiberinvest owns Lyse Fiber AS (100%), Viken Fiber AS (65%), Signal Bredbånd AS (100%), Bergen Fiber AS (37%), Istad Fiber AS (50%), Nordvest Fiber AS (50 %), Altifiber AS (34%) and Tårnselskapet Holding AS (54%)

Ice is a national mobile network operator and provider of voice and wireless data services. The company operates in Norway under the brands Ice and NiceMobil. Ice manages the frequency portfolio in Lyse, and together Ice and Altibox have very modern and nationwide digital infrastructure. Ice has 757,305 mobile customers and 57,453 mobile broadband customers as of 31 December 2022.

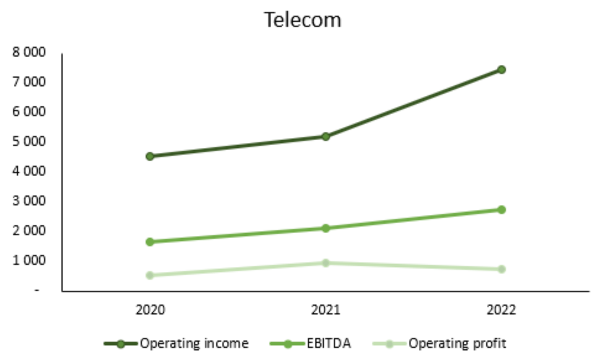
In June, Lyse adopted a plan for further investments in development of national 5G network. The development involves both upgrading existing base stations and rolling out new ones.

In 2022, Tårnselskapet Holding was established. 23 broadband partners in the Altibox partnership will come together to deliver towers to base stations that will support our national 5G mobile network. With the 5G network, Altibox partners will be able to offer high-speed broadband in areas where fiber is not available or create competition in areas where consumers only have one option today.

In addition to the private business, Altibox delivers to the business market. Altibox's professional deliveries are profiled under the name Altibox Bedrift and are a separate department within Altibox. The deliveries from Altibox Bedrift consist of communication services for companies. The department has 23,789 customers at the end of 2022. In addition, Altibox has deliveries in the professional market through the business segment Altibox Carrier, which is organised as a separate wholly owned subsidiary from 2022. Altibox Carrier supplies international communication services to data center operations and the operator and corporate market. Altibox Carrier has established a comprehensive European network structure that connects Norway with the central data traffic hubs on the continent.

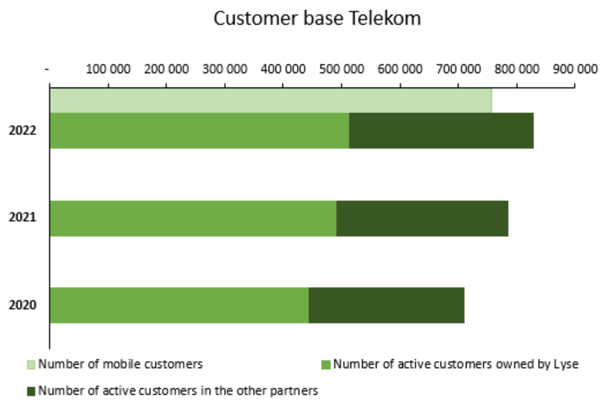
Altibox Carrier AS manages the ownership in the businesses Skagenfiber AS (100%) and NO-UK Com Holding AS (38.3%), which have the business's two sea fiber connections to Denmark and Great Britain respectively.

In 2022, Altibox started work on a new main fiber connection between east and west through a powerful fiber cable from Stavanger to Oslo. With the main network connections throughout the country, the fiber network in all regions of Norway and the significant investment in international sea fiber cables, the Altibox partnership contributes increasingly to the overall digital infrastructure in Norway.



In 2022, Lyse's telecommunications business had a turnover of NOK 7,461 million, compared to NOK 5,191 million the previous year, a growth of 44%. The growth is mainly due to the acquisition of Ice, general customer growth and increased demand for high-speed internet and digital entertainment services.

The business achieved a positive operating profit before depreciation (EBITDA) of NOK 2,728 million, compared to NOK 2,123 million the previous year, an increase of 28%. The business segment's result is characterised by good underlying operations and strong customer growth. The business continues its efficiency program and reduces operating costs per customer. Operating profit was NOK 758 million in 2022, which is NOK 197 million lower than in 2021, a reduction of 21%. The reduction is due to the acquisition of Ice, which is still in a phase of heavy investment in growth and is therefore not yet delivering positive results. This is in line with expectations. Depreciation and write-downs totalling NOK 1,970 million as a result of a continued high level of investment.



In 2022, Lyse will continue to invest heavily in socially critical infrastructure. Investments within telecoms amounted to NOK 5,277 million in 2022, compared to NOK 1,447 million in 2021. The increase is mainly explained by continued fiber development and the acquisition of Ice.

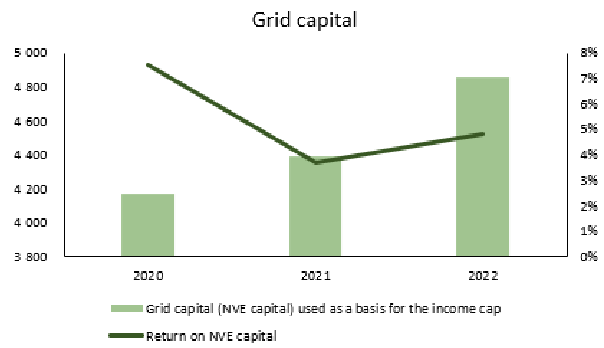
Power Grid

Lnett's main task is to ensure its customers a stable and safe energy supply, combined with the efficient operation and development of the power grid in the company's license area, which includes nine municipalities in South Rogaland.

Lnett is the owner of electricity networks in both regional and distribution networks. The company operates and maintains facilities from low voltage, 230/400V, and up to and including 132 kV. The power grid consists of 54 transformer stations, 4,021 grid stations and 13,521 km of lines and cables.

Lnett AS is a monopoly company subject to special regulatory control of the Norwegian Water recourses and Energy Directorate (NVE), which sets the framework for grid operations, including income cap.

Delivered energy in 2022 was 4,699 GWh. The equivalent in 2021 was 5,300 GWh. Much of the decline can be explained by a milder winter, but high electricity prices and energy savings are other factors that come into play. The regularity of Lnett in 2022 was 99.99%. This is similar to the previous year. The board is satisfied with the reliability of delivery the company has achieved in recent years.



The grid business had a turnover of NOK 1,637 million in 2022, an increase from NOK 1,447 million in 2021. Transmission revenues and energy turnover increase by NOK 221 million, where the return of congestion revenues amounts to NOK 365 million. Income from other activities has been reduced by NOK 30 million due to lower activity. Costs of goods increase by NOK 122 million compared to 2021. High power prices in 2022 have resulted in high costs for the purchase of network losses, while the cost of transmission networks has been reduced as a result of reduced costs from Statnett.

Total wage costs are NOK 197 million, which is NOK 15 million higher than in 2021. Other operating costs of NOK 213 million increased by NOK 22 million compared to the previous year. The reasons for higher operating costs are a high level of activity, price increases and the replacement of the company's ERP system, which has led to higher costs in the last quarter. Depreciation and write-downs for 2022 are NOK 252 million, a reduction of NOK 25 million from last year. The value of the grid system entered on the balance sheet has been assessed and the economic lifetime is harmonised with the experienced technical lifetime. This has reduced the depreciation in 2022.

Operating profit was a total of NOK 222 million in 2022, which is an increase of NOK 57 million from the previous year. The business achieved an accounting return on net capital of 4.8% in 2022 compared to 3.7% the previous year. Return on net capital in accordance with reporting to RME is estimated at 7.7% in 2022 versus 7.85% in 2021. The difference between the return figures is mainly an increase in accumulated lower revenue in 2021 and 2022.

At the start of the year, Lnett had a net accumulated lower revenue of NOK 129 million. By the end of the year, the accumulated lower revenue will have increased to NOK 298 million. The reason for the increase is mainly lower tariff income as a result of lower consumption and high marginal losses. The accumulated lower revenue will be directed towards zero over time.

The year's interruption costs (KILE costs) were NOK 26 million, of which NOK 5.8 million were planned and NOK 20.2 million unplanned interruptions. The corresponding figure for 2021 was NOK 23 million.

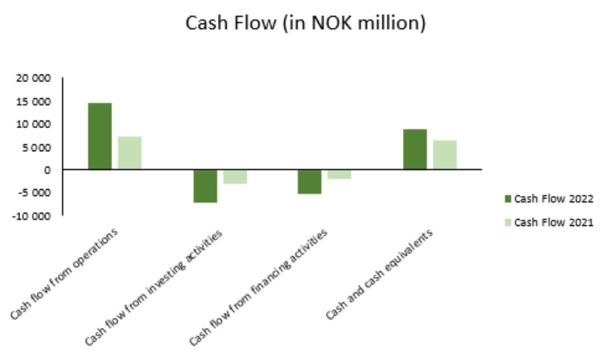
In 2022, a total of NOK 1,011 million was invested, compared to NOK 1,015 million in 2021. 2022 has also been characterised by a high level of activity. The investments for the year relate to new facilities for housing and commercial buildings, as well as strengthening and renewal of the regional and distribution network. Public infrastructure projects in the area also entail a need for increased investment in the power grid. On 3 December 2021, Lnett AS bought all the shares in the property company Lnett Jærveien 35 AS. The consideration for the shares was agreed at NOK 273 million. The company was merged into Lnett AS from 1 January 2022.

At the end of the year, the business had 162,300 grid customers compared to 159,902 customers the previous year. The increase in the number of customers is due to sustained underlying growth in the region.

Other segments

Other segments include support functions, Lyse AS and Lyse Dialog AS. In addition, the following companies are included in the second segment: Lyse Lux AS, Lyse Agon AS, Lyse Elkon AS, Lyse Vekst AS, the property companies Lyse Eiendom Mariero AS and Lyse Eiendom Ullandhaug AS and some smaller companies without operating activities.

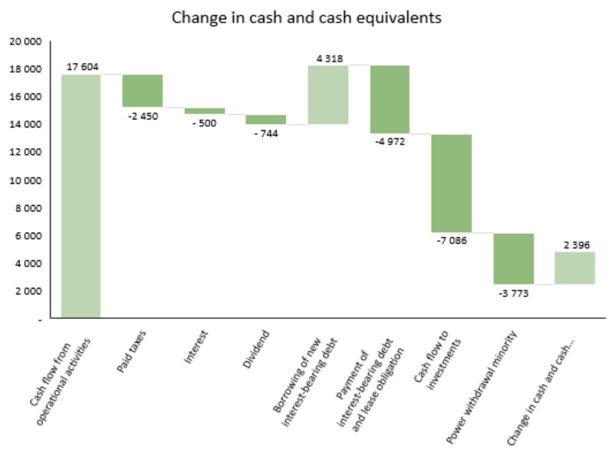
CASH FLOW



The group's operations generated a cash flow of NOK 14,654 million in 2022 compared to NOK 7,256 million in 2021. The increase was primarily due to increased contribution from hydropower operations, offset by increased taxes paid.

The Lyse Group's net cash flow from investment activities was NOK -7,086 million in 2022, compared to -2,989 million in 2021. The increase is largely due to the acquisition of Ice.

The net change in liquidity from financing was NOK -5,171 million in 2022 compared to NOK -1,907 million in 2021. The change is mainly explained by the Ice acquisition and the following refinancing, as well as increased power withdrawal to minority shareholder.



At the end of the year, net interest-bearing debt, including financial lease, was NOK 12,794 million. That is NOK 1,327 million higher than year end 2021. Subordinated loans from the owners of Lyse AS amount to NOK 1,600 million. Total borrowing of new interest-bearing debt was NOK 4,318 million in 2022. Repayment, including financial lease, was NOK 4,983 million.

Lyse's financial strategy aims for a capital structure that ensures the group's long-term financing and strong credit quality, while maintaining its ability to grow. The strategy should provide financial flexibility and ensure an even repayment profile on the loan portfolio. New loans are adjusted to the maturity profile in the existing loan portfolio and planned investments. The loan portfolio is sought to be diversified on various loan sources. The average remaining term of the group's external loan portfolio (including subordinated loans) per 31 December 2022 is 5.0 years, compared to 5.4 years per 31 December 2021.

Free cash and cash equivalents at the end of the year were NOK 8,862 million, an increase of NOK 2,396 million from 2021. In addition, the group has available drawing rights and overdrafts totaling NOK 3,633 million. The group's total liquidity reserve, less restricted funds, was 11,665 million at the end of the year. Restricted funds amounted to 829 million, which mainly apply to collateral for the settlement of power trading. Withdrawal rights established with a syndicate of Nordic banks were expanded from 1,500 million to 3,000 million in 2022, and extended by one year. They are now due in September 2024 . According to the group's financial strategy, free cash and cash equivalents must ensure financing of a minimum of six months of operations, including investments and loan maturities. The group's liquidity situation is considered as good.

At the end of 2022, the group had book equity of NOK 21.0 billion , of which NOK 16.0 billion is allocated to the company's shareholders. Corresponding figures at the beginning of the year were NOK 20.7 billion and NOK 15.3 billion. The equity ratio is 30% of the total capital. In total, equity and subordinated loans make up 33 % of the total capital.

FINANCIAL ITEMS

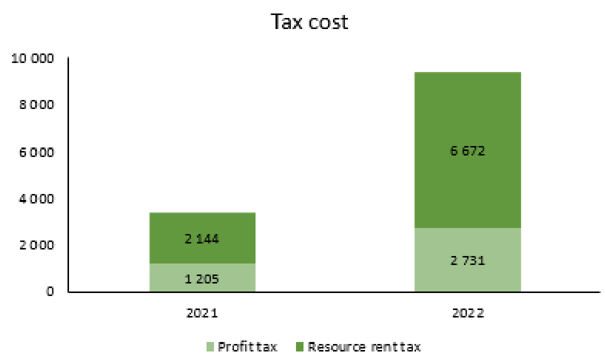
Net finance costs amounted to NOK 667 million in 2022, an increase of NOK 247 million compared to 2021. The increase is mostly due to one-off costs in connection with the restructuring of bond loans in Ice, in addition to an increase in net interest costs from rising market interest rates from 2021 to 2022. Interest on subordinated loans to Lyse's owners was NOK 70 million compared to NOK 44 million in 2021.

Interest costs on the group's external interest-bearing debt (including subordinated loans) amounted to NOK 635 million in 2022, an increase of NOK 231 million from 2021. The increase is mainly due to higher market interest rates throughout 2022, as well as an increase in interest-bearing debt.

Short-term market interest rates, such a 3-month NIBOR, rose from an average level of 0.47% in 2021 to 2.07% in 2022. In line with the group's financial strategy, changes in the market interest rate in the short and medium term have a limited impact on the group's annual result. Of the group's net interest-bearing debt (excl . financial lease debt) of NOK 10,948 million, NOK 9,298 million is hedged by interest rate swaps or fixed-rate loans. In addition, the interest rate exposure of the group has been reduced through inherent interest rate hedges in the grid business and resource rent tax.

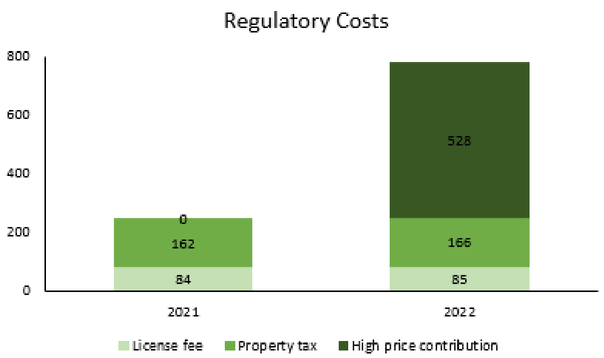
In 2022, a total of NOK 2,000 million was issued in the bond market. This was an increase from 2021 when the group issued 1,250 million. In December 2020, the green funding framework for Lyse was updated, with an overall classification of dark green from Cicero. During 2022, Lyse has issued NOK 1,200 million under the framework, so that total outstanding green bonds were NOK 3,350 million at the end of 2022.

TAX AND REGULATORY COSTS



The tax cost increased by NOK 6,053 million from 2021 and amounted to NOK 9,402 million . Payable tax amounts to NOK 4,755 million for 2022, compared to NOK 2,443 million in 2021.

Power production generated a resource rent tax cost of NOK 6,672 million in 2022. That is 71% of the group's tax cost. The corresponding amount in 2021 was NOK 2,144 million and 64% of the tax cost. Payable resource rent tax is NOK 3,934 million in 2022, compared to NOK 1,612 million in 2021. The reason for the sharp increase is primarily the increased effective resource rent tax rate on hydropower from 37% to 45% with effect from the income year 2022 and significantly higher power prices.



With effect from 28 September 2022, a high-price contribution was introduced for hydropower plants with generators with a total stamped output of 10,000 kVA or more, and from 01 January 2023 for other hydropower plants and wind power plants. The government has set the rate at 23% of power prices that exceed 70 øre per kWh. The contribution is designed as a special levy to the state. The fee must be calculated hour by hour per price range, and the basis for the fee is limited to turnover from power production.

The high price subsidy means that hydropower plants that pay a high price contribution and resource rent tax will pay a total marginal tax of 90%.

RISK AND INTERNAL CONTROL

The most central risks for the Lyse Group relate to market operations, financial management, project activities, operational activities and framework conditions. Managing risk is central to value creation and an integral part of business operations. Risk management is followed up in the business segments through procedures for risk monitoring against targets and risk frameworks set by the board.

Lyse is exposed to changes in both the physical and the financial power market, currency, interest rate and financing market. The board annually assesses the framework for the risk exposure. Internal Power of authority and frameworks have been established for power trading, currency trading and financial management.

In the parent company Lyse AS, an investment committee has been established which assesses profitability and risk in larger individual investments (in the group) before investment decisions are made at company level.

For Lyse, there is significant volume and price risk in the production and trade of power. In the Nordic power market, precipitation, demand and the market prices for coal, gas, oil and CO2 quotas have an impact on the market price of power. In the power market, the group uses active risk management adapted to the current market situation. The aim is to achieve the maximum risk-adjusted return. All physical power trading on the Nord Pool Spot and financial trading on NASDAQ is in euros. Future income in euros is currency hedged over a set period, so that the hedged portion is increased towards the time of delivery.

A central finance function in the parent company coordinates and safeguards the risk of interest, currency and liquidity, including refinancing and new borrowing.

The finance function exercises its mandate in accordance with the current financial strategy. This sets a framework for the group's refinancing risk and liquidity so that loan maturities and capital requirements to carry out planned operating and investment activities 6 months into the future must at all times be covered by available liquidity. In addition to available liquidity, the group has established credit facilities through a bank syndicate.

The purpose of the group's framework for interest rate risk is to stabilise the group's annual profit after tax. The interest rate risk is managed by ensuring that the annual profit after tax is not weakened beyond the established risk framework by a change in the market interest rate of 1 percentage point. Exposures are followed up against agreed frameworks in the financial strategy and are regularly reported to group management and the board.

Lyse has counterparty risk through power trading and placement of surplus liquidity. Before entering into agreements, the creditworthiness of the counterparties is assessed, and the credit risk towards individual counterparties is limited through the financial strategy by risk frameworks based on financial strength and credit quality.

The processes in the group's various value chains are exposed to operational risk. Operation and project implementation are exposed to operational risk in the form of personal injury, damage to the environment, loss of reputation and financial loss. Work is carried out systematically and risk-driven with the management of operational risk in the group. On a day-to-day basis, risk is handled using procedures, routines for deviation reporting, contingency plans and insurance coverage.

Lyse has a system for internal control that will contribute to reliable financial reporting and non-financial reporting. Internal control in financial reporting is followed up continuously through the audit committee's work. Lyse has also established an internal audit scheme.
Based on a risk assessment and review, the annual topic for internal audit is selected and carried out by external parties. Internal audit is reporting directly to the board.

Climate change and adaptation to climate change constitute both opportunities and threats for Lyse. A milder and wetter climate will mean that hydropower will play an increasingly important role through its ability to delay and redistribute floods, which will place increasing demands on our facilities. In addition, hydropower's ability to regulate production will become more important when a larger proportion of power production will take place through other sources such as solar energy and wind power. Climate risk is an important part of the decision-making basis for new investments and does not only apply to the power-producing part of Lyse. For example, Lnett actively takes into account the increased sea level when placing facilities and has decided to switch to composite masts that can withstand more rainfall and extreme weather.

DEVELOPMENT AND INNOVATION

The group's development and innovation mainly focus on four areas. We will improve the customer experience, we will increase our expertise, we will develop tools for efficient operations, and we will find new business opportunities. The group is particularly looking for new opportunities at the intersection between energy and telecommunications. In addition, in 2022, there has been work to develop concepts within the consumption of entertainment, charging, management of energy and power, as well as the Internet of Things and smart cities.

As the group grows, it is natural that an increasingly large part of the innovation power is moved from the top of the group into the subsidiaries. In 2022, for example, Lyse Produksjon AS has worked closely with partners to develop the next generation decision support system for the power markets. This will help us deal with increasingly complex power markets.

Ice creates both needs and opportunities for innovation in the service spectrum between fibre, mobile and entertainment, for example within fixed wireless broadband. Major movements and high prices in the power market create corresponding needs and opportunities for innovation in the customer interface for electricity.

Through Lyse Vekst AS, Lyse has the opportunity to invest in early-stage companies and funds within technology and renewable energy. We offer the companies valuable expertise and experience and wish to be involved in further developing the companies and good ideas. We review carefully selected early-stage investments within our business segments as an opportunity to help create new businesses and jobs, while also creating value for our owners.

SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Sustainability management

An important part of Lyse's purpose is to create value for the society. Lyse's mission from the owners is to develop the business with stable returns, while at the same time the group is to be a regional development player. The concern for the company that the operation should benefit future generations. This is ensured by building long-term and future-oriented infrastructure solutions, striving for sustainable business operations and by distributing the value creation so that it benefits the owners as a contribution to welfare production. Social responsibility is embedded in Lyse's mission, and the group reports on sustainability as an integral part of the annual report. The report has been prepared in accordance with international standards for sustainable reporting; GRI – Global Reporting Initiative (and then specifically what is called 'GRI core option ').

By 2030, Lyse's goal is for its own operations to become climate neutral at the same time that the group contributes to significant emission cuts both regionally and nationally. The plans for achieving climate neutrality in the group are prepared with the sustainability report as a basis.

In Lyse, each manager is responsible for ensuring that sustainability is promoted and included in decision-making processes. A sustainability team has been set up across the group and a person responsible for sustainability reporting has been appointed. In 2022, the sustainability team has looked in particular at the Transparency Act and the EU's taxonomy.

Lyse supports the UN's sustainability goals and wants to contribute where we can to achieve them. You can read more about how we contribute on our website www.lysekonsern.no.

Responsible management of the supply chain

Lyse's supply chain must contribute to a sustainable industry. Several of the UN's sustainability goals are included as an important and natural part of management and procurement processes.

To ensure responsible business operations, all Lyse's suppliers must confirm and sign Lyse's supplier declaration, which covers health, environment and safety, climate, human rights, employee rights and business ethics. Lyse has contractual clauses which give the right to check the suppliers' compliance with these requirements during the entire contract period.

The supply chain covers several sectors. Lyse places emphasis on uncovering the risk of damage and negative impact on the climate and environment as early as possible in the procurement process.

The Transparency Act

Lyse works continuously to ensure responsible business practices in our own operations and in our value chains. To achieve the UN's sustainability goals, a well-functioning business community that creates jobs and economic growth is an important contribution. Lyse is subject to the Transparency Act, which is closely linked to sustainability goal no. 8 on decent work and economic growth, and no. 12 on responsible consumption and production. The Transparency Act's purpose of promoting respect for human rights and decent working conditions in connection with the production of goods and services coincides with Lyse's values of taking social responsibility and having a sustainable business operation that respects human and employee rights, society and the environment.

It is the groups legal department that will ensure that Lyse complies with the Transparency Act, while Group Procurement is responsible for supplier follow-up. In Lyse, all suppliers must confirm and sign our supplier declaration, which includes requirements for health, environment and safety, climate, human rights, employee rights and business ethics. Lyse also has contractual clauses which require compliance with basic requirements for human rights and employee rights in connection with the fulfilment of the contract. This give us the opportunity to obtain information about supply chains and production conditions. Through the group's ethical guidelines, expectations are also set for personal behaviour and for the work to be carried out in an ethically sound manner. These guidelines apply to everyone who works for Lyse.

In 2022, the group has set up a method for risk assessing negative consequences on basic human rights and decent working conditions in the supply chain, as well as routines for how Lyse will carry out due diligence assessments. Due diligence assessments are a process where a company maps, prevents, limits and accounts for the handling of existing and potential negative consequences of the business. The due diligence assessments will be carried out by group procurement in accordance with the OECD's guidelines for multinational companies and will also include our subsidiaries, their suppliers and business relationships. A contact point has also been established on the group's website for registering alerts and inquiries about how Lyse handles actual and potential negative consequences for basic human rights and decent working conditions.

Work on estabilishing and following up routines, guidelines and good practice to promote respect for human rights and decent conditions will also be prioritised in 2023.

In order to obtain information about the risk of the business operating in violation of basic human rights and decent working conditions, Lyse in 2022 surveyed the group's suppliers and business relationships at an overall level. In 2023, we will continue to work with supplier mapping and the implementation of due diligence assessments to manage and reduce risk. We prioritise work on the cases where the risk is greatest and where is the highest probability of a breach occurring. We will use our influence to challenge suppliers and business partners to stop, prevent or limit the possible negative impact. This will be continuous work which in some cases can also be done in collaboration with other customers of the same supplier, organisations or industry initiatives.

Our initial survey has shown that the following categories have the greatest probability of violations or deviations, and that the probability of serious consequences is highest here:

- Excavation and land work
- Telecom infrastructure and access
- Power and infrastructure
- Building materials and consumables
- Electronic equipment/material
- Vehicle
- Mechanical equipment
- Work clothes, protective equipment and tools

In 2023, these categories will be prioritised for further mapping and follow-up.

Stakeholder involvement

As a supplier of socially critical infrastructure, Lyse is dependent on a large degree of trust and interaction with stakeholders. Important stakeholders include owners, customers, the local community, employees, suppliers, organisations, and financial institutions. For more information on how we interact with our stakeholders, see lysekonsern.no.

Significant areas

Lyse reports in accordance with the Global Reporting Initiative (GRI Core) under four categories where significant topics are covered:

Organisation, health, environment and safety

- Employee relations
- HSE
- Equality/discrimination
- Training and competence development

Business ethics

- Privacy
- Compliance with laws and regulations
- Anti-corruption

Environmental impact

- Environmental impact
- Greenhouse gas emissions

Impact on the local community

- Value creation
- Security of delivery

The key figures for sustainability are consolidated in the same way as the consolidated accounts.

Measures and changes within these areas are described below, and more information on materiality and management method can be found at www.lysekonsern.no

Organisation, health, environment and safety

Lyse shall be an attractive, fair and good employer who wants to retain and attract the best and most qualified people in the future as well.

Lyse recruits new employees based on the need for competence and has objective and non-discriminatory recruitment processes regardless of gender, sexual orientation, age, political and religious affiliation and ethnicity.

Lyse's goal is that permanent tasks should be carried out by permanent employees. The purpose is to ensure Lyse has the internal competence to achieve business goals and a sustainable working life. In 2022, priority has been given to finalising the project of converting from hire to permanent employment within the customer services business segment. At year end, there were 8 hired from staffing agencies, all in real temps/projects. Lyse has initiated work to ensure that the objective of internal competence for carrying out fixed work tasks throughout the group is achieved.

Targeted efforts are made to ensure employees' skills development. A plan has been set up for 2023 to survey skills needs in the group and measures to cover skills gaps. In addition, preparation of individual skills and development plans to retain and develop own employees and ensure internal mobility.

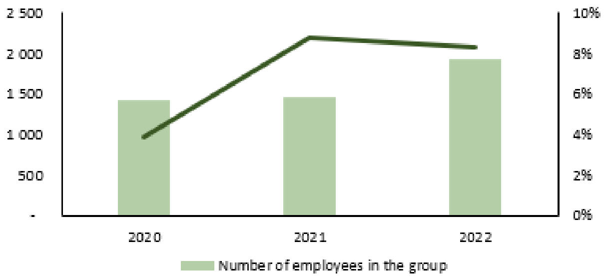
In close cooperation with the trade unions, a job evaluation system has been put in use in the Lyse group. The system is an important tool for determining and reporting correct and fair wages across the group, through methodical measurement and safe procedures. There is also a module that makes it possible to compare the salary level in Lyse against external salary levels. A means of implementing Lyse's wage policy of being competitive, without being wage-leading.

Annual employee surveys are carried out in the group per company. Employee satisfaction has increased from 2021, and the surveys consistently show that Lyse employees are very satisfied with Lyse as an employer. Regular employee interviews are held between manager and employee.

In 2022, a management development program has been completed for 220 employees with personnel responsibility. The program looks at goals, motivation, learning and strengthening interaction and exchange of experience across the group through 27 learning groups.

A new digital personnel system has been introduced which will ensure i.a. follow-up and measurement of conducted employee interviews, employee development, etc.

Lyse has a graduate program, a talent program and a trainee program. 49 students are employed in summer jobs, divided between summer projects and deployment for operational and project tasks in the individual companies.



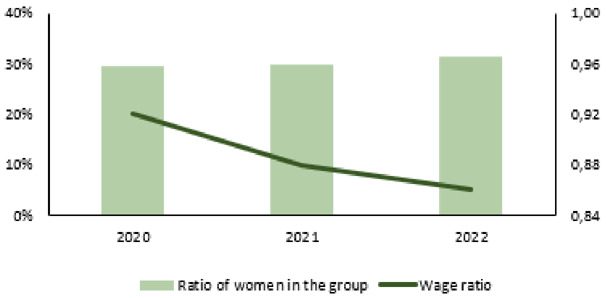
As of 31 December 2022, there were 32 apprentices in the field of energy installer area and within sales. This is an increase of 10 compared to 2021. Lyse works continuously to look at opportunities to take on more apprentices in relevant subject areas.

Turnover in the Lyse group was 8.3% in 2022 compared to 8.8% in 2021.

As of 31 December 2022, there were 1,897 permanent employees in the Lyse group, which amounted to 1,877 full-time equivalents. At the same time in 2021, there were 1,453 employees who made up 1,416 fte's.

Of the total number of employees, 31.5% are women, compared to 29.8% the previous year. In management positions, the proportion of women is 33.9%, compared to 34.2% the previous year.

In 2022 a total of 480 are new employees, compared to 191 the previous year. Of new hires in 2022, 41.3% are women.



In Lyse, there are 122 part-time positions as of 31 December 2022, divided by 38.5% women and 61.5% men. An anonymous survey of involuntary part-time has been carried out through a survey. Two have stated that they have an involuntary part-time position. As of 31 December 2022, there were 39 temporary employees, 51.3% women and 49.7% men.

There is an equal proportion of women and men in both the group board and the group management.

The Lyse group is concerned with ensuring equal pay. The average salary for women in relation to the average salary for men (salary ratio) is 0.86 for both managers and employees. In 2021, the pay ratio among all employees and managers was 0.88.

We must ensure equal pay for equal work in the Lyse group. In the case of pay settlements, fixed reports are made on pay supplements for women vs. men. The framework for the wage settlement in 2022 was 4.2% against 3.4% in 2021.

In order to achieve the objective of being an attractive, fair and good employer, Lyse works purposefully for equality and diversity and against discrimination. The risk of discrimination or other obstacles to equality in the Lyse Group is mapped within recruitment, pay and working conditions, promotion and development opportunities, provision for inclusive working life and the possibility of combining work and family life. Possible causes have been identified, assessments have been made as to whether the current guidelines are satisfactory, measures and KPI for target achievement have been determined. Guidelines in the Manager's Handbook have been revised. For more information see lysekonsern.no.

In 2022, women had an average of 18.7 weeks of parental leave and men 10.2 weeks. In 2021, women had 21.6 weeks of parental leave and men 13.0 weeks.

Lyse has traditionally been a workplace with a high proportion of men, and over time it has been a priority in recruitment and management appointments to achieve a better gender balance, also in management positions.

Sick leave in the group was 4.2% in 2022 compared to 3.4 % in 2021. In 2022, there were 9 personal injuries that resulted in 18 days of sick leave. In 2021, there were 5 personal injuries that resulted in 1 day of sick leave. The Lyse group has a goal that sickness absence should be below 3.5%.

The degree of unionised in Lyse in 2022 is 31.7% compared to 45.7% in 2021. As an employer, Lyse encourages employees to organise with unions and wants an increased degree of organisation. The degree of organisation has decreased mainly as a result of the Ice acquisition, where fewer employees are organised. Together with the employees' organisations, measures will be drawn up to increase the level of organisation and increase the focus on tripartite cooperation.

In the Lyse group, no task or activity shall take priority over health, environment and safety. There is at all times compliance with statutory HSE requirements for the various businesses. Lyse has adopted procedures for safe job analyses related to the internal performance of operative tasks or in interaction with other partners and suppliers.

Business ethics

Lyse's ethical guidelines are reviewed annually and revised if necessary. Annual e-learning course for all employees contributes to familiarity with and compliance with the guidelines.

The Lyse Group works actively to safeguard the privacy of both customers and employees and has an overall policy for the processing of personal data that describes the group's guidelines and objectives with the privacy work, as well as roles and responsibilities. The group has employed its own data protection officer. In addition, the individual company has a privacy officer who takes care of the day-to-day, operational responsibility together with the management of the company. Each individual company is responsible for compliance, but is supported by the group by, among others, the data protection representative, legal department and chief information security officer (CISO). In connection with the introduction of the EU's personal data protection regulation, GDPR, as part of the Norwegian Personal Data Act in 2018, processes and technical support were also established to be able to fulfil the data subjects' rights to, among other things, information, access, correction and deletion.

Several of the group's companies process large amounts of personal data every day. It is therefore important that everyone who works with us has a good understanding of how we do this in a good, safe and legal way. The employees therefore receive basic training in data protection, as well as further courses adapted to the position, subject and area of responsibility where relevant.

Privacy statements have been drawn up and published that describe how the companies process personal data. This must happen openly and predictably for all registered in our systems. The privacy rights of customers and employees are safeguarded, among other things, by established routines for handling breaches of personal data security.

In 2022, there have been six breaches of personal data security in the group which have been of such a nature that they have been reported to the Norwegian Data Protection Authority. No supervision has been carried out by the Norwegian Data Protection Authority during the period.

In addition to the reported discrepancies, the companies in the group work continuously to map minor discrepancies and possible improvements to ensure correct processing of personal data and prevent future discrepancies. The companies in the group and the Privacy Commissioner also respond to inquiries from customers relating to privacy.

In 2022, there have been no reported or uncovered cases of corruption or breaches of laws and regulations in general.

Environmental impact

The Lyse Group supplies renewable energy, infrastructure and innovative services that enable our customers to reduce emissions of greenhouse gases. Electrification and digitisation are crucial for reaching local as well as global climate goals, and the breadth of the group makes Lyse well positioned to contribute and create profitable growth in the green shift.

Lyse aims to be climate neutral in its own operations by 2030 and to be a significant contributor to regional emission cuts. This is done both through targeted mapping and implementation of measures in the group, but also through projects where climate benefits are the primary purpose of involvement.

In order to achieve climate neutrality, all own direct emissions must be cut (Scope 1). Efforts are also being made to reduce own direct emissions through conversion of several local heating systems and car fleets.

Climate neutrality in own operations also includes internal use of electricity and heat (Scope 2). Lyse is a supplier of renewable power and biogas but is also a customer of the products itself. All internal electricity use is covered by guarantees of origin.

Efforts are also being made to reduce the company's indirect emissions (Scope 3). This includes emissions from suppliers, for example from flights, from construction machinery and from the production of technical equipment. It is comprehensive to get the overall picture of indirect emissions, but through materiality assessments, the spotlight will be placed on areas where measures provide the greatest benefit.

Lyse's most important climate goal is to be an engine for green transformation and contribute to emission reductions in the owner municipalities. An investigation into carbon capture from the region's largest emission point, Forus Energigjenvinning, has been initiated together with IVAR, and collaboration has begun with IVAR and Felleskjøpet RA to reduce emissions from agriculture through biogas production from livestock manure.

There have been no registered breaches of regulations or significant adverse events in the field of environmental impact.

EU TAXONOMY

The EU taxonomy is a classification system that specifies criteria for which economic activities can be considered environmentally sustainable. It is an important part of the EU's action plan to redirect capital flows towards sustainable projects and investments.

Article 8 of the taxonomy regulation, which was published in June 2021, is the basis for the first taxonomy reporting. This specifies requirements for content, methodology and presentation of information to be disclosed. The requirements to provide information as described in Article 8 of the taxonomy regulation only apply to annual reports that contain annual accounts with a balance sheet date of 31 December 2023. Lyse has nevertheless chosen to include the information in the annual report for the financial year 2022 as recommended by The Norwegian Financial Supervisory Authority.

The reporting requirements in the EU taxonomy increase gradually and the taxonomy regulation currently only requires that the share of turnover, capital expenditure and operating expenditure for taxonomy eligible and taxonomy non-eligible economic activities shall be disclosed. An economic activity is considered eligible if it is included in the list of activities covered by the delegated acts in the taxonomy regulation. These are activities that potentially can make a substantial contribution to one of the six environmental objectives of the EU. An activity is taxonomy aligned if it meets the taxonomy criteria of substantial contribution to one or more of the environmental objectives, do not significant harm the other environmental objectives and meets the minimum requirements for social safeguards, including the UN's Guiding Principles for business and human rights and the OECD's guidelines for multinational enterprises.

Economic activity 2022	Turnover	Operating expenditure	Capital expenditure
4.5 Electricity generation from hydropower	16 652 618	1 322 625	229 862
4.9 Transmission and distribution of electricity	1 597 730	134 678	946 673
A1 - Total for taxonomy-aligned activities	**18 250 348**	**1 457 303**	**1 176 535**
4.5 Electricity generation from hydropower	28 633	9 726	1 481
A2 - Total for eligible not taxonomy-aligned activities	**28 633**	**9 726**	**1 481**
A - Total for taxonomy-eligible activities (A.1 + A.2)	**18 278 981**	**1 467 029**	**1 178 017**
The telecom segment (not defined in the taxonomy)	7 452 299	4 313 000	3 623 561
Other non-eligible economic activities	4 487 275	1 658 391	334 831
B - Total taxonomy non-eligible activities	**11 939 574**	**5 971 391**	**3 958 391**
Total for A + B	**30 218 555**	**7 438 420**	**5 136 408**

Lyse's taxonomy eligible economic activities

Lyse mainly has economic activities under the three business segments energy, power grid and telecom. Lyse has assessed the extent to which the group's economic activities meet the requirements of the EU's taxonomy. We have identified two economic activities that fall under the taxonomy definition as eligible. These are the activities "electricity generation from hydropower" and "transmission and distribution of electricity". These activities form the basis for Lyse's reporting in the table above. Only economic activities in consolidated companies, see note 35 in the consolidated financial statements, were considered for eligibility. The group also has some activity within "Infrastructure enabling low-carbon road transport and public transport" and "acquisition and ownership of buildings". Lyse will continue the work in 2023 to be able to include these economic activities as well.

The EU taxonomy is a new reporting framework where limited or no industry standard has been established yet. The EU has published guidelines which we have applied in our assessments, but there are still uncertainties about how some of the requirements should be interpreted. As part of the work, Lyse has had a dialogue with other energy companies about the interpretation of the requirements and implementation of the EU's taxonomy. Lyse will closely monitor developments in the EU taxonomy and adapt to any new specifications and clarifications. This may affect our assessment of taxonomy-aligned activities and reporting of the performance indicators in the coming years.

Electricity generation from hydropower

The group is a national player in renewable and regulated hydropower. This is an economic activity that fall under the taxonomy definition as eligible. Investments are made in the hydropower business related to rehabilitation, renewal and strengthening of dams and power plants in wholly owned and partly owned power plants. Two new hydropower plants are under construction in Maudal to replace the old one. Lysebotn II will be connected to the 420 kV grid during 2024. In the next few years, significant rehabilitation projects will be carried out in power plants and associated waterways.

Transmission and distribution of electricity

Lnett is responsible for the construction and operation of the regional electricity grid in Southern-Rogaland, as well as responsible for the equivalent in the distribution network in nine municipalities. This is an economic activity that fall under the taxonomy definition as eligible Large investments have been made in Lnett in recent years, and further growth in investments is expected in order to facilitate more industrial development and increased electrification of society.

Non-eligible activities

The activities that are classified as non-eligible are mainly linked to the telecommunications segment. Further are also activities linked to natural gas and district heating production from waste incineration classified as non-eligible. Lyse believes that it is important to distinguish between waste incineration and the use of surplus heat from waste incineration in the assessment of taxonomy-eligible activities. Lyse will assess district heating production from waste incineration in next year's reporting, as well as dialogue with other district heating companies to develop an industry standard.

Telecom is an important business segment for the group, with a large proportion of investment going into development 5G and fibre networks, and production of internet and television for end customers through Altibox. Currently, telecom as an industry is not included in the taxonomy, but it is something that should be considered further for future inclusion. This was also pointed out by the technical expert group working on the taxonomy regulation. A well-functioning fibre network will be important to enable the EU's climate goals by 2050.

The European Commission has been explicit that economic activities that are not classified in the EU taxonomy are not necessarily environmentally harmful or unsustainable. It is expected that the taxonomy will continue to develop over time with an expanded scope of activities, including activities that facilitate the emission reductions of others.

Selection of environmental objective

Climate change mitigation is the environmental objective where Lyse can contribute the most. Lyse's reporting of taxonomy-aligned activities is therefore based on this environmental objective. However, parts of Lyse's operations could also qualify under the climate change adaptation objective. This applies to the group's hydropower plants, which can play an important role in measures to reduce the risk of flooding.

Assessment of substantial contribution

The largest economic activity in Lyse's portfolio is electricity generation from hydropower. One of the three substantial contribution criteria in the EU taxonomy for hydropower generation is that the life cycle GHG emissions are lower than 100g CO_2e/kWh. Most Norwegian hydropower plants have a low carbon footprint over their life cycle, with life cycle emission of about 3 g CO_2e/kWh ('Norwegian Institute for Sustainability Research 2020. The inventory and life cycle data for Norwegian hydroelectricity ').

As extensive work is required to document life cycle emissions for each individual hydropower plant, Lyse has assessed hydropower generation against the run-of-river criteria and the power density screening criteria. The assessments showed that 99.99% of Lyse's wholly owned hydropower portfolio is aligned with these criteria.

Lyse's distribution network is connected to the central grid in Norway, which in turn is connected to the European distribution network. The activity therefore meets the criteria for substantial contribution under the activity transmission and distribution of electricity.

Do no significant harm (DNSH)

Lyse mainly has economic activities in Norway. The eligible economic activities are assessed against the criteria for do no significant harm (DNSH) in EU directives and amended EEA directives.

DNSH climate adaptation

Climate conditions, weather forecasts and patterns form the basis for the group's development and planning of the production of renewable energy. As part of the group's management system, we have introduced processes to identify, assess and monitor physical climate risk, as well as to implement measures to minimise these risks, both for the projects under development and for the operation of existing facilities. The group has routines for heightened preparedness in the event of warnings of extreme weather to secure critical infrastructure. Through the group's annual risk assessment process, we also take into account physical risks that may arise as a result of climate change. Based on these assessments, we consider the economic activities to be in line with the DNSH criteria for climate adaptation.

DNSH Water and marine resources

The DNSH criterion for "sustainable use and protection of water and marine resources" refers to the Water Framework Directive with some specific DNSH criteria for hydropower production. The Norwegian authorities have issued a corresponding regulation (the Water Regulation) which ensures national implementation of the EU's framework directive. As part of the implementation, specialist authorities have set specific environmental targets for waterways that may be affected by climate change, including measures and deadlines for when the goals must be reached.

Lyse follows the time frames set by the professional authorities determined and has so far completed all necessary environmental targets within the deadline. We are closely monitoring that the measures we have introduced have the effect we want. Lyse's operations are carried out in line with approved licenses, and we are in favor of affected watercourses having a good status over time or fulfilling the watercourses' full potential. We therefore, believe that we meet the DNSH criteria for water and marine resources.

DNSH Circular economy

The DNSH criteria for the environmental objective "transformation to a circular economy" are very broad and are only relevant for Lyse's activity transmission and distribution of electricity. Lyse's network operations follow NVE's Guide for the design of applications for a license for network facilities (No. 2/2020), which requires that an environmental, transport and facilities plan (MTA plan) be drawn up. The plan must be approved by NVE before construction starts. Among other things, requirements are set for a plan for how waste is to be handled in the construction project. The requirements are taken forward in the contracts with the suppliers. When rebuilding network facilities, it is assessed whether material can be reused, and an agreement has been entered into with Norsk Gjenvinning AS for a comprehensive, cost-effective and future-oriented recycling service that will contribute to a high recycling rate in the group. Based on these assessments, we consider the activities within transmission and distribution of electricity to be in line with the DNSH criteria for a circular economy.

DNSH Pollution prevention and control

The criteria related to DNSH to "Pollution prevention and control" is relevant for Lyse's activity transmission and distribution of electricity. For our activities related to electricity distribution, the group follows the building owner's regulations of the Norwegian Labor Inspection Authority. In the group's internal control, there are routines and instructions that will contribute to the protection of health, the working environment and safety. We comply with current regulations and standards to limit the effects of electromagnetic radiation on people, and we do not use polychlorinated biphenyls (PCBs) in activities or facilities. Accordingly, our transmission and distribution of electricity activities are reported as meeting the DNSH criteria for the pollution prevention and control.

DNSH Protection of biological diversity

The criteria "Protection and restoration of biodiversity and ecosystems" requires that an environmental impact assessment (EIA) has been carried out in accordance with EU directive 2011/92/EU before the work starts. For all our facilities, both connected to the grid and hydropower, an assessment of natural diversity and assessment of consequences has been carried out when the license was granted. In addition, the authorities can make any demands for mitigation measures linked to the license. Through the revision of license conditions, the authorities have the opportunity to determine new conditions related to the environment for our facilities if adverse environmental effects are discovered that were not foreseen when the license was granted. If there is a need for measures that may have arisen in connection with the water framework directive, the authorities have the opportunity to call in these facilities for license processing. Based on this, the group assumes that by complying with the requirements set by the Norwegian authorities, one meets the criteria for the protection of biological diversity.

The same requirements apply to existing facilities in areas with vulnerable biological diversity. This means that the facilities must be operated in accordance with national requirements in the EU and that there must be no outstanding mitigation measures.

We have concluded that all the company's facilities are in accordance with national legislation and that we are introducing mitigation measures within reasonable timeframes. In the case of necessary maintenance and upgrading/expansion of existing facilities, detailed plans for the environment and landscape (MTA plans) are drawn up, if necessary, in dialogue with NVE. These plans must ensure that biological diversity is protected and that the least possible damage is done.

Minimum requirements for social standards

Lyse supports and respects human rights, and it is important for Lyse to run our business in such a way. We do this by preventing, minimising, and remedying negative consequences, and by continuous improvement work. Under the heading "Social responsibility and sustainability" it is described how Lyse's work with human rights is integrated into the company's operations. Lyse has not revealed violations of human rights or serious violations of employee rights during this reporting period.

Lyse operates according to high ethical standards and has introduced guidelines and procedures to reduce the risk of fraud, corruption, and unfair competitive advantages. There have been no confirmed cases of violations of provisions on corruption or bribery and competition legislation during the reporting period.

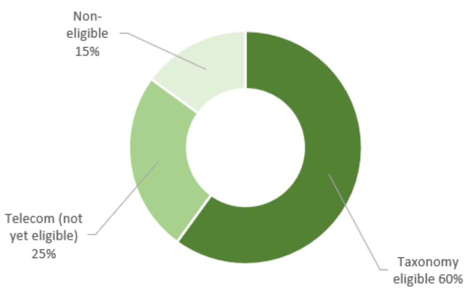
Performance indicators

The three performance indicators that are reported on are:

- Turnover
- Capital expenditure
- Operating expenditure

The performance indicators are determined in accordance with the standards used in the group accounts. The three indicators are ratios showing Lyse's share of total amounts that meet the requirements for taxonomy-eligible activities and taxonomy-aligned activities. The figures presented are after elimination of intercompany transactions.

Turnover

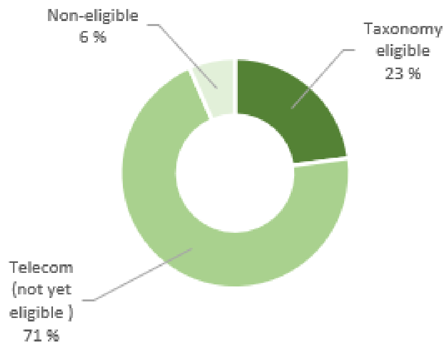


In Lyse's taxonomy reporting, turnover is defined in accordance with "operating revenue" in the group accounts. Lyse has chosen to present the turnover gross in order to have consistency between the accounting principles in the taxonomy reporting and the group accounts. Gains and losses on power and currency contracts are not considered eligible activities under the taxonomy and are included among the non-eligible activities.

The share of Lyse's taxonomy-eligible turnover is calculated as turnover from products and services associated with taxonomy-eligible economic activities in relation to the group's total turnover.

In 2022, the group's total sales revenue was NOK 30,219 million, of which 60 percent comes from economic activities that are considered environmentally sustainable according to the taxonomy. The taxonomy-eligible turnover is mainly linked to the activity electricity generation from hydropower. Furthermore, NOK 29 million of the eligible turnover was not taxonomy-aligned.

Capital expenditure



In Lyse's taxonomy reporting, capital expenditure is defined in accordance with IAS 16 and IAS 38. In addition, right-of-use assets reported in accordance with IFRS 16 are included. The performance indicator for capital expenditure includes all investments in note 19 Intangible assets, note 20 Tangible fixed assets and note 32 Leases in the consolidated accounts.

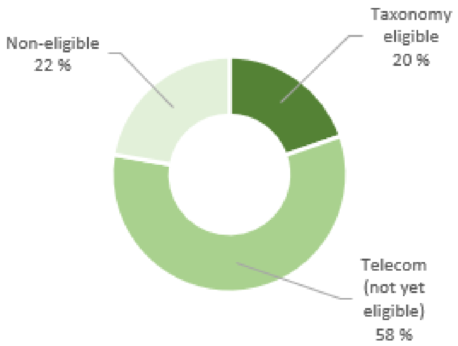
The proportion of Lyse's taxonomy-eligible capital expenditure is calculated as capital expenditure associated with taxonomy-eligible economic activities in relation to the group's total capital expenditure.

In 2022, the group's total investments were NOK 5,136 million, of which 23 per cent are linked to taxonomy-eligible activities. Both investments linked to the maintenance of eligible facilities and investments in new taxonomy-eligible facilities are included. The projects with the largest investment costs in 2022 relate to further development and upgrading of distribution and regional networks.

The largest investment projects in 2022 are the development of a new 132 kV power line between Strand municipality and Hjelmeland, as well as the expansion of Dalen and a new transformer station in Hjelmeland and Veland. The existing overall electricity grid will not have enough capacity to cover the future need for electricity, which includes, among other things, new power-intensive industry. To ensure good and stable power supply, the power grid must therefore be upgraded. Today's overall power grid in Hjelmeland was built in the 1970s, so its age indicates that there is a need for upgrading. The 132kV power line and substations are estimated to be completed in the summer or autumn of 2023. In 2022, extensive maintenance and construction of a new distribution network in Ryfylke also began. The distribution network must also be voltage upgraded from 11kV network to 22kV in order to be able to deliver increased power to power-demanding customers. The project takes place in several stages, and for several stages completion is estimated in the summer and autumn of 2023.

Large investments have also been made in the construction of a new 132kV power line between Opstad and Håland and a new transformer station in Håland to cover increased power needs in the area. It is expected that power consumption in effect will double from 2013 to 2040 in this area. Estimated completion of the project is summer 2023.

Operating expenditure



In Lyse's taxonomy reporting, operating expenditure are defined as costs related to the following:

- Planned maintenance and any other direct costs associated with the daily maintenance of assets, facilities and equipment necessary to ensure continued and efficient operation of the assets
- Research and development
- Rental costs that are not recognised in the balance sheet
- Property tax and premium contribution
- Depreciation

The share of Lyse's taxonomy-eligible operating expenditure is calculated as operating expenditure (according to the definition above) associated with taxonomy-eligible economic activities in relation to the group's total operating expenditure.

In 2022, the group's total operating costs were NOK 7,438 million, of which 20 per cent came from taxonomy-eligible operations. These costs are presented under "salaries and payroll costs", "regulatory fees", "depreciation, amortisation and impairment" and "other operating costs" in the consolidated accounts.

The European Commission has been explicit that economic activities that are not classified in the EU taxonomy are not necessarily environmentally harmful or unsustainable.

OWNERSHIP – OWNERSHIP AND COMPANY MANAGEMENT

In our business operations, Lyse depends on trust and acceptance from customers, owners and society at large. A means of achieving and maintaining trust is clear and good corporate governance. The group follows the Norwegian Code of Practice for corporate governance within the framework set by the company's organisational form and ownership. The deviations from these principles are therefore mainly linked to the transferability of the shares, issues and capital increases, as well as principles that must be followed if there is an offer for the business. The group's corporate governance guidelines are available at www.lysekonsern.no.

In the spring of 2021, the owner municipalities adopted an ownership strategy for Lyse in which expectations for the company were clarified, including the dividend policy. The board of Lyse AS (the group board) consists of eight members with personal deputies. The board, including the chairman and deputy chairman, is appointed by the company assembly. Two of the board's members are appointed by and among the company's employees. The members of the board are appointed for two years at a time. The board carries out an annual self-evaluation of the way of working, competence and cooperation with the management. The board has set up the subcommittees compensation committee and audit committee.

Board and management liability insurance has been taken out. This applies to board members, general managers, members of the group management etc. and covers liability for damage to a third party's person, property or damage to property.

DIVIDEND AND DISTRIBUTION OF PROFITS

The board will propose to the general meeting on 21 April 2023 that an ordinary dividend from Lyse AS of NOK 1,090.21 per share be distributed for the financial year 2022, a total of NOK 1,100 million. The year's profit after tax is NOK 265 million (company accounts). In addition, the board proposes that a subordinated loan of NOK 400 million be established. The board further proposes that NOK 835 million be transferred from other equity in Lyse AS.

Underlying operating result

Annual profit including minority interest after tax in 2022 was NOK 2,448 million compared to NOK 2,137 in 2021. Profit from underlying operations is operating profit adjusted for unrealised changes in value of financial instruments and significant non-recurring items. Significant non-recurring items for which corrections have been made when calculating the underlying operating profit amount to a profit effect of NOK 76 million after tax and NOK 740 million in tax costs. This includes a write-down of the gas land network in Lyse Neo of NOK 76 million and a one-off item in connection with a change in the tax rate for resource rent tax that has affected added value from previous acquisitions (the Hydro transaction) corresponding to NOK 740 million in tax costs.

Underlying annual profit for the majority adjusted for unrealised value changes on financial instruments and significant one-off items was NOK 2,089 million, compared to NOK 1,882 million in 2021.

The calculation of the underlying annual result also appears under alternative performance measures (APM) in the annual report.

(Figures in millions of kroner)	2022	2021
Annual profit including minority interest (IFRS) after tax	**2,448**	**2 137**
Unrealised changes in value of financial instruments (income +) after tax	108	511
Significant non-recurring items (income +)	76	14
One-off items in relation to changes in the tax rate, basic interest on capital gains from previous acquisitions	740	0
Annual result adjusted for unrealised changes in value, non-recurring items including minority interest after tax	**3,372**	**2,662**
Minority interest	1,283	780
Annual result for the majority adjusted for unrealised changes in value and one-off items after tax	**2,089**	**1 882**

FUTURE PROSPECTS

Lyse aims to contribute to digitisation and electrification, both regionally and nationally. The owners expect profitable operations that provide steadily increasing dividends.

Norway's obligations to reduce greenhouse gas emissions require significant electrification. However, this green shift will not be possible without a large degree of digitisation and advanced communication solutions. The board considers that Lyse is well positioned to contribute to solving this challenge, while at the same time the company creates value for the company's owners.

2022 was a demanding year for our customers, for the power market and the power industry, where the industry's reputation was put to the test. War in Europe, suspension of gas supplies from Russia, reduction of nuclear power and coal power in Germany in particular, combined with an even closer connection between Norway and the continent through new cables, have led to high, and occasionally very high, power prices in southern Norway.

This has led to record high revenues, primarily to the state through taxes and fees. A sharp increase in ground rent tax and the introduction of a so-called "high price subsidy", which involves a tax of 90% on prices above 70 øre/kWh, has meant that Lyse's tax bill amounts to approximately NOK 10 billion for 2022. The board would like to point out that this entails a massive transfer of value from our owners, the municipalities, to the state. The high price contribution also means that the necessary expansion of power, exemplified in an upgrade of Lyse's Røldal-Suldal power plant, is not profitable.

The board will emphasise that it is important that this top tax is removed as promised during 2024 at the latest. If Norway is to achieve our goals of reducing greenhouse gas emissions by 55% by 2030, a massive development of new renewable energy is necessary, such as The Energy Commission has pointed out. Without parallel development of more power, such growth in power production will be difficult.

Like the authorities, the board puts security of supply at the top of its priorities, and we therefore stopped production from our large water reservoirs ahead of the authorities ordering the companies to stop production in this way in June 2022. The board agrees with the authorities' priority but would like to point out that the companies that have invested heavily in significant storage capacity, in this way takes a greater part of the financial burden than actors who have not made similar investments, without this being reflected in the framework conditions.

The board believes that the authorities' support package for households has worked well and as intended as a reaction to rapidly rising prices. The change in the arrangement for the resource rent tax so that more companies can take part in long-term fixed prices has, in Lyse's view, also worked as intended, and we have sold more than 100 such contracts to our customers. A further development of the scheme should have priority and should over time also include the possibility for private customers to enter into similar, albeit not so long-term, contracts. If a larger proportion of our customers use fixed prices, the need for government support schemes will be reduced. At the same time, government support can stand in the way of a good, fixed price market being established.

The board still expects high power prices in the future, but hopefully at a somewhat lower level than last year. The board will point out that a tax burden for the renewable industry that is greater than for the oil and gas industry is not compatible with the goal of developing more renewable energy. If we as a nation are to succeed in reducing greenhouse gas emissions, climate policy, energy policy and tax policy must be linked. Unfortunately, they don't at the moment.

The results for 2023 from the renewables part of the group will depend on power prices, but not least tax policy. In addition, there are the "normal" uncertainties about precipitation and temperature.

Both the electricity end-user business as well as the district heating and gas business had negative results in 2022. This is due to concluded fixed price agreements, significant price differences within the country and major unrest in the gas market. The board expects that the results from these business segments will improve in 2023.

The broadband business, through fiber companies and the technology company Altibox, will continue to grow, but a significant part of the country now has fiber on offer, and the pace of development will therefore naturally be somewhat reduced.

Overall, the telecommunications business will continue to grow and, as before, will have a more stable profit development than the energy part of the group. The work to extract synergies between Altibox/the fiber companies and Ice will continue. Combined with the strengthening of our own 5G network, this will over time also strengthen the results in the mobile area.

The network business has had poor results through 2022 due to high costs for purchasing power for network losses. The authorities' measures to transfer part of Statnett's profits from the bottleneck revenues improved the situation.

Electrification of society and increased use of unregulated power such as wind and solar requires a power grid with greater capacity and flexibility. Lyse is entering a period of major investment in the electricity grid to strengthen security of supply and to meet society's need for restructuring in order to reach the climate targets. There will be a need for significant investment in the power grid in the region for many years to come. At the same time, the board is concerned with making better use of the existing power grid, through equalisation of consumption and by adopting new technology. The board views with concern a regulation that increases in complexity and that results in reduced efficiency for the companies that invest a lot. There is a need to change the regulation so that it supports society's need for networks in time.
New central grid connection from Lysebotn to Kalberg in Time municipality will significantly improve security of supply and access to more renewable energy. This new line will become operational during 2023. Lyse also has ongoing dialogue with Statnett to further strengthen the supply to the region. Sufficient access to renewable power will be an important piece in the transition of the region to a future with a smaller oil and gas sector.

Lyse will continue to take initiatives to reduce greenhouse gas emissions in Rogaland. Central measures are electrification, charging, onshore power, increased production of biogas and possible carbon capture from the incineration plant for residual waste at Forus in Sandnes municipality.

The board has an ambition for the Lyse group to continue to be present in the entire value chain within both the energy and telecommunications areas. This strategy has been strengthened through the acquisition of Ice. Lyse now delivers services to more than 1.5 million customers. By offering customers total solutions through increased digitisation and new innovative services and products, the group's ambition is to increase our national market shares in both communication and energy products.

The board emphasises that the company can provide the owners with stable and steadily increasing dividends. This prioritisation will continue, at the same time that the group sees significant opportunities for growth within all business segments given the competitive framework conditions

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Stavanger, 29 March 2023

Harald Espedal Chairman of the Board	Stine Rolstad Brenna Deputy Chair	Siri Annette Haataja Meling Board member	Jonas Skrettingland Board member
Svein Gjedrem Board member	Lotte Hansgaard Board member	Morten Larsen Board member	Marie Folstad Board member

Eimund Nygaard
Group CEO

Compliance declaration from the Board of Directors and Managing Director/CEO

We confirm to the best of our knowledge that the consolidated financial statements for 2022 have been prepared in accordance with IFRS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that the financial statements for the parent company for 2022 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that the information presented in the financial statements gives a true and fair view of the Company's and Group's assets, liabilities, financial position and result for the period viewed in their entirety, and in all material aspects and that the Board of directors' report gives a true and fair view of the development, performance and financial position of the Company and Group, and includes a description of the key risks and uncertainties the companies are faced with.

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Stavanger, 29 March 2023

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Svein Gjedrem Board member	Lotte Hansgaard Board member	Morten Larsen Board member	Marie Folstad Board member

Eimund Nygaard
Group CEO

Consolidated statement of profit and loss

(In NOK thousands)	Note	2022	2021
Sales revenue	10	31 126 869	16 797 076
Gains and losses on power and currency contracts	11	-928 668	-997 908
Net gain from sale of business	4	20 354	0
Operating revenue		30 218 555	15 799 167
Cost of sales	12	10 284 786	5 261 560
Salaries and payroll costs	13,14,34	1 524 160	1 144 632
Depreciation, amortisation and impairment	19,20,32	2 812 616	1 865 734
Regulatory fees	15	779 522	246 215
Other operating costs	16,19,33	2 322 122	1 393 969
Operating profit		**12 495 349**	**5 887 057**
Share of profit in equity accounted investments	4,5,21	22 162	18 939
Financial income	17	341 970	86 665
Financial expenses	17, 32	1 008 992	506 826
Profit before tax		**11 850 489**	**5 485 835**
Income taxes	18	2 730 591	1 205 337
Resource rent tax	18	6 671 829	2 143 661
Tax expense		**9 402 420**	**3 348 998**
Profit for the period		**2 448 069**	**2 136 837**
Allocated to:			
Controlling interests		1 354 244	1 356 884
Non-controlling interests		1 093 825	779 953
Earnings per share allocated to shareholders of Lyse AS (basic- and diluted earnings per share)		**1 342**	**1 345**

Consolidated statement of comprehensive income

(In NOK thousands)	Note	2022	2021
Profit for the period		**2 448 069**	**2 136 837**
Items that will not recycle over profit and loss in future periods			
Actuarial gains and losses	14,18	27 958	62 257
Items that will recycle over profit and loss in future periods			
Cash flow hedging, currency forward contracts	9, 11	-4 221	169 934
Cash flow hedging, interest swap contracts	9, 11	5 215	19 491
Cash flow hedging Euro loans	9, 11	-126 137	95 318
Currency translation differences, equity accounted investments	21	5 597	-6 887
Currency translation differences, subsidiaries		1 505	-1 641
Total of items that will recycle over profit and loss in future periods		**-118 041**	**276 215**
Statement of comprehensive income for the period, net of taxes		**-90 083**	**338 472**
Total comprehensive income for the period		**2 357 986**	**2 475 309**
Allocated to:			
Controlling interests		1 264 403	1 694 212
Non-controlling interests	6	1 093 582	781 097
Total comprehensive income for the period		**2 357 986**	**2 475 309**

Consolidated statement of financial position

ASSETS

(In NOK thousands)	Note	2022	2021
Non-current assets			
Waterfall rights	19	8 413 301	8 417 301
Goodwill	19	7 299 820	6 342 302
Other intangible assets	19	6 045 293	1 428 430
Deferred tax asset (resource rent)	18	48 731	51 776
Tangible fixed assets	20	30 734 726	27 143 540
Right-of-use assets	32	2 092 510	1 158 905
Equity accounted investments	21	816 072	759 208
Other non-current financial assets	8	108 159	93 965
Derivatives	7, 8, 9, 25	257 418	430 396
Other non-current receivables	8, 14, 24	85 286	62 612
Total non-current assets		**55 901 316**	**45 888 437**
Current assets			
Inventory	23	464 195	181 933
Trade receivables and other receivables	8, 24	3 771 470	3 222 966
Derivatives	7, 8, 9, 25	38 624	61 024
Current financial assets	8, 26, 27	1 148 400	764 000
Cash and cash equivalents	8, 26, 27	7 713 341	5 701 614
Total current assets		**13 136 030**	**9 931 536**
Total assets		**69 037 347**	**55 819 973**

EQUITY AND LIABILITIES

(In NOK thousands)	Note	2022	2021
Equity			
Share capital and premium reserve	30	1 275 591	1 275 591
Other equity and retained earnings		14 599 852	13 988 899
Equity allocated to controlling interests		**15 875 443**	**15 264 490**
Non-controlling interests		5 140 798	5 444 744
Total equity		**21 016 241**	**20 709 235**
Liabilities			
Non-current interest-bearing liabilities	8, 27	17 836 832	15 676 788
Non-current lease liability	32	1 566 153	774 111
Deferred tax liability	18	3 875 637	3 578 612
Deferred tax liability (resource rent)	18	6 301 858	5 084 295
Pension liabilities	14	40 268	100 900
Derivatives	7, 8, 9, 25	435 220	353 890
Provisions	28	100 749	61 167
Other non-current liabilities	28	3 837 801	1 759 512
Total non-current liabilities		**33 994 519**	**27 389 276**
Current interest-bearing liabilities	8, 27	1 972 787	1 333 876
Current lease liability	32	280 007	147 943
Accounts payable and other current liabilities	29	6 615 156	3 605 460
Tax payable	18	4 755 040	2 443 181
Derivatives	7, 8, 9, 25	403 596	191 000
Total current liabilities		**14 026 586**	**7 721 461**
Total liabilities		**48 021 105**	**35 110 738**
Total equity and liabilities		**69 037 347**	**55 819 973**

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Stavanger, 29 March 2023

Harald Espedal Chairman of the Board	Stine Rolstad Brenna Deputy Chair	Siri Annette Haataja Meling Board member	Jonas Skrettingland Board member
Svein Gjedrem Board member	Lotte Hansgaard Board member	Morten Larsen Board member	Marie Folstad Board member

Eimund Nygaard
Group CEO

Consolidated statement of cash flows

(In NOK thousands)	Note	2022	2021
Cash flow from operating activities			
Profit before tax		11 850 489	5 485 835
Net gain from sale of business		-20 354	0
Depreciation, amortisation, and impairment	19, 20, 32	2 812 616	1 865 734
Other gains/losses net classified as operations	11	108 975	641 329
Unrealised effects statement of financial position		380 328	-390 557
Changes in pension liabilities	14	-28 124	-51 317
Net financial costs	17	667 022	420 161
Profit/loss from equity accounted investments	4, 21	-22 162	-18 939
Change in trade receivables and other current receivables		-252 971	-814 098
Change in accounts payable and other current liabilities		2 168 637	790 971
Change in inventory		-271 747	18 804
Cash Hydro transaction	4	0	16 251
Hydro's share of cost		191 868	0
Other changes		19 185	67 400
Net cash flows from operating activities		**17 603 761**	**8 031 574**
Interest paid	17, 32	-658 298	-451 913
Interest received	17	157 884	44 092
Tax paid	18	-2 449 825	-368 072
Net cash flow from operations		**14 653 523**	**7 255 681**
Cash flow from investment activities			
Payments on purchase of tangible fixed assets and intangible assets	19, 20	-3 782 000	-2 649 840
Net payments investment in buildings	20	0	-272 294
Prepayments on right-of-use assets (lease)	32	-81 540	-126 623
Capitalised subscriber acquisition cost (SAC)	19	-222 444	0
Payments for spectrum licences	19	-115 330	0
Receipts from sale of tangible fixed assets		0	27 181
Net receipts and payments, shares in subsidiaries	4	-2 033 938	0
Net receipts and payments receivables related to acquisition of subsidiaries	4	-911 982	0
Net receipts and payments debt to associated companies and joint ventures		-500	0
Net receipts and payments, shares of associated companies and joint ventures	21	-33 044	27 697
Payment for other assets		-58 560	0
Net receipts and payments other financial investments		24 303	-8 060
Cash from acquisition of subsidiaries		128 890	12 469
Net cash flows from investment activities		**-7 086 144**	**-2 989 470**

Consolidated statement of cash flows cont.

(In NOK thousands)	Note	2022	2021
Cash flow from financing activities			
Payment of equity from non-controlling ownership shares		11 500	7 517
Borrowings	27	4 318 349	1 800 000
Repayment of interest-bearing liabilities	27	-4 771 470	-1 737 849
Payments related to financial lease liabilities	32	-212 008	-163 458
Net cash effect from power generation outflow - non-controlling interest		-3 773 373	-1 150 445
Dividends paid to non-controlling interests of subsidiaries		-94 250	-32 636
Dividends paid to controlling interests		-650 000	-630 000
Net cash flow from financing activities		**-5 171 252**	**-1 906 871**
Change in cash and cash equivalents		**2 396 127**	**2 359 340**
Cash and cash equivalents as at 1 January		6 465 614	4 106 274
Cash and cash equivalents at end of period*	**26**	**8 861 741**	**6 465 614**

* Including short-term financial positions

Consolidated statement of changes in equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2022

(In NOK thousands)	Note	Share capital and premium reserve	Other reserves - not recognised in profit and loss	Other equity	Equity allocated to controlling interests	Non-controlling ownership interests	Total equity
Equity 1 January 2022		**1 275 591**	**49 287**	**13 939 613**	**15 264 490**	**5 444 744**	**20 709 235**
Profit for the year		0	0	1 354 244	1 354 244	1 093 825	2 448 069
Statement of other comprehensive income							
Cash flow hedging	11	0	-125 142	0	-125 142	0	-125 142
Translation differences		0	7 102	0	7 102	0	7 102
Actuarial gains and losses	14	0	27 958	243	28 200	-243	27 958
Total other comprehensive income after tax		0	-90 083	243	-89 840	-243	-90 083
Comprehensive income after tax		**0**	**-90 083**	**1 354 486**	**1 264 403**	**1 093 582**	**2 357 986**
Dividends		0	0	-650 000	-650 000	-94 250	-744 250
Net power consumption non-controlling interests		0	0	0	0	-1 315 265	-1 315 265
Investments in equity accounted investments	21	0	0	-4 440	-4 440	0	-4 440
Equity increase		0	0	0	0	11 500	11 500
Other changes recorded directly against equity		0	0	989	989	486	1 475
Equity 31 December 2022		**1 275 591**	**-40 797**	**14 640 649**	**15 875 443**	**5 140 798**	**21 016 241**

SPECIFICATION OF OTHER RESERVES

(In NOK thousands)	Note		Translation differences	Hedging	Pensions	Total other reserves
Balance 1 January 2022			**-1 968**	**-112 215**	**163 470**	**49 287**
Actuarial gains and losses	14		0	0	43 257	43 257
Tax effect pension	14, 18		0	0	-15 299	-15 299
Cash flow hedge	11		0	-160 439	0	-160 439
Tax effect on cash flow hedge	18		0	35 297	0	35 297
Share of other comprehensive income, associates	21		5 597	0	0	5 597
Currency translation differences subsidiaries			1 505	0	0	1 505
Balance 31 December 2022			**5 134**	**-237 357**	**191 427**	**-40 797**

DIVIDENDS

(In NOK thousands)	2022
Proposed dividend	1 100 000
Proposed dividend per share	1 090

Consolidated statement of changes in equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2021

(In NOK thousands)	Note	Share capital and premium reserve	Other reserves - not recognised in profit and loss	Other equity	Equity allocated to the company's shareholders	Non-controlling ownership interests	Total equity
Equity 1 January 2021		**1 275 591**	**-289 185**	**13 196 665**	**14 183 071**	**5 394 830**	**19 577 901**
Profit for the year		0	0	1 356 884	1 356 884	779 953	2 136 837
Statement of other comprehensive income							
Cash flow hedging	11	0	284 743	0	284 743	0	284 743
Translation differences		0	-8 528	0	-8 528	0	-8 528
Other pension effects	14	0	62 257	-1 143	61 114	1 143	62 257
Total other comprehensive income after tax		0	338 472	-1 143	337 328	1 143	338 472
Comprehensive income after tax		**0**	**338 472**	**1 355 741**	**1 694 212**	**781 097**	**2 475 309**
Dividends		0	0	-630 000	-630 000	-32 636	-662 636
Net power consumption non-controlling interests	6	0	0	0	0	-708 909	-708 909
Investments in equity accounted investments	21	0	0	-39	-39	0	-39
Equity increase		0	0	0	0	7 500	7 500
Addition through subsidiary	4	0	0	17 972	17 972	3 103	21 075
Other changes recorded directly against equity		0	0	-726	-726	-240	-966
Equity 31 December 2021		**1 275 591**	**49 287**	**13 939 613**	**15 264 490**	**5 444 744**	**20 709 235**

SPECIFICATION OF OTHER RESERVES

(In NOK thousands)	Note		Translation differences	Hedging	Pensions	Total other reserves
Balance 1 January 2021			**6 560**	**-396 958**	**101 212**	**-289 185**
Other pension effects	14		0	0	79 240	79 240
Tax effect pension	14, 18		0	0	-16 982	-16 982
Cash flow hedge	11		0	365 055	0	365 055
Tax effect on cash flow hedge	18		0	-80 312	0	-80 312
Share of other comprehensive income, associates	21		-6 887	0	0	-6 887
Currency translation differences subsidiaries			-1 641	0	0	-1 641
Balance 31 December 2021			**-1 968**	**-112 215**	**163 470**	**49 287**

DIVIDENDS

(In NOK thousands)	2021
Proposed dividend	650 000
Proposed dividend per share	644

Table of contents financial disclosures

1 General information

Lyse is a Norwegian industrial group operating within the business areas of energy, telecommunications and power grid. The business comprises the production and sale of energy and telecommunications products, as well as the construction, operation and maintenance of power grids. Lyse sells energy and telecommunication products in both the regional and the national market. Its principal market is the southern part of Rogaland.

Lyse is owned by 14 municipalities in the southern part of Rogaland in Norway. The head office is located at Breiflåtveien 18 in Stavanger, Norway. The Group's bond instruments are listed on the Oslo Stock Exchange. The consolidated financial statements for full year 2022 were approved by the board of directors on 29 March 2023.

All numbers in the notes to the consolidated financial statements are presented in NOK thousands unless specified otherwise.

2 Summary of significant accounting policies

Below follows a description of significant accounting policies used in the preparation of the consolidated financial statements. The accounting policies described have been applied consistently to all periods presented unless otherwise specified in the description.

2.1 Basic policies

The Consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations from International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU and further requirements in Norwegian Accounting Law (Regnskapsloven). The consolidated financial statements are prepared on a going concern assumption and the consolidated financial statements are based on the historical cost principle except for certain financial assets and commitments (including financial derivatives) that are recognised at fair value through profit and loss.

Historical cost is generally based on the fair value of the consideration given when assets and services were acquired. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of fair value is contingent upon market prices being available or whether other valuation techniques have been applied. When determining fair value, the management must apply assumptions that market participants would have used in a similar valuation.

Estimates are a critical element in preparing the financial statements in compliance with IFRS. Management also needs to exercise judgement when applying the Group's accounting policies. Areas in which critical judgements and assessments are required and that involve a high degree of complexity, or areas in which judgement and estimates are material to the consolidated financial statements, are described in note 3.

a) Adoption of new and revised standards

In 2022 the following new and revised standards have become effective. This is related to the following standards:

- Reference to the conceptual framework (amendments to IFRS 3)
- Property, plant and equipment: proceeds before intended use (amendments to IAS 16)
- Onerous contracts – costs of fulfilling a contract (amendments to IAS 37)
- Annual improvements to IFRS Standards 2018-2020 cycle (IFRS 1, IFRS 9 and IAS 41)

The effects of adoption of the standards did not have a significant impact on the financial statements of the Group.

b) Standards, changes and interpretations of existing standards that have not yet taken effect and where the Group has not chosen early adoption

The following revised IFRSs or improvements have been issued but are not yet effective, and in some cases have not yet been adopted by the EU:

- Disclosure of accounting policies (amendments to IAS 1 and IFRS practice statement 2)
- IFRS 17 Insurance contracts
- Definition of accounting estimates (amendments to IAS 8)
- Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)
- Classification of liabilities as current or non-current (amendments to IAS 1)

Lyse does not expect that the adoption of these Standards will have a material impact on the financial statements of the Group in future periods.

c) Other changes to the accounting principles

Presentation of revenue and cost of sales from gross to net

The group has in 2022 changed accounting principle for revenue and cost of sales from gross to net presentation related to purchase of power to cover power delivery obligations (primarily concession power, regulatory power, and bilateral agreements). The change is applied to achieve consistency with the registration and settlement with Nord Pool, which is net. It is the net of power sold and power purchased that is reported to Nord Pool and a settlement is made hour by hour. If the liabilities are higher than the power production, it will be a "purchase coverage" that is paid, and this will appear as cost of sales. If the production is higher than the liabilities, there will be a net settlement (which is settled daily).

The change only affects presentation and has no effect on operating profit. The total effect of the changes is incorporated in the income statement, segment statement and in comparative figures. The table below shows comparative figures that follow from the changed principle as of 01.01.2021 on segment level.

Segment Energy - 2021		
Statement of profit and loss	**Originally**	**Reclassified**
(Numbers in milions)		
Sales revenue	10 991	10 128
Cost of sales	3 720	2 857
Operating profit	**4 979**	**4 979**

2.2 Consolidation policies

a) Subsidiaries

The consolidated financial statements consist of the financial statements of Lyse AS and its subsidiaries. Subsidiaries are all the entities in which Lyse has control through the power to govern the financial and operating policies. Control is obtained when Lyse has the ability to affect the variable returns through its power over the investee. Control is obtained either through ownership of more than 50% of the voting power and/or through agreements with other shareholders. Subsidiaries are consolidated from the date control is obtained and consolidation ceases once control is lost. All intercompany balances and transactions, including unrealised profits and losses arising from Lyse's internal transactions, have been eliminated. If necessary, the accounting principles applied by subsidiaries are revised to harmonise with the Group's accounting policies.

Business combinations
Business combinations are accounted for using the acquisition accounting method. The purchase price includes total consideration paid to acquire the entity's assets and liabilities, as well as contingent considerations at fair value. The acquired identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Any difference between the cost price of shares and the net fair value of identifiable assets and liabilities is recognised as goodwill or recognised as income if the cost price is lower. See note 2.6.

When a share less than 100% has been acquired in a company, a non-controllable interest arises. Non-controlling interests in the company acquired are either measured at fair value or at their share of the net assets of the acquired company. Deferred tax and deferred tax assets shall be recognised in accordance with IAS 12 Income Taxes. This means that the acquiring business at the time of acquisition account for the potential tax effects on temporary differences and losses carried forward as a result of the business combination. Deferred tax liability and deferred tax assets shall not be discounted, cf. IAS 12.53. The counterpart to non-discounting is an adjustment to goodwill.

Transaction costs are recognised in the income statement when they occur. If business combinations take place in stages, the fair value of the previous ownership interest is recalculated when the actual control is transferred to Lyse. Changes in fair value are recognised in the income statement.

b) Transactions with non-controlling shareholders

Transactions with non-controlling shareholders, without loss of control, are treated as equity transactions. In the case of purchases of shares from non-controlling shareholders, the difference between the consideration and the groups relative share of net assets in the subsidiary is recognised against equity for the parent company's shareholders. Gains or losses on sales to non-controlling shareholders will be recognised, correspondingly, against equity. When the Group is no longer in control, any remaining interests in ownership will be measured at fair value and changes in value recognised through profit and loss. Thereafter, fair value constitutes acquisition cost for further accounting, either as investment in associates, joint venture or a financial asset. Amounts that have previously been recorded in other comprehensive income related to this company are treated as if the Group had disposed the underlying assets and liabilities. This could mean that amounts that have previously been recorded in other comprehensive income are reclassified to profit and loss.

c) Investments where the equity method is applied

Joint Ventures and associates
Associated companies are companies where the Group does not have control but has the ability to exercise significant influence over operating and financial policies, generally when the ownership share is between 20% and 50%.

A joint venture is a jointly controlled arrangement where the parties who share control over the arrangement are entitled to the arrangements' net assets. Joint control is achieved when, as stated through contractual agreement, decisions regarding relevant activities require unanimity between the parties that share control.

Associates and joint ventures are accounted for using the equity method from the moment significant influence or joint control is achieved and until such influence ceases. Upon initial recognition, associates and joint ventures are recognised at their acquisition cost. The Group's share of the result from associates and joint ventures is recognised in the Group's profit and loss. Correspondingly, the Group's share of the entities carrying amount is recognised. Goodwill related to the associates and the joint venture is included in the carrying amount of the investment. See point 2.8 for the assessment of impairment.

The Group's share of the result from investments in associates and joint ventures is presented on a separate line in the statement of profit and loss. When the Group's share of any loss exceeds the investment in an associate, the Group's carrying amount is reduced to zero and any further loss is not recognised unless the Group has an obligation to cover this loss.

The Group's share of unrealised profit from transactions between the Group and its associates is eliminated. The same applies to unrealised losses unless the transaction indicates an impairment of the transferred asset. Where necessary the accounting policies applied in associates are revised to harmonise with the Group's accounting policies. Any gains and losses connected with diluting ownership interests in associates are recognised against profit and loss.

When the Group no longer has significant influence, any remaining interest in ownership is measured at fair value and changes in value recognised through profit and loss. Thereafter, fair value constitutes acquisition cost for further accounting as a financial asset. Amounts that have previously been recorded in other comprehensive income related to this company are treated as if the associate or the joint venture had disposed of underlying assets and liabilities. This could mean that amounts that have previously been recorded in other comprehensive income are reclassified to profit and loss. In the event of a reduction of ownership interests in an associate or joint venture in which the Group maintains a significant influence, a relative proportion of amounts previously recorded in other comprehensive income will also be reclassified through profit and loss. If the equity method still applies, for example in the event of a transition from an associate to a joint venture, no new measurement is made of the remaining share.

d) Investments where pro-rata line by line accounting is applied (i.e. gross method)

Joint operations

Jointly controlled power plants are jointly controlled arrangements where the Group and other participants who share control of the unit have contractual rights to assets and responsibilities for the unit's liabilities. In jointly controlled power plants, key decisions concerning relevant activities must be unanimous. When assessing whether a jointly controlled power plant is a jointly controlled arrangement, the criteria assessed include the arrangements structure, legal form, contractual agreement and other facts and circumstances. The Group recognises its relative share of the assets, liabilities, income and costs in the jointly controlled power plant. When the Group enters into transactions with a jointly controlled power plant in which the Group is a participant, the Group only recognises the share of gains and losses from the transaction related to other parties. When buying assets from jointly controlled power plants, the gain or loss is only recognised in the income statement once the asset has been sold out of the Group. Any loss is recognised immediately in the income statement if the transaction indicates a reduction in the net realisable value of current assets or an impairment of the value of non-current assets.

e) Accounting principle non-controlling interest Hydro

Lyse Produksjon AS, Hydro Energi AS and Statkraft Energi AS have merged parts of their hydropower production in southern Norway in the companies Lyse Kraft DA and RSK DA. According to the power consumption agreement, all parties shall withdraw a share of the power supply for own use or resale corresponding to their respective shares in Lyse Kraft DA and RSK DA, in exchange for covering a corresponding share of Lyse Kraft DA subgroup costs. In other words, the participants will extract the power at 'own use' cost which will be equal to the total external costs incurred in Lyse Kraft DA and RSK DA. These external costs will consist of current net operating costs (opex) and current investment costs (capex). The subgroup Lyse Kraft DA is fully consolidated in Lyse's consolidated accounts, which means that the non-controlling interests' (Hydro Energi AS and Statkraft Energi AS) share of these items is also included. In Lyse's consolidated accounts, the non-controlling interests are credited with its share of the income from the power sale, as well as the tax cost and other operating cost (high price contribution and property tax) for which the non-controlling interests are taxable. The non-controlling interests' share of profit in the group is calculated as the net amount of these items less the non-controlling interests' share of opex and depreciation in Lyse Kraft DA subgroup. In Lyse's cash flow statement, the net effect of the non-controlling power consumption and cost coverage for investments and operations is presented as cash flow from financing.

2.3 Segment information

The segments are reported in accordance with the same structure as in the Group's internal reports to management. A business segment is a part of the business that supplies products or services that are subject to risk and return different from other business segments.

2.4 Conversion of foreign currency

a) Functional currency

Functional currency is determined for each company in the Group based on the currency in the primary economic environment where each individual company operates. Transactions in foreign currency are translated to the functional currency based on the exchange rate at the date of the transaction. At the end of each reporting period, monetary items in foreign currency are translated to the exchange rate on the balance sheet date, non-monetary items are measured at historical cost and translated on the date of the transaction, and non-monetary items in foreign currency that are measured at fair value are translated at the exchange rates that applied on the date for calculating fair value. Exchange rate changes are recognised on an ongoing basis during the accounting period. If the currency position is regarded as cash flow hedging, profits and losses will be recognised as part of other comprehensive income.

b) Presentation currency

The Group's presentation currency is NOK. This is also the parent company's functional currency. Companies with other functional currencies are translated using the exchange rate on the balance sheet date for balance sheet items, including goodwill, and at the transaction date exchange rate for profit and loss items. Monthly average exchanges rates are used to approximate transaction date exchange rates. Translation differences are recognised against other comprehensive income. In the event of a loss of control, significant influence or joint control, the accumulated translation differences relating to investments that are attributable to controlling ownership interest are recognised. In the event of the partial disposal of subsidiaries (no loss of control) the proportionate share of the accumulated translation differences is attributed to non-controlling ownership interests.

2.5 Tangible non-current assets

Tangible non-current assets are recorded at acquisition cost, less depreciation. The acquisition cost includes any costs directly related to the acquisition of the asset. Borrowing costs incurred during the manufacturing of tangible non-current assets are capitalised until the asset is ready for its intended use. Acquisition cost may also include any gains or losses recycled from other comprehensive income related to cash flow hedges in foreign currency when non-current assets are purchased.

Costs incurred after the non-current assets have been taken into use, such as ongoing maintenance, are recognised in the income statement, while other costs that are expected to provide future economic benefits are capitalised. Cost related to periodic maintenance is capitalised and depreciated over the period up to the next planned maintenance. Any residual value relating to the replaced asset is expensed. Depreciation commences when the assets are ready for their intended use. Land property is not depreciated. Other plant and machinery are depreciated according to the straight-line method so that the acquisition cost of non-current assets is depreciated to the residual value over the anticipated useful life of the asset:

Energy Facilities	3 - 75 years
Telecom facilities	3 - 25 years
Power Grid facilities	15 - 40 years
Other buildings	33 - 50 years
Machinery and equipment	3 - 25 years

The useful life of the plant and machinery, together with their residual value, are assessed at each balance sheet date and amended as necessary. When the carrying amount of an item of plant or machinery is greater than the estimated recoverable amount, the value is written down to the recoverable amount (note 2.8).

Gains or losses resulting from the disposal of plant and machinery is recognised in the income statement and constitutes the difference between the sales price and the book value.

2.6 Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Costs relating to intangible assets, including goodwill, are recognised in the balance sheet when it is probable that the asset will generate future economic benefits and the costs can be measured reliably. Goodwill and intangible assets with an indefinite useful life are not amortised and are tested annually for impairment.

a) Research and development

Research costs are recognised as expense when they incur. Development costs are capitalised if future economic benefit can be identified in connection with the development of an identifiable intangible asset. Other development costs are recognised in the income statement as they incur. Development costs previously recognised as expense will not be capitalised on the balance sheet in subsequent periods. Development costs recognised in the balance sheet are amortised on a straight-line basis from the date of commercialisation over the period in which they are expected to provide economic benefits. Capitalised development costs are tested for impairment when indicators of an impairment exist.

b) Waterfall rights

Waterfall rights are capitalised at their historical acquisition cost. There is no right of reversion and the waterfall rights are therefore assessed having perpetual life and are not depreciated. Waterfall rights are tested annually for impairment. In the event of indications of possible impairment, impairment tests are performed immediately. If the impairment tests indicate that the book values can no longer be defended, a write-down is made to the recoverable amount. See 2.8 for further details.

c) Goodwill

Goodwill is the difference between the acquisition cost of purchasing a business and the fair value of the Group's share of the net identifiable assets of the business on the date of acquisition. Goodwill arising from the purchase of subsidiaries is classified as an intangible asset. Goodwill arising from purchasing shares in associated companies is included in associated company investments and is tested for impairment as part of the balance sheet carrying amount. Goodwill is tested annually for impairment and is capitalised at the acquisition cost minus any impairment. Impairment of goodwill are not reversed. Any profit and loss on the sale of a business includes the value of goodwill associated with the sold business.

For subsequent testing of the need for impairment of goodwill, this is allocated to relevant cash generating units. Allocation is made to the cash generating units or groups of cash generating units expected to benefit from the acquisition.

d) Frequency licences
Frequency licences are recorded at historic acquisition cost minus amortisation. Frequency licences have a limited useful life and are amortised on a straight-line basis over the licence period.

e) Brand names
Key brand names in the Group are tested annually for impairment and capitalised at acquisition cost minus deductions for any impairment. Time-limited brand names are recognised at historic cost less straight-line depreciation over their expected useful lifetime.

f) Customer portfolios
Customer portfolios are recorded on the balance sheet at historic acquisition cost minus amortisation. Customer portfolios have a limited useful life, and the amortisation profile is assessed individually for each customer portfolio. Customer portfolios are amortised over the expected customer relationship either on a straight-line basis or using a diminishing method based on expected customer churn.

g) Internally generated and intangible assets under development
Internally generated intangible assets mainly relate to activated software cost. These intangible assets are recorded at historic acquisition cost minus amortisation and are amortised on a straight-line basis over their expected useful life. Intangible assets under development are also related to software cost. Amortisation commences when the software is ready for its intended use. See also note a).

Included in internally generated intangible assets are also activated costs to obtain and fulfil customer contacts. Cost to obtain and fulfil customer contacts are amortised over the expected customer relationship and type of subscription.

2.7 Assets classified as held for sale

Non-current assets are classified separately as held for sale in the balance sheet when their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable, the asset is available for immediate sale in its present condition, and management is committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Liabilities directly associated with the assets classified as held for sale, and expected to be included as part of the sale transaction, are correspondingly also classified separately. Once classified as held for sale, property, plant and equipment and intangible assets are not subject to depreciation or amortisation. The net assets and liabilities of a disposal group classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

2.8 Impairment of non-financial assets

Goodwill and intangible assets with an indefinite useful life are not amortised but are assessed for impairment on an annual basis. Tangible non-current assets including right-of-use assets and intangible assets that are depreciated are assessed for impairment when there are indications that future earnings cannot justify the assets' carrying amount. An impairment is recorded in the income statement as the difference between the carrying amount and the recoverable amount. The recoverable amount is the fair value less cost to sell, or value in use, whichever is higher. On each reporting date, the possibility of reversing previous impairments of non-financial assets (except goodwill) is evaluated.

When assessing impairment, the plant and machinery are grouped at the lowest level at which it is possible to differentiate independent cash inflows (cash generating units). In assessing value in use, the estimated future cash flows are discounted to their present value using a risk-adjusted, market discount rate. Discount rates applied are based on the weighted average capital cost (WACC) method where the specific risk for the individual result unit is taken into account.

2.9 Inventory

Inventory is assessed at acquisition cost or net realisation value, whichever is lower.

2.10 Share capital and premium reserve

Ordinary shares are classified as shareholders' equity.

2.11 Tax payable and deferred tax

The tax cost comprises of tax payable and deferred tax. Tax is recognised in the income statement except when related to items that offset other comprehensive income or equity directly. In these cases, the tax will also offset other comprehensive income or equity directly.

Deferred tax has been calculated on all temporary differences between the tax-related value and the consolidated carrying amounts of assets and liabilities. Deferred tax is established by using tax rates and tax legislation which have been enacted or have substantively been enacted as at the date of the balance sheet, and which, it is assumed, should be used when the deferred tax benefit is realised, or when the deferred tax is settled. A deferred tax benefit is recognised if it is probable that future taxable income will be enacted, and that the temporary differences can be deducted from this income.

Taxation of the power production business segment
In addition to general corporation tax, energy generation is subject to property tax, natural resource tax and resource rent tax.

Resource rent tax
In the state budget for 2021, the government converted the resource rent tax for hydropower into a cash flow tax with immediate deduction of new investments. In order for the cash flow tax to have a neutral effect in conjunction with ordinary corporation tax, the resource rent tax related corporation tax is deducted from the resource rent tax base.

Resource rent tax constitutes 57.7% (2021: 47.4%) of net resource rent income for each power plant with a total related output of 10 000 kV. Resource rent income is calculated on the basis of each power plant's generation, hour by hour, multiplied by the spot price for the corresponding hour. For supplies of concession power and for power on long-term contracts over 7 years, actual contract price is used. The calculated income is reduced by actual operating costs, depreciation, investment costs related to power production, corporation tax on activities subject to resource rent and a tax-free income to arrive at net resource rent income. In cases where resource rent-related corporation tax is negative, zero will be deducted from the basis for resource rent tax and the loss will be carried forward without interest until later income years. The tax-free income is determined annually on the basis of the tax value of the operating assets in the power plant multiplied by a standard norm rate. Effective resource rent tax rate amounts to 45% (2021: 37%) since resource rent-related corporation tax is deducted from the basis for resource rent tax.

A negative resource rent income occurring in a power plant can be harmonised with a positive resource rent income in other power plants. Negative resource rent in previous years can be carried forward with interest against a later positive resource rent income in the same power plant. Deferred tax benefit, linked to deficits liable to be carried forward and deferred tax linked to other temporary differences, is capitalised for each power plant. The deferred tax benefit is recognised if it is probable that it will be used during the course of a 10-year period.

Natural resource tax
Natural resource tax is a tax that is independent of the surplus and calculated on the basis of each power plant's average generation in the last 7 years. The tax rate has been set at NOK 0.013 per kWh. The excess profits tax can be settled against the natural resource tax payable. The proportion of natural resource tax that exceeds the excess profits tax, can be carried forward with interest to later years, and is recognised on the balance sheet as a pre-paid tax (receivable).

Property tax
Property tax for power plants is calculated on the basis of actual power generation, less the actual operating costs and resource rent tax paid at the individual power plants. The income side of the property tax is calculated on the same basis as the resource rent tax. The property tax basis is arrived at by discounting the previous 5 years of net operating income at the power plant at a set interest rate according to the Tax Act §18-8(9), less the current value of the power plant's estimated costs for replacing plant and machinery. Of the property tax basis, property tax from 0.2 % up to 0.7 % is calculated as being for the specific municipality where the plant is located. Property tax is presented as an operating cost.

2.12 Pensions

The Group has defined benefit pension plans and defined contribution plans. The Group also has pension plans funded through operations. The Group's pension liabilities are, from an insurance perspective, partly covered through public occupational pensions in KLP through membership of the joint pension scheme for municipalities and companies. This plan has been closed. The pension liabilities beyond this plan are covered through operations.

Defined benefit plan
A defined benefit plan is a pension scheme defining the pension that an employee will be paid when retiring and that is financed by contributions paid to insurance companies or pension funds. The pension payments are normally related to one or more factors such as age, number of years with the company and salary. The liability recognised on the balance sheet linked to defined benefit plans is the present value of the liability on the date of the balance sheet, less the fair value of the pension funds. The pension liability is calculated annually by an actuary using a linear accrual approach. The present value of the defined benefits is determined by discounting estimated future payments at a discount rate based on the rate of covered bonds liabilities issued in the currency in which the liability is to be paid, and with an almost identical term as the payment horizon of the liability.

Gains and losses that occur when the liability is recalculated according to experience adjustments and changes in actuarial assumptions are recorded against equity via other comprehensive income during the period in which they occur. The effects of changes in the plan's benefits are recognised in the income statement immediately.

Pension costs and net interest costs for the period are recognised as payroll costs and financial costs, respectively.

The joint pension scheme is a multi-employer arrangement, i.e. the technical insurance risk is shared between all enterprises participating in the scheme. The financial and actuarial assumptions on which the calculation of net pension liabilities is based are therefore based on assumptions that are representative for the entire collective. Lyse is in a collective with other companies that have closed plans.

The pension scheme is based on a gender and age-neutral funding system and the premiums are based on average calculations for all members of the pension scheme.

Defined contribution plan
A defined contribution plan is a pension scheme in which the Group pays a fixed contribution to a separate legal entity. The Group has no legal or any other obligation to pay further contributions if the legal entity does not have sufficient funds to pay all employee benefits linked to accruals in current and previous periods. In the case of defined contribution plans, the Group pays a contribution to publicly or privately managed insurance company pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment liabilities once the contributions have been paid. The contributions are

recorded as a payroll cost when they are due. Pre-paid contributions are recorded as an asset if the contribution can be refunded or can reduce future payments.

Pensions funded through operations
The Group has pension plans that are funded through operations. The schemes are treated as defined benefit schemes.

2.13 Provisions

The Group recognises provisions for environmental improvements, restructuring and claims when: a) there is a legal or constructive obligation as a result of previous events, b) it is more likely than not that the provision will be settled by transferral of economic resources and c) the provision can be reliably measured. Future operational losses are not provided for.

Provisions are measured at net present value of the expected cash outflows to settle the obligation. A discount rate is used before tax that reflects the current market situation and the specific risk of the obligation. Increase in the obligation as a result of time value of money are recognised as finance cost.

2.14 Revenue recognition

The main principle in IFRS 15 is to book income to an amount that reflects the amount that the entity expects to have a right to in exchange for the transfer of goods or services to a customer. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when a customer obtains control of a good or a service and consequently can determine the use of, and receipt of the benefits of the good or service.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

Revenues from Energy
The revenue from the energy segment includes the sale of produced power, power obtained through trading, nature gas and district heating and cooling at a fixed price. The performance obligation is to deliver a series of distinct goods (hydropower) and the transaction price is the consideration Lyse expects to receive, at either spot price, regulated price or contract price. The performance obligation is satisfied over time which entails that revenue should be recognised for each unit delivered at the transaction price. Lyse applies a practical expedient under IFRS 15 whereby the revenue from hydropower for most of the contracts is recognised at the amount of which the entity has a right to invoice. The right to invoice hydropower arises when hydropower is produced and delivered and the right to invoice the consideration will normally correspond directly with the value to the customer. In those circumstances where Lyse sells hydropower on an exchange market/Nord Pool, the exchange is determined to be the customer. This is due to binding contracts between Lyse and Nord Pool / exchange.

In certain geographical areas Lyse is required to deliver a share of the hydropower production to municipalities where the hydropower is produced. Lyse has concluded that income from delivery of concessionary power does not arise from a contract with a customer under IFRS 15. However, Lyse applies the principles and policies in IFRS 15 by analogy and presents income from sale of concessionary power as revenues.

Lyse has also entered into bilateral agreements for the physical supply of power to industrial companies. These industrial contracts are recognised as income on delivery based on the same principle as revenue for other power sales.

Revenue recognition for sale of energy
When other parties are involved in providing goods or services to Lyse’s customers, Lyse has to determine whether its performance obligation is to provide the good or service itself (i.e. Lyse is a principal) or to arrange for those goods or services to be provided by another party (i.e. Lyse is an agent). In assessing whether Lyse is an agent or principal, Lyse

considers its contractual rights to direct the use of the hydropower, balancing risk, discretion prices of the deliveries and whether Lyse acts as the primary obligor of the deliveries. Lyse is considered a principal and therefore present gross the consideration received from the customer. The corresponding energy purchase is also presented gross in the profit and loss statement.

The Group receives monetary contributions from customers related to infrastructure assets that connects customers to the district heating grid. Refer to the revenue section on Power Grid below and the section on monetary contributions from customers related to infrastructure assets for the Groups principle on infrastructure/facility contributions.

Revenue from Telecommunications

The business segment telecommunications offer products and services related to broadband, telephony and the fibre infrastructure owned within the Group.

Many of the customers pay a contribution for connection to the fibre net (infrastructure contribution). The fibre companies own and control the infrastructure and the total is therefore to be recognised as assets pursuant to IAS 16. We refer to the section on infrastructure contributions below for information regarding the accounting principles applied by the Group.

Revenue from Power Grid

The Power Grid business segment operates within the areas of energy distribution and supply of services within the fields of infrastructure development, operations and maintenance. Ownership of the infrastructure linked to power distribution is also categorised within this business area. Lyse applies a practical expedient under IFRS 15 whereby the revenues from transportation of power is recognised at the amount to which the entity has a right to invoice. The Group receives contributions from customers from different segments as support for building and improving infrastructure or for them to connect to the grid (electricity, heating). Lyse owns and controls the infrastructure and the total cost should therefore be recognised as assets in line with IAS 16. Grid rental recognised as income from the Power grid business segment equals the period's delivered volume settled at the fixed regulated tariff at any given time. Higher/lower income (compared to the income ceiling) is defined according to IFRS as a regulatory liability/asset that does not qualify for balance sheet recognition. This is because no contract with a particular customer has been entered into, and the receivable is conditional on a future delivery. The income during a given year can therefore deviate relative to the income ceiling allowed by the Norwegian regulating authority (NVE). The tariffs are managed with the aim that annual income should correspond to the permitted level of income. We refer to the next paragraph regarding monetary contributions from customers related to infrastructure assets.

In the autumn of 2022, RME introduced a temporary regulation that transfers a part of Statnett's congestion revenues to the power grid companies in areas with high electricity prices. The transfer is based on companies' grid loss in the revenue ceiling and is designed so that Statnett's payment of congestion revenue fully or partially compensates the part of the electricity price that exceeds 35 øre/KWh. The scheme applies to 2022 and 2023. Congestion revenue is accounted for as transmission income.

Monetary contributions from customers to infrastructure assets

Contributions to the assets within infrastructure (both within the grid as well as within the Tele segment) represent payments which are to be evaluated together with pricing of future deliveries by Lyse to the customer (one performance obligation) and revenue is therefore recognised over time. A key discretionary assessment within the Grid and Tele segment is whether this is a separate delivery obligation in accordance with IFRS 15 or whether this is related to future transmission of energy or network. Customers, by paying capital contributions, obtain a significant right to receive future deliveries throughout the life of the associated assets. Lyse has assessed that capital contributions are not consideration for a separate delivery in accordance with IFRS 15, but are linked to future transmission of power or data. The capital contribution is therefore recognised as income over time, with an accrual corresponding to the expected life of the plant that has been built.

Sales of goods and services

Revenue from the sale of goods and services is recongnised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits from the asset, and the ability to prevent others from directing the use of and receiving the benefits from the assets. Revenue is generally recognised on delivery of the goods.

The Group recognises revenue from rendering of services over time, because the customer simultaneously receives and consumes the benefits provided by the Group. The Group recognises revenue over time by measuring the progress towards complete satisfaction of the services. The method applied is the one that most faithfully depicts our progress towards complete satisfaction of the performance obligation.

Interest income and dividends

For instruments that are measured at amortised cost, interest income is recognised as income using the effective interest method. For short-term financial investments that are measured at fair value through comprehensive income, interest income is recognised as income using the effective interest method. Dividends are recognised in the income statement when the right to dividends occurs.

2.15 Electricity certificates

Electricity certificates earned by generation are recognised as income at fair value on the generation date. The amount of received electricity certificates in the power generation business is presented as inventory on the balance sheet and is measured at whichever is the lower of the value at the time they were awarded and net realisation value.

Following a sale of electricity in the retail business, the estimated costs associated with purchasing electricity certificates for the volume sold is recognised as a cost. Provisions for which there is no coverage through purchased electricity certificates are recognised as current liabilities measured at market price. Purchased electricity certificates are recognised at acquisition cost. If the amount of electricity certificates exceeds the need for provisions, the excess value is presented as inventory. The amount is then assessed at whichever is the lower of acquisition cost or net realisation value.

2.16 Regulatory fees and compensation

Concessionary power is recognised as income on delivery in compliance with a set licensed energy price. As of 31 December 2022, the Group has not licensed energy agreements that are settled financially. Annual licence fees are paid to the State and municipalities for the increase in generation capacity gained through regulation and water transmission. Concessionary fees are recognised as expenses when they accrue.

The Group pays compensation to landowners for usage rights for waterfalls and land. In addition, compensation is paid to other parties for any damage to forests, land etc. The compensation payments can be either one-off payments or ongoing payments or obligations to deliver compensatory power/free electricity. The present value of liabilities linked to annual compensation payments and compensatory energy/free electricity are classified as provisions (see note 28). Annual payments are presented as 'other operating costs', whereas one-off settlements are recognised in the liability.

A high-price contribution was introduced with effect from 28 September 2022 to hydropower plants with generators with a total rated output of 10 000 kVA or more and from 1 January 2023 to other hydropower plants. The rate is set at 23 per cent of the electricity price above NOK 0.70 per kWh. The high-price contribution is classified as operating expense as the regulation is not based on taxable profits.

2.17 Governmental grants

Governmental grants are included at net value in the income statement and balance sheet. Where subsidies are associated with activities included directly in the income statement, the subsidies are treated as a reduction in costs linked to the activity that the grant is intended to cover. If the grant is linked to projects included on the balance sheet, the grant is treated as a reduction of the amount included on the balance sheet.

2.18 Dividends

Dividend payments to shareholders in the parent company are classified as liabilities from the date on which the dividend is confirmed by the general meeting.

2.19 Financial instruments

Financial instruments are a substantial part of Lyse's total balance sheet and therefore have significant influence on Group's financial position and profit and loss. Most of the financial instruments are within the category energy trades and financing activities. In addition, the Group has financial instruments as trade receivables, accounts payable, cash, current assets (liquidity positions) and equity investments.

Financial instruments are used as part of the energy trading activities. Trading activities are partially independent of the Group's production of power. The aim is to profit from changes in the market value for energy and energy related products as well as for non-standardised products. Financial instruments used when trading energy mainly consist of financial and physical agreements on the acquisitions and sale of power, CO2-quotas and environmental concessionaries.

Financial instruments are used to secure a continuous optimisation of future revenue from expected production volumes. Recognised derivatives are shown on separate lines on the balance sheets and are valued at fair value with changes in value recognised through profit and loss. As the Group's future production of power cannot be recognised on the balance sheet, the effect of a change in value of financial energy derivatives can have substantial effect on profit and loss without it necessary reflecting underlying operations.

Financial instruments within financing activities mainly consists of loans, interest and currency swaps and currency futures. The financial derivatives used as hedging instruments are in accordance with the Group's economic hedging strategy. The hedging objects are assets listed in foreign currencies, future cash flow or financial loan terms valued at amortised cost. Certain loan terms where interest rate has been changed from fixed to floating (fair value hedging) are recognised as hedging for accounting purposes. The change in value of financial instruments that is not recognised as hedging for accounting purposes will result in volatility in profit and loss without it necessary reflecting underlying operations. The dividend base is adjusted for unrealised value changes of financial instruments that is not recognised as hedging instruments.

Financial instruments are recognised when the Group becomes a party to contractual terms related to the instrument. Financial assets and liabilities are classified on the basis of the nature and purpose of the instruments into the categories: a) at fair value through profit and loss; b) financial instruments at fair value through other comprehensive income and c) financial instruments measured at amortised cost. The first-time recognition is at fair value for all categories. The categories are described below.

a) Financial instruments at fair value through profit and loss

Financial assets are classified at fair value through profit or loss if contractual cash flows are not just principal and accrued interest (not SPPI), as well as financial assets that are part of a business model that does not involve holding financial instruments to receive contractual cash flows.

Assets and liabilities within this category are classified as current assets/current liabilities if they are expected to be settled within 12 months, otherwise they are classified as non-current assets/non-current liabilities. Instruments that are held for trading are classified as current. The following financial instruments have been value at fair value through profit and loss:

- Physical energy contracts that can easily translated into cash and that are not considered to be right-of-use contracts are valued at fair value as a rule-of-thumb.
- Financial contracts concerning the purchase and sale of energy related products classified as derivatives. Energy derivatives consist of both freestanding derivatives and derivatives that have been separated from its host contract, and that are recognised at fair value.
- Currency derivatives.
- Other financial instruments held for trading.

Other non-current financial assets where Lyse is not in control or does not have significant influence is recognised at fair value. Other non-current financial assets consist of investments in shares. Received dividends are recognised through profit and loss as other financial costs.

Changes in the fair value of financial instruments recognised through profit and loss are recognised as other income and costs in the occurring period.

b) Financial instruments at fair value through other comprehensive income
A derivative that is designated as a hedging instrument in a cash flow hedge and that qualifies for hedge accounting, is classified in this category for the effective part of the changes in value. Hedging instruments are recognised at fair value at the time the hedging contract is entered into and thereafter on an ongoing basis at fair value on each balance sheet date. The subsequent recognition of gains and losses is described in section 2.20. The following financial instruments are valued at fair value through other comprehensive income (see section 2.20 for more details):

- Current financial positions
- Cash flow hedging of currency future contracts
- Cash flow hedging of interest swaps
- Cash flow hedging of loans in EUR

c) Financial instruments valued as amortised cost
This category includes trade receivables and other receivables, bank deposits, interest-bearing liabilities, accounts payable and other current liabilities.

Bank deposits and cash includes revolving credit. Revolving credit is recognised as a current loan in the balance sheet.

Receivables are financials assets that are not classified as derivatives with determinable payments that are not traded in active market. These are classified as current assets unless the due date exceeds 12 months after the balance sheet date, in which case they are classified as non-current assets. Receivables are classified as trade receivables and other receivables.

Trade receivables include both receivables that arise as a result of contracts with customers and other types of receivables. Receivables that arise as a result of contracts with customers are recognised at the agreed amount, less expected credit losses.

Other receivables and accruals are recognised at fair value and are measured in subsequent periods at amortised cost. Accounts receivable are thus measured at amortised cost using the effective interest method. The interest element is disregarded if it is insignificant, and this is the case for most of the group's accounts receivables.

The group impairs financial assets based on expected losses on the outstanding receivables at any given time. See also note 7 and note 24.

Financial liabilities are, on initial recognition, classified as loans and liabilities, or derivatives (hedging instruments in an effective hedge). Derivatives are initially recognised at fair value. Loans and liabilities are recognised at fair value adjusted for directly attributable transaction costs. Derivatives are financial liabilities when the fair value is negative and are accounted for in the same way as derivatives that are assets. After initial recognition, interest-bearing loans will be measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liability is derecognised. Amortised cost is calculated by taking into account any discount or premium associated with the purchase, or costs and fees that are an integral part of the effective interest rate. Effective interest rates are presented as financial expenses in the profit or loss statement. Liabilities are measured at their nominal amount if the effect of discounting is insignificant. A financial obligation is derecognised when the obligation has been fulfilled, canceled, or expired.

Shares are recognised at quoted prices for liquid securities. The valuation of other securities is conducted by discounting expected future cash flow.

Right-of-use contracts
Lyse has entered into psychical power contracts regarding right-of-use when the aim of the trade solely regards the expected purchase, sale or demand of right-of-use. These contracts do not qualify for capitalisation on the balance sheet.

The demand for right-of-use contracts is typically stable (for example in the case of bi-lateral contracts) and they are always settled through the physical distribution of power. Physical power contracts that are covered by the right-of-use exception are recognised as derivatives (financial instruments). Management has considered which contracts fall under the definition of a financial instrument and which contracts are not covered by the right-of-use exception.

Presentation of derivative in profit and loss and on the balance sheet
Derivatives are presented on separate lines as assets and liabilities, respectively. Derivatives are presented as current if expected to be settled within 12 months and as non-current if otherwise. Financial power contracts held for trading are always presented as current. Derivatives are presented at gross value on the balance sheet unless there exists a legal offsetting right and the offset is by contract subject to continuous settlement by cash. In the case of the latter, the relevant contracts are also presented at net-value on the balance sheet. Changes in fair value of derivatives is presented on a separate line in the profit and loss as operations, other revenue or costs. Changes in value that have been classified as either a finance cost or income are specified in note 17.

Instruments dedicated for hedging purposes are subject to measurements pursuant to the requirements for hedge accounting. This is described in separate paragraph.

Financial assets are removed from the balance sheet when the right to receive cash flow from the financial asset no longer applies or when these rights have been transferred and the Group has primarily transferred the risk and the complete potential for profit connected to the ownership.

Financial liabilities are removed from the balance sheet when expired, meaning when the obligations defined by the contract have been performed, cancelled or have expired.

2.20 Derivatives and hedging

Derivatives are capitalised at fair value on the date on which the derivative contract is signed, and then on an ongoing basis at fair value on each balance sheet date. The entry into the accounts of associated gains or losses depends on whether the derivative has been designated a hedging instrument and, possibly, the type of hedge. The Group classify derivatives that are included in hedge accounting as:

a) hedge of variability in cash flows linked to a highly likely future transaction (cash flow hedge)
b) hedge of the fair value of a balance sheet asset or commitment (fair value hedging)

On entering into the hedge transaction, the Group documents the connection between the hedging instruments and the hedged objects, the purpose of the risk management and the strategy behind the various hedge transactions. The Group also documents whether the derivatives used are effective in offsetting the changes in fair value or cash flow linked to the hedge objects. Such assessments are documented both on entering into the hedge and on an ongoing basis during the hedge period.

Fair value of the derivatives used in hedge relationships is presented in note 25. Any changes in equity linked to derivatives that are used in hedge accounting are presented in the consolidated statement of changes in equity. In addition to derivatives, a long-term loan in EUR has been designated to function as a hedging instrument for cash flow hedging.

Please also see notes 7 and 11 for further information.

a) Cash flow hedging
The effective portion of a change in the fair value of derivatives entered into, and which qualify as hedging instruments within cash flow hedging, is recognised directly in other comprehensive income. Losses and gains on the ineffective portion are recognised in the income statement as other income and costs as regards currency hedging instruments, and under finance as regards hedging instruments involving interest.

Hedging gains or losses that are recognised through other comprehensive income in equity are reclassified through profit and loss in the period when the hedging object affects the income statement (for example when the planned hedged sale takes place). Gains or losses linked to the effective part of interest swap agreements that hedge loans with variable interest are recognised in the income statement and presented under financial costs. The gain or loss relating to the part that is not effective is recognised as other income and costs. When the planned transaction that is hedged results in a balance sheet entry of a non-financial asset (e.g. tangible non-current assets), the profit and loss previously recorded in other comprehensive income will be reclassified as an adjustment of acquisition cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer satisfies the criteria for hedge accounting, the total gain or loss recognised through other comprehensive income as part of equity is reclassified through profit or loss at the same time as the planned transaction. If a hedged transaction is no longer expected to be affected, the recorded amount in equity will be reversed immediately to the profit or loss statement income statement as gains and losses on power and currency contracts.

b) Fair value hedging
Changes in the fair value of derivatives entered into and that qualify for fair value hedging, and which are effective, are recognised through profit and loss together with the change in fair value associated with the hedged risk on the associated hedged asset or liability. Gains or losses related to the ineffective part are reclassified as gains and losses from power and currency contracts in the profit or loss statement. If the hedge no longer meets the criteria for hedge accounting, the carrying effect of the hedge for hedged items that are entered at amortised cost will be amortised over the period up to the instrument's maturity.

c) Derivatives that do not qualify for hedge accounting
Changes in the fair value of derivatives that do not qualify for hedge accounting, are recognised as gains and losses on power and currency contracts. This will also be relevant for the group's agreements on the purchase and sale of non-financial items that are settled financially.

Embedded derivatives are separated from their host contract and recognised as a derivative if all the following criteria are met:

1. The financial characteristics and financial risk of the embedded derivative are not closely related to the financial characteristics and financial risk of the host contract.
2. A separate instrument with the same terms as the embedded derivative would satisfy the definition of a derivative.
3. The combined instrument (main contract and embedded derivative) is not measured at fair value with the changes in value included in the profit and loss.

2.21 Lease agreements

Lyse's leases mainly comprise the following types of assets

Lyse's lease agreements primarily consist of telecom equipment and fibre and line lease, as well as agreements for lease of property and warehouse. In addition, the group has a limited extent of lease of machinery and equipment.

Assessment of whether an agreement is or contains a lease agreement in accordance with IFRS 16

The definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period in exchange for consideration. At the commencement date of a lease, Lyse as the lessee recognises a liability at the present value of future lease payments with a corresponding asset representing the right to use the underlying asset during the lease term ("right-of-use asset"). The Group measures the lease liabilities at the present value of the remaining lease payments, discounted using the incremental borrowing rate. Depreciation of right-of-use assets and interest on lease liabilities are recognised separately in the statement of profit or loss. The total amount of cash paid is separated into a principal portion, an interest portion and prepayments made at or before lease in note 32 Leases. Payment of the principal portion is presented within financing activities, the interest portion is presented within cash flow from operations and prepayments made at or before lease within investment activities.

The following practical expedients and recognition exemptions to leases are applied

- Exemption from accounting for leases that are terminated within 12 months, these expenses are presented within 'other operating expenses'
- Exclude contracts that are clearly immaterial, these expenses are presented within 'other operating expenses'
- Intangible assets have been chosen to be excluded from IFRS 16. Leased licences or payments for licences for power generation and the like are therefore not accounted for in accordance with IFRS 16.
- Lyse has chosen not to separate service elements and that all elements are treated as a lease

Measurement

Lyse has considered whether options to renew a lease, not terminate a lease or to purchase the underlying asset with reasonable certainty will be exercised. All relevant factors that may provide Lyse financial incentives to exercise options, including contract, asset, company, or market-based conditions have been considered. Options for extension of agreements for the lease of premises and production facilities that are specifically designed and adapted to Lyse's operations are included in the estimated capitalised amount.

A lease obligation will be reassessed under given events and circumstances, such as changes in lease terms, or changes in future lease payments as a result of changes in an index or interest rate that are included in the determination of the amount paid. In general, changes as a result of a new measurement of the liability will be adjusted against the right-of-use asset by a corresponding amount. Right-of-use assets are assessed for impairment in the same way as ordinary tangible fixed assets that are depreciated.

The right-of-use asset and the lease obligation will be presented on a separate line in the balance sheet.

Marginal borrowing rates are calculated as a sum of market interest rates and company-specific credit margins for each relevant quarter. Lyse applies a common discount rate to a portfolio of leases with similar characteristics (e.g. leases with the same remaining lease term for a similar class of underlying assets in a similar economic environment).

A common discount rate is used on leases with the same characteristics and lease period. The marginal borrowing rates which is used when discounting future liabilities is an average of quarterly loan interest rates, based on the contract length for each individual lease.

Lyse as lessor

Lyse presents receivables from the rental of assets classified as financial leases as receivables equal to the net investment in the leases. Lyse's financial income is determined so that a fixed return on outstanding receivables is achieved over the contract period. Direct costs incurred as part of the establishment of the lease are included in the receivables.

Rental income from operating leases is recognised on a straight-line basis in the profit or loss statement over the duration of the lease. Direct expenses incurred in establishing operating leases are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term as depreciation. Variable rents are recognised as income during the vesting period.

2.22 Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and short-term financial investments with original maturity of three months or less which are readily convertible to known amount of cash and subject to insignificant risk.

2.23 Statement of cash flows

Lyse presents the statement of cash flows using the indirect method.

3 Climate risk, key accounting estimates and judgements

The use of reasonable estimates and judgements is a critical element in preparing the consolidated financial statements. Estimates and judgemental assessments are subject to ongoing evaluation and based on historical experience as well as current expectations related to future events. As a result, the actual outcome may differ from these estimates and could result in a significant correction in the following year. Future changes in assumptions are reflected in the financial statements as they occur. In 2022 risks related to climate change have become even more relevant when Lyse make its estimates and judgements. Estimates and assumptions which form the basis of the judgements about carrying value of material assets and liabilities are discussed below. Also refer to the referenced notes for further details.

FINANCIAL STATEMENT LINE ITEM

Carrying values	Note	2022	2021
Tangible fixed assets (incl. Right-of-use assets)	20, 32	32 827 236	28 302 445
Associate companies and joint ventures	21	816 072	759 208
Waterfall rights	19	8 413 301	8 417 301
Goodwill	19	7 299 820	6 342 302
Other intangible assets	19	6 045 293	1 428 430
Deferred tax assets, resource rent	18	48 731	51 776
Financial instruments not traded in an active market	8	-447 705	26 008
Pension liabilities	14	40 268	100 900
Pension funds	14	15 161	7 636

Estimate uncertainty

Uncertain energy markets

Through 2022 there has been an extraordinary situation in the energy market. The shortage of gas supplies from Russia has increased the risk and uncertainty in the global energy markets. Throughout the year the power prices have increased to historical high levels and have been very volatile. This leads to higher uncertainty in estimates and a risk for adjustments of carrying value of non-financial assets and long-term energy contracts in subsequent periods. These risks are further described below.

The increased risk related to volatile energy prices has led to significant initial margin requirements from the exchanges. Lyse has mitigated this liquidity risk by reducing its positions in the future/forward markets and taken precautionary measures to secure liquidity through increased level of cash and cash equivalents.

Risks and uncertainties may also arise from regulatory interventions. With effect from 28 September 2022, a high-price contribution was introduced for hydropower plants with generators with a total output of 10,000 kVA or more, and from 1 January 2023 for other hydropower plants and onshore wind farms. The rate is set at 23% of electricity prices that exceed 70 øre per kWh. The contribution is designed as a special tax to the state. The fee is calculated hour by hour per price area, and the basis for the fee is limited to turnover from power production.

Long-term price forecast

One of the key assumptions used when Lyse is making business decisions within the energy segment is the expected long-term power price and the related market developments. In addition, these assumptions are critical input for the Group related to financial statement processes such as impairment testing of property, plant, and equipment (note 20) and impairment testing of intangible assets (note 19).

Lyse performs an update of its long-term power price forecasts every six months for the price area where Lyse has hydropower operations. This update is the output from a continuous process of monitoring, interpreting, and analysing trends, which will affect future markets and revenues, as well as information from external financial institutions.

There are many uncertain factors that affect the price, such as:

- Future energy balances including impact from climate risks
- Cost levels of competing technologies and fuels
- Political regulations
- Technological developments

The long-term analysis considers the impact of climate change on long-term power prices. The long-term energy sector analysis is based on a specific global climate scenario. In addition, regional climate ambitions are taken into account in the estimation of future power markets. Climate change's expected impact on weather and inflow is included in the assumptions used to develop the long-term price forecast.

Physical risks from climate changes

The risk of physical damage due to climate change will increase in the future. Hydropower is a significant part of Lyse’s business. A key success factor for responsible water management is to predict precipitation as accurately as possible to reduce flood/drought risk, optimise energy production and while ensuring the agreed minimum flow. Lyse invests in dams and waterways to increase the robustness of dams and meet regulators’ updated safety standards.

Climate change, such as more extreme weather, leads to an increased risk of power outages and damage to critical infrastructure that cause disruptions in the services that Lyse provides. Lyse continuously conducts risk assessments for critical infrastructure to prevent disturbances and to minimise the consequences if disturbances occur. Lyse has a long-term focus and build infrastructure that can withstand the challenges of the future. Risks related to climate change are thus considered in everything from the choice of location to the use of materials. The risk of major accidents and destructions related to climate change is still considered to be low.

Important accounting estimates

Tangible fixed assets, useful life

Tangible fixed assets are depreciated over its expected useful life. This forms the basis for annual depreciation in the income statement. Expected useful life is estimated based on experience, past performance and judgemental assessments of future use. The estimated useful life is adjusted if new information implies that the current useful life is no longer the best estimate. The assessments can change due to technological development, competition, changes in market conditions, climate change or other development.

Intangible assets

The hydropower business has perpetual licences and purchased waterfall rights are therefore considered to be indefinite and will not be amortised. The rights are classified as intangible assets as the Group believes that acquired waterfall rights are not physical in the sense that there is payment for the right to utilise future precipitation and snow-melting to produce power.

Impairment losses related to non-current assets

The Group has made considerable investments in tangible fixed assets, intangible assets and equity accounted investments. Impairment tests are conducted when impairment indicators are present. Such indications might include changes in market prices, agreement structures, negative events, or other operational circumstances. In addition, certain assets are tested annually for impairment. Impairment losses are not recognised if the carrying value exceeds the recoverable amount. The recoverable amount is defined as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Several judgmental estimates are made related to the future cash flows, whereas sales prices, sales volume, operating profit margins and yield requirements are considered the most important factors.

Fair value of derivatives and other financial instruments, including shares

The fair value of financial instruments not traded in active markets (e.g. unlisted derivatives) are determined using valuation methods. The Group assesses and selects methods and assumptions that are based, as far as possible, on market conditions on the balance sheet date.

For long-term financial energy contracts and energy contracts not covered by the own use exception pursuant to IFRS 9, fair value is partly calculated based on assumptions that are not observable in the market. In addition to the information that is available in the market, management has a best estimate approach. Some of the assumptions that are used are price curves for raw materials, currency and interest rate curves, and weighted average cost of capital («WACC»).

Pension liabilities

Judgement and estimates are used for several parameters when calculating pension liabilities. Defined benefit pensions are calculated based on a set of chosen financial and actuarial assumptions. Changes to parameters such as discount rate, future salary adjustments, etc. could have a significant impact on calculated pension liabilities and pension assets.

Deferred tax, resource rent

Deferred tax assets are capitalised when it is expected that it will be possible to make use of the negative resource rent within a 10-year time frame, based on financial forecast analysis for individual power plants. The timing of when it may be possible to make use of negative resource rent is particularly dependent on assumptions regarding future electricity prices, generation volumes and cost and interest levels. Management has used its best judgement when making assumptions about future electricity prices and other assumptions that affect future resource rent.

Any change in these assumptions may be of significance for the proportion of the negative resource rent income that is to be carried forward and which can be capitalised. In addition, any future changes to hydro power taxation may involve significant changes to the recognised deferred tax positions.

The deferred tax asset from negative resource rent recognised on the balance sheet is expected to be utilised within 3-10 years. No further deferred tax benefit from negative resource rent is recognised on the balance sheet.

Judgmental assessments

Non-financial energy contracts

Non-financial energy contracts in which 'net financial settlement' is possible, can be treated as a financial contract in accordance with IFRS 9 and recognised at fair value through profit and loss.

Contracts that are signed and held with a view to own use are recognised upon delivery due to the own use exception. When assessing which contracts would be defined as a financial instrument and which would not, judgement is applied based on the criteria set forth in IFRS 9.

Assessment of improvements/maintenance

Maintenance and improvement costs that generate future financial benefits are capitalised if the criteria for capitalisation are met. Judgemental assessments are made concerning whether the cost is an improvement (capitalise) or whether the cost is considered maintenance cost (recognised through profit and loss as cost). Key factors in such assessments are whether costs will lead to future financial benefits and if the costs can be measured reliable. Ongoing maintenance is recognised as cost.

4 Acquisitions and divestments

Business combinations and asset acquisitions in 2022

Acquisition of Ice

On 30 March 2022 Lyse acquired 100% of the shares in Ice Group Scandinavia Holdings AS, Phonepartner Norge Holding AS and Ice Retail Holding AS for a cash consideration of NOK 2 957 million. Ice is Norway's third largest mobile network operator, and the acquisition will make Lyse a complete telecom operator. As a part of the settlement Lyse received receivables in the form of loans of NOK 912 million.

Recognised amounts of identifiable assets acquired and liabilities assumed (in NOK millions):

	Book value	Excess value	Book value after the allocation of excess value
Deferred tax asset* **	0	765	765
Trademark	0	417	417
Existing customer relationships	66	0	66
Customer relationships	0	1 039	1 039
Intangible assets**	2 677	0	2 677
Tangible fixed assets**	2 510	0	2 510
Bankinnskudd og kontanter	129	0	129
Other assets	321	0	321
Total assets	**5 703**	**2 220**	**7 923**
Long-term debt**	5 367	0	5 367
Short-term debt**	1 469	0	1 469
Total liabilities	**6 836**	**0**	**6 836**
Total identifiable net assets before goodwill			1 087
Consideration for the shares			2 045
Goodwill			958

* Excess value added on deferred tax asset comprise of 1 085 million in deferred tax asset and 320 million in deferred tax on excess value that are depreciated

** During the period, adjustments have been made to the fair values of identifiable assets and liabilities at the time of the acquisition which affects the cost price allocation. The changes mainly relate to the remeasurement of licences under IAS 38 and lease agreements under IFRS 16. Furthermore, an adjustment has been made to the deferred tax asset by including the remaining temporary differences in addition to tax loss carry forward.

Total goodwill recognised from the acquisition is NOK 958 million. The goodwill consists largely of the synergies, economies of scale and the competency of employees expected from combining the operations of Lyse and Ice. None of the goodwill recognised is expected to be deductible for tax purposes.

The sales revenue contributed by Ice since 31 March 2022 is NOK 1 973 million. Ice also contributed with a loss of NOK 752 million over the same period. Had Ice been consolidated from 1 January 2022 the Group's sales revenues and profit before tax would have been NOK 2 630 million and NOK -866 million.

Ice Retail Holding AS and Phonepartner Norge Holding AS were merged into Ice Group Scandinavia Holdings AS on 1 December 2022.

Acquisition of Skiptvet Digital AS

On 16 October 2022, the Lyse group entered into an agreement with Skiptvet municipality regarding the purchase of 100% of the shares in the fiber company Skiptvet Digital AS. The date of transfer was 21 October 2022, and the consideration for the shares was 12 million NOK. The purpose of the transaction is to expand existing operations in the telecommunications segment.

Sale of Lyse Eiendom Jørpeland AS

On 15 September 2022, the Lyse Group sold all the shares in Lyse Eiendom Jørpeland AS to Agera Eiendom AS. The consideration received for the sale of the shares was NOK 29 million. As a result of the transaction, NOK 20,4 million was recognised as a gain in the group result.

Business combinations and asset acquisitions in 2021

Sale of Nimbus Direct AS

29 Decemer 2021 Lyse entered into an agreement with Storskogen Norge AS for sale of all the shares in Nimbus Direct AS. Lyse Group has an ownership of 39%. Total consideration received was NOK 46 million. As a result of the transaction, Lyse Group has recognised a gain of NOK 38 million in the result related to sale of the shares. The agreement contains a contingent consideration to be paid in 2024. The contingent consideration is dependent on the result of the Nimbus Group in 2022 and 2023 and cannot be estimated with high enough probability to qualify for recognition per 31 December 2021. If a contingent consideration is received in 2024, this will be recognised as a gain in the group result.

Acquisition of Lnett Jærveien 35 AS

On 3 December 2021, the Lyse Group bought all the shares in the real estate company Lnett Jærveien 35 AS. The consideration for the shares was agreed at NOK 273 million. The company will be merged into the subsidiary Lnett AS as from 1 January 2022.

Transaction agreement between Lyse Produksjon AS and Hydro Energi AS regarding Lyse Kraft DA

Final cash settlement in connection with the Hydro Energi AS transaction as described below amounted to approximately NOK 20 million.

5 Segment information

The Group reports operating segments consistently with the way in which the Executive Management team makes, follows up, and evaluates its decisions. The operating segments are identified on the basis of the internal management information that is periodically reviewed by the Executive Management team and which is used for resource allocation and assessment of earnings.

The Group's business operations related to Energy and Power Grid are primarily in Rogaland. The Telecommunications business segment has partnership agreements with companies located elsewhere in Norway. Transactions and transfers between the Group's business areas are carried out on ordinary business terms and conditions. No individual external customer contributes any more than ten per cent of the Group's operating income.

Financial information for each segment is drawn up, as far as possible, in line with the Group's policies for preparing consolidated financial statements. Each segment can consist of multiple companies. Transactions and items outstanding between companies within a segment are eliminated. Eliminations in the consolidated financial statements are allocated to the various segments in line with underlying operations. Transactions and items outstanding between the segments are eliminated at a group level and are stated in the column 'eliminations'.

In 2022, the companies in the group have used the exception under simplified IFRS, which allows the lessee to deviate from IFRS 16 for intercompany lease agreements. This exception only affects the numbers in the segment note. The change is incorporated in comparative figures without significant effects.

Energy

The Energy business segment operates within energy generation, energy trading, energy sales to end-users, as well as natural gas, district heating and cooling. This business segment owns power plants, gas plants, and district heating and cooling plants.

KEY FIGURES, ENERGY

		2022	2021
Mean generation	GWh	9 721	10 075
Reservoir capacity	GWh	6 803	6 803
Hydroelectricity production	GWh	7 974	10 353
Area price NO2	øre/kWh	212,77	76,23
Actual price attained (incl. hedging)	øre/kWh	180,00	67,92
Electricity supply, end-user	GWh	2 278	2 529
Supplied volume, natural gas, biogas and fuel (incl. internal deliveries)	GWh	412	612
Supplied volume, district heating and cooling	GWh	175	193

Telecommunications

The Telecommunications business segment offers products and services within fiber broadband, content services and mobile network. The business area is also the owner of fiber infrastructure in Norway, as well as dark fiber in Europe.

KEY FIGURES, TELECOMMUNICATIONS

		2022	2021
Capital employed	NOK mill	20 741	10 726
EBITDA	NOK mill	2 728	2 123
EBITDA margin	%	36,6 %	41,0 %
Carrying value tangible fixed assets and equity accounted investments	NOK mill	14 044	10 197
Number of kilometres of fibre optic network	km	70 083	61 298
Number of active fibre optic customers in the Altibox partnership		828 881	784 918
Number of active fibre customers owned by Lyse*		513 606	491 545
Number of smartphone subscribers**		757 305	0
Number of mobile broadband subscribers**		57 453	0
Number of base stations in service**		3 303	0

* including subsidiaries and joint operations owned by Lyse
** Related to the acquisition of Ice in 2022. Comparative figures are therefore not relevant. See note 4 for further details.

Power Grid

The Power Grid business segment operates within the areas of energy distribution and supply of services within the fields of Power Grid/ infrastructure development, operations and maintenance. Ownership of the Power Grid linked to energy distribution is also categorised within this business segment. Energy distribution is regulated by the Norwegian Water Resources and Energy Directorate (NVE).

KEY FIGURES, POWER GRID

		2022	2021
Number of electricity grid customers		162 300	159 902
Supplied energy (total consumption in the area)	GWh	4 699	5 300
Power Grid capital (NVE capital) used as a basis in revenue cap	NOK mill	4 857	4 387
Return on NVE Capital	%	4,8%	3,7%
Surplus(-)/shortfall (+) revenues:			
- Regional grid	NOK mill	15,0	29,5
- Distribution grid	NOK mill	-312,9	-158,6
KILE costs	NOK mill	25,7	23,0

Other

The "Other" segment includes Lyse AS, Lyse Eiendom Mariero AS, Lyse Eiendom Ullandhaug AS, Lyse Dialog AS, Lyse Vekst AS, Lyse Elkon AS, Lyse Lux AS and Lyse Agon AS. The other companies that are a part of the 'Other' segment do not have any material business activities.

Lyse AS is the Group's parent company and provides corporate services within finance, personnel and other common parent services. Lyse Eiendom Mariero AS and Lyse Eiendom Ullandhaug AS own business assets, buildings.

Lyse Dialog AS primarily provides marketing and customer services to internal business areas.

Lyse Vekst AS is representing Lyse Group in investments of early-stage technology and renewable energy companies.

Lyse Elkon AS is representing Lyse Group in the initiative associated with the electrification of the Port of Stavanger.

Lyse Lux AS business are within construction, operation and maintenance of outdoor lightning in the southern part of Rogaland. Lyse Agon AS delivers the same services to the private market.

For more information about additions and disposals of subsidiaries, see Note 4 on business combinations and note 35 on companies included in the consolidation.

Number of full-time equivalents per segment

	2022	2021
Energy	152	133
Telecommunications	855	565
Power Grid	356	361
Other	514	357
Total number of full-time equivalents as per year end	1 877	1 416

INCOME STATEMENT 2022

(Amounts in NOK millions)	**Energy**	**Telecomm-unications**	**Power grid**	**Other segments**	**Elimina-tions**	**Group**
Sales revenue	21 903	7 461	1 637	881	-734	**31 147**
Inter-segment sales	-44	-8	12	-694	734	**0**
Gains and losses on power and currency contracts	-929	0	0	0	0	**-929**
Operating revenues and other income	20 930	7 452	1 649	187	0	**30 219**
EBITDA*	12 339	2 728	474	-225	-7	**15 308**
Cost of sales	7 078	2 381	753	103	-30	**10 285**
Depreciation and impairment	481	1 970	252	114	-4	**2 813**
Operating profit	11 858	758	222	-338	-3	**12 495**
Share of profit/loss in equity accounted investments**)	9	13	0	0	0	**22**
Financial income	336	76	5	577	-652	**342**
Financial expenses	304	694	83	580	-652	**1 009**
Impairment of non-current financial assets	2	0	0	22	0	**23**
Profit before tax	11 900	152	144	-342	-3	**11 850**
Tax expense	9 405	31	32	-64	-1	**9 402**
Profit for the year	2 495	122	112	-278	-3	**2 448**
Of which income (+) / cost (-):						
Net unrealised gains and losses on power and currency contracts	-79	0	0	0	0	**-79**
Unrealised changes in value long-term physical industry contracts	-29	0	0	0	0	**-29**
Unrealised changes in value, financial instruments (after tax)	**-108**	**0**	**0**	**0**	**0**	**-108**
Non-recurring items (after tax)	-76	0	0	0	0	**-76**
Non-recurring items related to change in tax rate resource rent on excess value previous acquisitions	-740	0	0	0	0	**-740**

* EBITDA is defined as: operating profit/loss + depreciation and impairments
** Income from the share of the result in equity accounted investments (+), losses on the result in equity accounted investments (-)

INCOME STATEMENT 2021

(Amounts in NOK millions)	**Energy**	**Telecomm-unications**	**Power grid**	**Other segments**	**Elimina-tions**	**Group**
Sales revenue	10 128	5 191	1 447	660	-629	**16 797**
Inter-segment sales	-19	-11	-86	-512	629	**0**
Gains and losses on power and currency contracts	-998	0	0	0	0	**-998**
Operating revenues and other income	9 111	5 180	1 360	148	0	**15 799**
EBITDA*	5 348	2 123	442	-145	-15	**7 753**
Cost of sales	2 857	1 796	631	78	-101	**5 261**
Depreciation and impairment	370	1 167	277	74	-21	**1 866**
Operating profit	4 978	955	165	-219	8	**5 887**
Share of profit/loss in equity accounted investments**)	-46	65	0	0	0	**19**
Financial income	37	17	3	232	-202	**87**
Financial expenses	180	144	46	339	-202	**507**
Impairment of non-current financial assets	0	0	0	0	0	**0**
Profit before tax	4 789	893	122	-327	8	**5 486**
Tax expense	3 197	196	27	-73	2	**3 349**
Profit for the year	1 591	698	95	-254	7	**2 137**
Of which income (+) / cost (-):						
Net unrealised gains and losses on power and currency contracts	-479	0	0	0	0	**-479**
Unrealised changes in value long-term physical industry contracts	-33	0	0	0	0	**-33**
Unrealised changes in value, financial instruments (after tax)	**-511**	**0**	**0**	**0**	**0**	**-511**
Non-recurring items (after tax)	-53	39	0	0	0	**-14**

* EBITDA is defined as: operating profit/loss + depreciation and impairments
** Income from the share of the result in equity accounted investments (+), losses on the result in equity accounted investments (-)

BUSINESS AREA'S ASSETS AND LIABILITIES 2022

(Amounts in NOK millions)	Energy	Telecommunications	Power Grid	Other segment	Eliminations	Group
Deferred tax asset (resource rent)	49	0	0	0	0	**49**
Deferred tax asset	0	345	0	6	-351	**0**
Goodwill	5 515	1 759	1	0	25	**7 300**
Other intangible assets	8 424	5 699	0	336	0	**14 459**
Tangible fixed assets (incl. right-of-use assets)	12 729	13 320	6 494	392	-107	**32 827**
Equity accounted investments	74	724	0	18	0	**816**
Other non-current financial assets	0	2	0	106	0	**108**
Other financial fixed assets	284	123	15	22 520	-22 599	**343**
Current assets	18 581	7 292	374	463	-13 574	**13 136**
Total assets	45 654	29 264	6 884	23 841	-36 605	**69 037**
Equity	15 135	9 038	1 543	3 558	-8 257	**21 016**
Deferred tax liability	9 007	0	383	0	787	**10 177**
Non-current interest-bearing liabilities	326	3 407	57	15 613	0	**19 403**
Other non-current liabilities	5 801	10 542	3 575	58	-15 562	**4 414**
Current liabilities	15 385	6 277	1 325	4 613	-13 574	**14 027**
Total equity and liabilities	45 654	29 264	6 884	23 841	-36 605	**69 037**
Investments in tangible and intangible fixed assets (excl. right of use assets, SAC and licences)	373	2 275	1 011	123	0	**3 782**
Investments in shares and interests	0	3 002	0	36	0	**3 038**

BUSINESS AREA'S ASSETS AND LIABILITIES 2021

(Amounts in NOK millions)	Energy	Telecommunications	Power Grid	Other segment	Eliminations	Group
Deferred tax asset (resource rent)	52	0	0	0	0	**52**
Goodwill	5 515	827	1	0	0	**6 342**
Other intangible assets	8 422	1 026	0	396	0	**9 845**
Tangible fixed assets (incl. right-of-use assets)	12 835	9 520	5 733	325	-111	**28 303**
Equity accounted investments	66	677	0	17	0	**759**
Other non-current financial assets	0	1	0	93	0	**94**
Other financial fixed assets	459	103	15	15 034	-15 118	**493**
Current assets	5 509	1 373	645	5 407	-3 003	**9 932**
Total assets	32 858	13 527	6 395	21 272	-18 231	**55 820**
Equity	12 893	4 536	1 385	6 628	-4 734	**20 709**
Deferred tax liability	7 899	457	324	2	-19	**8 663**
Non-current interest-bearing liabilities	319	3 235	63	12 834	0	**16 451**
Other non-current liabilities	6 285	3 058	3 367	42	-10 477	**2 275**
Current liabilities	5 461	2 241	1 255	1 766	-3 003	**7 721**
Total equity and liabilities	32 858	13 527	6 395	21 272	-18 231	**55 820**
Investments in tangible and intangible fixed assets (excl. right of use assets, SAC and licences)	405	1 445	1 015	57	0	**2 922**
Investments in shares and interests	0	2	1	54	0	**56**

6 Non-controlling interests

Based on an overall assessment where size and complexity are considered, is the sub-group where Lyse Produksjon AS are owner in Lyse Kraft DA and Jørpeland Kraft AS, considered the only subsidiary with material non-controlling interests. See note 35 for further details on non-controlling interests.

Lyse Produksjon sub-group

The subsidiary Lyse Produksjon AS has an ownership interest in Lyse Kraft DA of 74,4%. Lyse Kraft DA owns power plants and aims to manage, operate and further develop these in an optimal way for the participants.

The table below summarises key figures for the sub-group Lyse Produksjon.

Non-controlling ownership interests in the table below shows the entire share of the non-controlling ownership interests in the sub-group, which also contains the holdings for Statkraft Energi AS and Norway Hydropower INVEST GmbH KG in addition to Hydro Energi AS

“Net power consumption” in the table below only contains cashflow effects from/to non-controlling ownership interests. In the equity statement “Net power consumption” is additionally added to non-cash-generating records.

FINANCIAL STATEMENT LINE ITEM	Lyse Produksjon sub-group	
	2022	2021
Revenue	15 471 719	7 339 423
Profit attributable to owners of the Company	1 622 797	952 407
Profit attributable to the non-controlling interests	997 059	694 535
Profit for the period	2 619 856	1 646 942
Other comprehensive income attributable to owners of the Company	-128 145	262 212
Other comprehensive income attributable to the non-controlling interests	0	3 711
Other comprehensive income for the period	-128 145	265 923
Total comprehensive income attributable to owners of the Company	1 494 652	1 214 619
Total comprehensive income attributable to the non-controlling interests	997 059	698 246
Total comprehensive income for the period	2 491 711	1 912 864

	2022	2021
Net power consumtion paid to non-controlling interests	3 870 596	1 393 098
Net cash flows from operating activities	11 656 118	5 576 627
Net cash flows from investing activities	-255 307	-292 816
Net cash flows from financing activities	-4 560 576	-1 608 128
Non-current assets	25 595 270	25 876 826
Current assets	16 962 768	4 367 117
Non-current liabilities	14 170 422	13 639 374
Current liabilities	14 504 443	4 747 830
Equity attributable to owners of the Company	9 633 423	7 259 797
Equity attibutable to the non-controlling interests	4 249 750	4 596 942

7 Financial risk management

Financial risk factors

The activities of the Lyse Group involve different types of financial risk: market risk (including price risk, currency risk and interest risk), credit risk and liquidity risk. Risk management is based on the Group's ability and willingness to take risk and is set by the Board. Energy price risk and foreign currency risk for individual companies are managed collectively for the Group. Lyse AS manages interest rate risk and liquidity risk. The Group has limited credit risk. Any credit risk related to customer portfolio is managed by Lyse Dialog AS, whereas any other identified credit risk is largely managed by the individual companies themselves.

(a) Market risk

(i) Price risk

The Group is exposed to risks linked to the price of raw materials, as the Group's future income from energy generation is largely influenced by movements in electricity prices. To mitigate the price risk, the Board has adopted a strategy in which there is a base hedge of 1 TWh in the form of long-term contracts. The remaining volume is traded in the open market and is exposed to movements in electricity prices.

The Group also has other financial energy contracts that are subject to price risk. This applies to some energy obligations and pre-paid energy sales contracts. These contracts are classified as long-term derivatives at fair value with changes in value through profit and loss.

A sensitivity analysis as included below, illustrates the impact of an increase/decrease in future energy prices in the coming years on the Groups result after tax. For changes in the energy prices, the analysis is based on forward prices for energy fluctuating 30% in each direction. All other variables are kept constant.

Regulatory risk
The Group’s activities are influenced by framework conditions such as tax levels, terms for concession and public regulations. The Norwegian government has increased the resource rent tax and introduced a high-price contribution on electricity prices above NOK 0.70 per kWh.

Climate risk
The Group is directly exposed to climate change, as changes in precipitation will change the average output from hydropower plants, as well as the increased fluctuations. In addition, the transition to a low-carbon economy will entail extensive policy, legal, technology, and market changes, with a potential to have significant impact on the Group’s revenues.

(ii) Currency risk

Through its business activities, the Group is exposed to foreign currency risk in several currencies. This risk is particularly relevant in relation to EUR through participation in the Nordic energy market. The foreign currency risk arises from future trade transactions and book value of assets and liabilities. The foreign currency risk shall be low according to the Group's foreign currency strategy.

As all trade of physical and financial energy on the Nordic energy exchange is listed and traded in EUR, the Group is exposed to currency risk. The currency risk linked to sales of physical energy generation is significant, but relatively limited compared to the risk linked to the energy price, since energy prices normally fluctuate more than currency exchange rates. Electricity certificates are listed and sold in SEK. Purchases of equipment and machinery in the Telecommunications segment are partially exposed to changes in USD. To mitigate the currency risk in the Group, the Board has adopted a strategy of hedging future cash flows in foreign currency. In line with this strategy, forward contracts are the main instruments used for hedging of future exchange rates. In addition, Lyse AS has six long-term loans amounting to EUR 329 million, that per 31 December 2022 expires in the period 2030 – 2044. Forward contracts are entered into for the current year and the next 3 to 7 calendar years within approved limits, for hedging likely foreign currency exposure. The level of hedging is greatest for short-term cash flows. At year end, a minimum of 50%, and a maximum of 100% of net estimated foreign currency exposure for the next year shall be hedged.

The sale of currency futures is managed in a dedicated portfolio. For trades included in this portfolio, the documentation requirements and efficiency measurement requirements have been fulfilled for hedge accounting in accordance with IFRS 9. In the financial statements, this portfolio of foreign currency derivatives is classified as hedging instruments with changes in fair value booked through other comprehensive income. At the end of 2022, NOK 67,2 million were recognised in equity (NOK 71,2 million in 2021).

The Group's bank deposits, receivables and liabilities in foreign currency are exposed to exchange rate fluctuations. This also applies to the other financial energy contracts mentioned above, as a consequence of the energy price being quoted in EUR. A sensitivity analysis below illustrates what the impact of a 10% increase/decrease in exchange rates would have on the Group's result and equity.

(iii) Variable and fixed interest rate risk

The Group's interest risk is largely associated with long- and short-term debt instruments. The Group is also indirectly exposed to its share of debt in associates. Variable rate loans expose the Group to risk of increased financial costs in the income statement.

Fixed rate loans are recorded at amortised cost, implying that changes in fair value is not recognised through profit and loss. Where loans are categorised as hedge objects in fair value hedging, amortised cost is adjusted by hedging gains and losses. This applies to bond loans for which interest swap agreements from fixed to variable rate have been signed. Interest swap agreements are recognised at fair value. Changes in the fair value of hedging instruments are recognised through profit or loss together with changes in value of the hedged item. The Group entered into a new fair value hedge agreement in 2022.

Hedges of variable interest rate exposure with swaps (variable to fixed rates) are accounted for in accordance with the principles for cash flow hedging, where the effective part of the change in fair value of the interest rate swaps is recognised in the hedging reserve in equity through other comprehensive income. As of 31.12.22, NOK 2,8 million has been recognised in equity (NOK -2.4 million in 2021). For information on the amounts and interest terms for the interest rate swaps, see note 9 and note 25.

In addition, Lyse has long-term financial energy liabilities which are influenced by changes in interest. Any change in the fair value of these commitments is recognised at fair value through profit or loss.

The Board's frameworks are followed up on an ongoing basis, and the relevant key figures are reported to the Board on a quarterly basis.

Key figures from the financial strategy

	Actual 31.12.22	Limits in financial strategy	Target attainment
Duration of the liquidity reserve measured against estimated funding need (number of months)	30 months	6 months	Within target
Actual liquidity reserve (*) compared with capital requirement for next 6 months	NOK 6.958 mill.	NOK 1.457 mill.	Within target
Interest risk			
Simulation of change in net financial expense after taxes given a 1 percentage point interest rate rise (NOK millions):			
Next 12 months	0	25	Within target
12-24 months	10	40	Within target
24-36 months	10	50	Within target
36-48 months	5	60	Within target

* Liquidity is excluded credit draw down and overdraft facilities.

Sensitivity analyses market risk

The tables below present partial sensitivity analyses of the financial instruments in which the isolated effects of each individual risk on the profit and loss and equity are estimated. The analysis is based on selected hypothetical changes in various market parameters on the Group's balance sheet as of 31 December 2022. In accordance with IFRS, the analysis only encompasses financial instruments and is not intended to provide an exhaustive overview of the Group's market risk. I.e.:

- When hedging signed contracts, the change in value of the hedging instrument impacts profit and loss, while the corresponding change in the underlying contract is not considered, as this is not a financial instrument.
- When one parameter is changed, the analysis does not take into account the correlation with other parameters.

If the energy price was 30% higher/lower, and if all other variables were constant, this would lead to the following changes in profit and loss after taxes and in other comprehensive income in relation to the tables below. The change is due to the conditions in various power contracts.

IMPACT ON PROFIT AND LOSS AFTER TAXES OF A CHANGE IN ENERGY PRICE

	Energy price change	
	30%	**-30%**
As at 31 December 2022	-111 658	111 658
As at 31 December 2021	-204 650	204 650

If the exchange rate for NOK in relation to other currencies was 10% higher/lower, and if all other variables were constant, this would lead to the following changes in profit and loss after taxes and in other comprehensive income in relation to the tables below. The change is due to currency gains/losses in connection with conversion of energy-/forwards, foreign currency loans and other balance sheet items in foreign currency.

IMPACT ON PROFIT AND LOSS AFTER TAXES OF A CHANGE IN EXCHANGE RATE

	Exchange rate change	
	10%	**-10%**
As at 31 December 2022	167 295	-167 295
As at 31 December 2021	320 724	-320 724

IMPACT ON EQUTY OF CHANGE IN EXCHANGE RATE

	Exchange rate change	
	10%	**-10%**
As at 31 December 2022	-656 929	656 929
As at 31 December 2021	-513 027	513 027

With an assumption that the interest rates would rise/fall by 50 basis points, all else being equal, the impact in profit and loss after taxes, and equity, is presented in the tables below. The impact is based on changes in net present value of contracts and changed net interest expense.

IMPACT ON PROFIT AND LOSS AFTER TAXES OF CHANGE IN INTEREST RATES (PARALLEL RATE SHIFT)

	Interest rate change	
	+50 bp	**-50 bp**
As at 31 December 2022	13 863	-13 863
As at 31 December 2021	-4 528	4 528

IMPACT ON EQUITY OF CHANGE IN INTEREST RATES (PARALLEL RATE SHIFT)

	Interest rate change	
	+50 bp	**-50 bp**
As at 31 December 2022	-39 377	39 377
As at 31 December 2021	-34 699	34 699

The financial instruments in the table above are recognised at fair value or amortised cost with changes in value through other comprehensive income.

(b) Credit risk

Credit risk arises when entering into transaction with customers, trading in derivatives and deposits in banks and financial institutions. Overall, the Group's credit risk is regarded as low/moderate. Historically, losses on items other than trade receivables have been insignificant.

Customers

The Group's sales to retail and business customers are spread over a diversified customer portfolio, consisting of numerous and low value customers. As a consequence, the Group has no significant concentration of customer credit risk associated with these sales. Lyse has procedures in place where credit checks are performed before any sale. Payment generally takes place upon receipt of the invoice. Historically, the customers' capacity and willingness to pay has been good. A specific department follows up trade receivables on an ongoing basis. Actions taken include the use of payment reminders, setting up instalment plans for customers who have difficulties paying, the use of debt collection firms and possibly halting deliveries. The Telecommunications business area also sells to Altibox partners. These are long-term agreements with solid counterparties for which the credit risk has historically been low.

With certain exceptions Lyse uses standard customer contracts, which the Norwegian Electricity Industry Association and the Consumer Ombudsman have agreed. The customer terms and conditions contain provisions about invoicing and payment due dates. The volume of trade receivables normally follows trends in the size of turnover. The Group has no mortgages as security. Lyse applies the simplified approach for trade receivables, measuring the loss allowance at an amount equal to lifetime expected credit losses. As of 31 December 2022, NOK 48.2 million has been allocated to cover losses (2021: NOK 26.2 million). This constitutes around 1.6% of trade receivables (2021: 1,1%). Lyse does not expect to incur material losses on receivables. Please also refer to note 24 trade receivables.

Counterparty risk - financial energy contracts

Of the financial energy contracts entered into in 2022, 100% were cleared with Nasdaq OMX. When trades are cleared on the Nasdaq OMX exchange, that company steps in as legal counterparty and guarantees settlement, thus minimising counterparty risk. Nasdaq OMX has a clearing licence from the Norwegian Financial Supervisory Authority of Norway. For contracts settled on a bilateral basis, the counterparty is a major, well-known Norwegian/Nordic companies, or a well-known solid companies that Lyse has thorough knowledge of. In order to reduce risk on connection with energy trading and physical sales contracts, bank or parent guarantees are sometimes requested when entering into such contracts.

Credit risk - other financial instruments

Lyse assumes credit risk when investing surplus liquidity and due to counterparty risk when using hedging instruments such as interest swap agreements, forward exchange contracts and similar. The credit risk is limited by, among other things, strict requirements concerning counterparty risk including ratings, capital requirements, size and the diversification of financial counterparties.

Receivables

The items included here are other current liabilities, receivables, receivables related to related parties and other non-current receivables. The credit risk is considered low since high value balances are with solid and few counterparties, and the remaining balances are distributed among many counterparties. The Group has no mortgages as security. Some receivables are not defined as a credit risk in relation to IFRS 7 (e.g. prepaid costs).

Bank deposits, cash and cash equivalents

Bank deposits presented on the balance sheet and which can represent a credit risk are distributed across solid banks, including our main bank.

Lyse's gross credit exposure corresponds to the recognised value of financial assets. To the extent that relevant and significant collaterals have been provided, this is presented below.

GROSS EXPOSURE CREDIT RISK

	Note	2022	2021
Other financial assets, non-current	8	924 231	853 173
Derivatives	8, 25	296 042	491 420
Receivables, current and non-current	8, 13, 24	3 856 756	3 285 578
Financial investments, current	8, 26, 27	1 148 400	764 000
Cash and cash equivalents	8, 26, 27	7 713 341	5 701 614
Gross exposure credit risk		**13 938 770**	**11 095 785**

EXPOSURE REDUCED BY CASH COLLATERAL

	Note	2022	2021
Cash collateral	31	421 000	200 000
Net exposure credit risk		**13 517 770**	**10 895 785**

(c) Liquidity risk

One of the main duties of the Lyse Group's central finance department is to ensure that Lyse is financed so that there are liquid funds, at all times, to meet ongoing payment commitments in addition to participate in strategic opportunities. The finance department monitors the Group's liquidity by means of rolling forecasts based on the anticipated cash flow.

In line with the Group's financial strategy Lyse maintains a considerable liquidity reserve. It is a requirement that the liquidity reserve be large enough to cover payments due and to finance planned operations for a 6-month rolling period. Besides the liquidity reserve, the Group has NOK 1,800 million in drawing facilities available to cover further financing needs. Borrowing must have a diversified maturity structure. In 2017, Lyse was awarded an official rating of BBB+ by Scope ratings. The rating was last updated in May 2021 and has remained unchanged. The official rating confirms Lyses solidity creditworthiness and provides good access to the financing market. Overall, the Group's liquidity risk is considered low.

The tables below specify the maturity of financial commitments. The amounts in the tables are undiscounted cash flows. In the maturity analysis, future interest and instalments are included. Spot interest rates are used for estimated interest rates.

MATURITY ANALYSIS OF FINANCIAL LIABILITIES – REMAINING TERM AS AT 31 DECEMBER 2022

	next 6 months	**next 7-12 months**	**next 13-24 months**	**next 25-48 months**	**from and including 5 years**	**Total**
Currency derivatives - cash flow hedge*	-1 135 490	-546 718	-1 114 463	-1 608 611	-904 187	-5 309 469
Other derivatives	-203 862	-206 255	-223 213	-80 161	-277 056	-990 547
Non-derivative financial liabilities:						
Non-current liabilities and short-term debt instruments	-2 162 212	-364 126	-3 583 454	-5 948 336	-10 687 534	-22 745 662
Accounts payable and other current liabilities	-6 615 156	0	0	0	0	-6 615 156
Total non-derivative liabilities	-8 777 368	-364 126	-3 583 454	-5 948 336	-10 687 534	-29 360 818
Total financial liabilities	**-10 116 720**	**-1 117 099**	**-4 921 130**	**-7 637 108**	**-11 868 777**	**-35 660 834**
Financial currency derivatives settled gross (inflows)	1 125 844	546 403	1 116 816	1 663 730	979 386	5 432 179

* Financial currency derivatives settled gross (outflows) at spot price.

MATURITY ANALYSIS OF FINANCIAL LIABILITIES – REMAINING TERM AS AT 31 DECEMBER 2021

	next 6 months	**next 7-12 months**	**next 13-24 months**	**next 25-48 months**	**from and including 5 years**	**Total**
Currency derivatives - cash flow hedge*	-729 182	-529 406	-849 048	-1 158 701	-889 003	-4 155 340
Other derivatives	-104 691	-88 771	-117 000	-121 588	-260 946	-692 996
Non-derivative financial liabilities:						
Non-current liabilities and short-term debt instruments	-772 420	-1 006 445	-2 509 235	-6 000 317	-8 996 838	-19 285 254
Accounts payable and other current liabilities	-3 605 460	0	0	0	0	-3 605 460
Total non-derivative liabilities	-4 377 880	-1 006 445	-2 509 235	-6 000 317	-8 996 838	-22 890 714
Total financial liabilities	**-5 211 753**	**-1 624 622**	**-3 475 283**	**-7 280 606**	**-10 146 787**	**-27 739 050**
Financial currency derivatives settled gross (inflows)	754 188	548 201	890 500	1 244 239	1 011 993	4 449 121

* Financial currency derivatives settled gross (outflows) at spot price.

Risks associated with capital management

The principal goal of capital management is to safeguard continued operations to ensure a return on investment for the owners. In addition, the Group shall maintain an appropriate capital structure that balances the considerations linked to minimising capital costs and the Group's need to have access to significant financial resources.

The shareholders of Lyse assume a long-term industrial perspective for the development of the Group and, as a consequence of this goal, the Group manages few financial investments in securities.

Any further financing is provided by the capital market and the bank market, where the Group primarily seeks to cover its financing needs with borrowings with long terms to maturity, taking into consideration that the adopted risk ceiling set out in the Group's financing strategy is to be adhered to. To guarantee the Group's financial freedom of action, emphasis is placed on maintaining credit lines which ensure the availability of capital in the short term.

For any financing in addition to the subordinated loan the Lyse Group has placed a negative pledge and there are capital requirements from lenders, stipulating that the market value of the Group's equity is not to be lower than a set minimum. In addition, agreements have been signed stating that security declarations or guarantees for all of the Group’s commitments shall not constitute more than 15% of total assets. The limitation does not apply to ordinary guarantees entered into in conjunction with trade in securities and financial instruments, and ordinary sales pledges in the case of supplies of goods and services on credit. The capital requirements are monitored continuously and reported to the Board every quarter. The Lyse Group satisfies the capital requirements by a good margin.

The Group's dividend policy is set out in a shareholders' agreement. The dividend policy is intended to ensure long-term industrial development and stable, predictable payments to the shareholders.

8 Financial instruments per measurement category

Financial instruments are of significance for Lyse's financial position and performance and are a material part of the statement of financial position. The table below provides an overview of financial instruments per measurement category, with references to notes for further information.

Assessment of fair value

Financial instruments at amortised cost, financial instruments at fair value over profit and loss and financial instruments at fair value over other comprehensive income are classified using a fair value hierarchy that reflects the significance of the input used in the preparation of the measurements.

The fair value of a loan is estimated using as much observable data as possible, ensuring that the assessment to the greatest extent possible is market based. Long-term financial liabilities in EUR are measured at the prevailing exchange rate on the balance sheet date. Long term loans are not recognised at fair value and are categorised as level 2 in the valuation hierarchy below.

For some items, the carrying value is considered to be sufficiently comparable to fair value. These assets and liabilities are not placed in the fair value hierarchy since their fair value is not determined. This applies to current assets and liabilities; trade receivables and other current receivables, cash and cash equivalents, accounts payable and other current liabilities, as well as non-current receivables.

The fair value hierarchy has the following levels:

Level 1

The input data in level 1 are (non-adjusted) quoted prices listed in active markets for identical assets or liabilities to which the company has access on the date of measurement. A market is regarded as being active if the market rates are easily and readily available from a stock market, trader, broker, industry group, pricing service or regulatory authority. These prices are based on actual and regularly occurring transactions based on the at 'arm's length' principle. Instruments included in level 1 primarily comprise of Oslo Stock Exchange instruments.

Level 2

The input data in level 2 is input data, other than quoted prices included in level 1, which are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). For products in the energy market, discounted closing prices are used. The fair value of forward currency contracts is calculated based on the currency spot rate as at year end (close of business, Norges Bank rate). The fair value of interest rate swap agreements is calculated based on future interest rate curves. The fair value of financial instruments not traded on an active market is determined by using common valuation methods. These valuation methods maximise the use of observable data when available and rely as little as possible on the Group's own estimates.

Level 3

The input data in level 3 are unobservable input data for the asset or liability.

Lyse has entered into significant long-term industrial contacts up to 2040, whereby there is a physical delivery of industrial power that is settled at a fixed EUR price and therefore has an embedded currency derivative. Refer to note 25 for more information. When calculating the fair value, the best estimate is used determine future exchange rate on the currency derivatives. The fair value is sensitive to which exchange rate curve is used.

The Group has hydro power commitments consisting of free power. Free power liabilities are recognised at fair value with the exception of certain physical delivery agreements and power replacement agreements which are recognised at amortised cost. The valuation method used is the free cash flow method. The cash flows are calculated based on the annual volumes of free power multiplied by future market prices for energy (Nasdaq). The discount rate used is calculated based on EUR state interest rates (German state interest rates), including a market risk spread and a company specific credit surcharge. The contracts are financially settled.

Where there is a need for prices beyond observable market data, related to the free power liabilities and the energy forward agreements, the market data is adjusted by an anticipated yearly growth rate of around 1,5%.

CARRYING VALUE PER MEASUREMENT CATEGORY – ASSETS 31 DECEMBER 2022

	Note	**Assets at fair value through profit and loss**	**Assets at fair value through OCI**	**Derivatives as hedging instrument**	**Assets at amortised cost**	**Total**	**Fair value**
Non-current receivables	24	0	0	0	85 286	85 286	85 286
Other non-current financial assets		108 159	0	0	0	108 159	108 159
Derivatives	7,25	192 696	0	0	0	192 696	192 696
Derivatives - hedge accounting	7,9,25	0	0	103 346	0	103 346	103 346
Bonds - short term financial investments	26	0	1 148 400	0	0	1 148 400	1 148 400
Trade receivables and other current receivables	24	0	0	0	3 771 470	3 771 470	3 771 470
Bank deposits, cash and cash equivalents	26	0	0	0	7 713 341	7 713 341	7 713 341
Total assets		**300 855**	**1 148 400**	**103 346**	**11 570 097**	**13 122 698**	**13 122 698**

CARRYING VALUE PER MEASUREMENT CATEGORY – LIABILITIES 31 DECEMBER 2022

	Note	Liabilities at fair value through profit and loss	Derivatives as hedging instrument	Liabilities at amortised cost	Total	Fair value
Loans	27	0	0	16 351 252	16 351 252	15 925 218
Non-current financial liabilities in EUR, designated hedging instruments	7,9,27	0	0	3 458 367	3 458 367	2 896 087
Derivatives	7,25	789 840	0	0	789 840	789 840
Derivatives - Hedge accounting	7,9,25	0	48 976	0	48 976	48 976
Accounts payable and other current liabilities	29	0	0	6 615 156	6 615 156	6 615 156
Non-current lease liability	32	0	0	1 566 153	1 566 153	1 566 153
Current lease liability	32	0	0	280 007	280 007	280 007
Total liabilities		**789 840**	**48 976**	**28 270 935**	**29 109 751**	**28 121 437**

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE, 31 DECEMBER 2022

	Level 1	Level 2	Level 3	Total 31 December 2022
Investments in funds / shares	13 090	0	95 069	108 159
Derivatives, measured at fair value through profit and loss	0	31 160	161 536	192 696
Derivatives, measured at fair value through other comprehensive income	0	103 346	0	103 346
Bonds - short term financial investments	1 148 400	0	0	1 148 400
Total assets	**1 161 490**	**134 506**	**256 605**	**1 552 601**
Derivatives, measured at fair value through profit and loss	0	0	789 840	789 840
Derivatives, measured at fair value through other comprehensive income	0	48 976	0	48 976
Total liabilities	**0**	**48 976**	**789 840**	**838 816**

CARRYING VALUE PER MEASUREMENT CATEGORY – ASSETS 31 DECEMBER 2021

	Note	Assets at fair value through profit and loss	Assets at fair value through OCI	Derivatives as hedging instrument	Assets at amortised cost	Total	Fair value
Non-current receivables	24	0	0	0	62 612	62 612	62 612
Other non-current financial assets		93 965	0	0	0	93 965	93 965
Derivatives	7,25	399 785	0	0	0	399 785	399 785
Derivatives - hedge accounting	7,9,25	0	0	91 635	0	91 635	91 635
Bonds - short term financial investments	26	0	764 000	0	0	764 000	764 000
Trade receivables and other current receivables	24	0	0	0	3 222 966	3 222 966	3 222 966
Bank deposits, cash and cash equivalents	26	0	0	0	5 701 614	5 701 614	5 701 614
Total assets		**493 750**	**764 000**	**91 635**	**8 987 191**	**10 336 576**	**10 336 576**

CARRYING VALUE PER MEASUREMENT CATEGORY – LIABILITIES 31 DECEMBER 2021

	Note	Liabilities at fair value through profit and loss	Derivatives as hedging instrument	Liabilities at amortised cost	Total	Fair value
Loans	27	0	0	14 600 496	14 600 496	14 699 078
Non-current financial liabilities in EUR, designated hedging instruments	7,9,27	0	0	2 410 168	2 410 168	2 527 323
Derivatives	7,25	536 989	0	0	536 989	536 989
Derivatives - Hedge accounting	7,9,25	0	7 902	0	7 902	7 902
Accounts payable and other current liabilities	29	0	0	3 605 460	3 605 460	3 605 460
Non-current lease liability	32	0	0	774 111	774 111	774 111
Current lease liability	32	0	0	147 943	147 943	147 943
Total liabilities		**536 989**	**7 902**	**21 538 178**	**22 083 069**	**22 298 806**

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE, 31 DECEMBER 2021

	Level 1	Level 2	Level 3	Total 31 December 2021
Investments in funds / shares	14 487	0	79 478	93 965
Derivatives, measured at fair value through profit and loss	0	2 852	396 933	399 785
Derivatives, measured at fair value through other comprehensive income	0	91 635	0	91 635
Bonds - short term financial investments	764 000	0	0	764 000
Total assets	**778 487**	**94 487**	**476 411**	**1 349 385**
Derivatives, measured at fair value through profit and loss	0	22 713	514 276	536 989
Derivatives, measured at fair value through other comprehensive income	0	7 902	0	7 902
Total liabilities	**0**	**30 614**	**514 276**	**544 890**

9 Hedge accounting

The Group has financial instruments accounted for as cash flow hedges and fair value hedges in accordance with the hedge accounting principles and requirements set forth by IFRS 9. Agreements have been entered into to mitigate currency risks on expected future power sales, risk of variable interest on loans and the risk of value changes of bond loans.

See the table below for further information regarding these accounts. See also note 2 on accounting principles for further information on hedging. The figures are before tax unless stated otherwise.

Category	**Cash flow hedge EUR**	
Future risk-exposed cash flow, hedging object	**Power sales in EUR**	
Hedging instrument:	**Futures sales EUR**	**Currency borrowings EUR**
Management's risk strategy	The intention behind currency hedging is to reduce income variation for power that is sold in EUR. Without hedging, income would fluctuate with the latest spot price for EUR. In hedging contracts, a fixed rate is agreed upon for future sales in EUR. The result of this hedging strategy is that the currency rate is fixed for the part of the cash flow that is currency hedged.	The intention behind this currency hedging is that future loan payments are to be in the same currency as income recognised through power sold in EUR. By ensuring that both receipts and payments are in the same currency the currency risk is reduced.
Deal period for agreed hedging instruments per 31.12.22	2023-2029	2023-2044
The information below concerns the period (where the information is the most applicable in regards to the prevailing hedging strategy)	2023-2029	
Value of future hedging instruments 31.12.22	EUR 608 million	
Adhering value of hedging objects 31.12.22	EUR 3 971 million	
Degree of hedging 31.12.22	15%	
Hedging price / Rate 31.12.22	10.76 (average rate, future years).	9.32 EUR (average drawdown rate).
Value of future hedging instruments 31.12.21	EUR 491 million	
Adhering value of hedging objects 31.12.21*	EUR 2 150 million	
Degree of hedging 31.12.21*	23%	
Hedging price / Rate 31.12.21	10.69 (average rate, future years).	9.15 EUR (average drawdown rate).

* Pretax value. Post-tax value amounts to EUR 1 266 millions (equivalent to a post-tax degree of hedging of 39%)

Category	**Cash flow hedge EUR**	
Future risk-exposed cash flow, hedging object	**Power sales in EUR**	
Hedging instrument:	**Futures sales EUR**	**Currency borrowings EUR**
Profile of hedging degree for future periods	Hedging takes place throughout the period. The largest degree of hedging occurs in 2023 followed by a declining profile.	Hedging takes place throughout the period. The largest degree of hedging occurs in periods with instalments and settlement of loans.
Renewal of expired hedges	The renewal of expiring hedges is continuously evaluated in accordance with the current finance strategy.	The renewal of expiring hedges is continuously evaluated in accordance with the current finance strategy.
Potential sources of hedging inefficiencies (of significance)	Over-hedging, counterparty risk or if an instrument and a hedging object are to be settled at different points in time. Currency bank account is included as part of hedging object to remove timing mismatch and improve efficiency (significantly).	Over-hedging, counterparty risk or if an instrument and a hedging object are to be settled at different points in time. Currency bank account is included as part of hedging object to remove timing mismatch and improve efficiency (significantly).
Exposed / recognised hedging inefficiencies in 2022	No. As hedging object and instrument is due in the same future period and there is no over-hedging, the change in value will be approximately equal.	No. As hedging object and instrument is due in the same future period and there is no over-hedging, the change in value will be approximately equal.
Exposed / recognised hedging inefficiencies in 2021	No. As hedging object and instrument is due in the same future period and there is no over-hedging, the change in value will be approximately equal.	No. As hedging object and instrument is due in the same future period and there is no over-hedging, the change in value will be approximately equal.
Fair value of hedging instruments 31.12.2022	NOK 86 million.	NOK –3 458 million (initial loan amount valued in applicable EUR currency rate on the balance sheet date).
Fair value of hedging instruments 31.12.2021	NOK 92 million.	NOK –2 410 million (initial loan amount valued in applicable EUR currency rate at the balance sheet date).
Effect of realised hedge accounting recognised in 2022's profit and loss	Amounts to NOK 29.2 million in the accounting line-item Gains and losses on power and currency contracts.	Hedging (income and costs in the same currency) does not result in any recognised hedging effects.
Effect of realised hedge accounting recognised in 2021's profit and loss	Amounts to NOK 9.1 million in the accounting line-item Gains and losses on power and currency contracts.	Hedging (income and costs in the same currency) does not result in any recognised hedging effects.
Effect of unrealised hedge accounting recognised in profit and loss, other comprehensive income and in the balance sheet	Hedging instruments are recognised at fair value in the balance sheet as Derivatives and are included as other comprehensive income in statement of comprehensive income. See notes 7, 8 and 25 for further information.	Hedging instruments are recognised at closing EUR rate in the balance sheet as non-current interest-bearing liabilities. The year's currency adjustment is included as part of profit and loss as other comprehensive income. See notes 7, 8 and 27 for further information.

Category:	**Fair value of hedging in NOK**	**Cash flow hedging NOK**
Future risk exposed cash flow	**Value of loans with fixed interest rate**	**Interest on borrowings with floating interest rate**
Hedging instrument:	**Interest rate swaps with floating interest rate**	**Interest rate swap fixed interest rate**
Management's risk strategy	Hedging is carried out with the aim of avoiding that the value of bond loans fluctuates with changes in interest rate. Without hedging the market value of the loan will vary with variations in fixed interest rates. Upon the agreement of a hedging instrument a floating interest rate is paid, and a fixed interest rate is received. As a result, Lyse is able to secure that any change in value of the bond loan corresponds with a change in value of the interest rate-swap deal.	The intention behind interest rate hedging through interest rate swaps where interest payments are fixed is to reduce the fluctuation in interest costs as well as reducing the variation in interest payments on subordinated loans and on parts of bank loans. In this way Lyse are hedged in a way that the interest rate on these loans is fixed for the period of the agreed upon swap.
Deal period for agreed hedging instruments per 31.12.22	2023-2028	2023-2025
The information below concerns the period (where the information is the most applicable in regards to the prevailing hedging strategy)	2023-2028	2023-2025
Value of future hedging instruments 31.12.22	NOK 450 million.	NOK 100 million.
Adhering value of hedging objects 31.12.22	NOK 450 million.	NOK 1 600 million.
Degree of hedging 31.12.22	The proportion of loans that have additional issues are 100% secured, respectively NOK 300 million (LYSE25) and NOK 150 million (LYSE23 ESG).	6%
Hedging price / Rate 31.12.22	Lyse pays a floating interest and receive a fixed interest of 1.635% and 1.73% in this deal (future years).	Lyse pay a fixed interest rate of 1.85% and receive a floating interest rate on these deals (future years).
Value of future hedging instruments 31.12.21	NOK 300 million.	NOK 1 100 million.
Adhering value of hedging objects 31.12.21	NOK 300 million.	NOK 1 700 million.
Degree of hedging 31.12.21	100%	65%
Hedging price / Rate 31.12.21	Lyse pays a floating interest and receive a fixed interest of 1.635% in this deal (future years).	Lyse pay a fixed interest rate between 1.15 – 1.93% and receive a floating interest rate on these deals (future years).

Category	**Fair value of hedging in NOK**	**Cash flow hedging NOK**
Future risk-exposed cash flow, hedging object	**Value of loans with fixed interest rate**	**Interest on borrowings with floating interest rate**
Hedging instrument:	**Interest rate swaps with floating interest rate**	**Interest rate swap fixed interest rate**
Profile of hedging degree for future periods	100% hedging until due date.	6% hedging with a gradually increasing profile due to reduction of loan amount until expiration of hedging instrument in 2025.
Renewal of expired hedges	The loan LYSE25 and related hedging instrument expire in April 2025. The loan LYSE23 ESG and related hedging instrument expire in December 2025. Any new hedges are continuously evaluated in accordance with the current finance strategy.	The renewal of expiring hedges is continuously evaluated in accordance with the current finance strategy
Potential sources of hedging inefficiencies (of significance)	Over-hedging, counterparty risk or if an instrument and a hedging object are to be settled at different points in time.	Over-hedging, counterparty risk or if an instrument and a hedging object are to be settled or incur fixed interest rates at different points in time.
Exposed / recognised hedging inefficiencies in 2022	No. As hedging object and instrument is due in the same future period and there is no over-hedging, the change in value will be approximately equal.	No. As hedging object and instrument is due in the same future period and there is no over-hedging, the change in value will be approximately equal.
Exposed / recognised hedging inefficiencies in 2021	No. As hedging object and instrument is due in the same future period and there is no over-hedging, the change in value will be approximately equal.	No. As hedging object and instrument is due in the same future period and there is no over-hedging, the change in value will be approximately equal.
Fair value of hedging instruments 31.12.2022	NOK -35.5 million.	NOK 3.6 million.
Fair value of hedging instruments 31.12.2021	NOK -4.8 million.	NOK -3.1 million.
Effect of realised hedge accounting recognised in 2022’s profit and loss	NOK 2.0 million on accounting line-item finance cost.	NOK -6.5 million on accounting line item finance cost.
Effect of realised hedge accounting recognised in 2021’s profit and loss	NOK -1.7 million on accounting line-item finance income.	NOK 14.3 million on accounting line-item finance cost.
Effect of unrealised hedge accounting recognised in profit and loss, other comprehensive income and in the balance sheet	Hedging instruments are recognised at fair value in the balance sheet as Derivatives, with long term debt increased with equal amounts, implying a et zero effect on profit and loss and equity. See notes 7, 8, 25 and 27 for further information.	Hedging instruments are recognised at fair value in the balance sheet as Derivatives and are included as other comprehensive income. See notes 7, 8 and 25 for further information.

The table below summarises the effects in the financial statement:

	2022				2021			
(In NOK millions)	**Nominal hedge value**	**Fair value**	**Recognised in profit and loss**	**Recognised hedge reserve**	**Nominal hedge value**	**Fair value**	**Recognised in profit and loss**	**Recognised hedge reserve**
Cash flow hedge								
Energy contracts EUR futures	505	86	29	67	416	92	-9	72
Cash flow hedge								
Energy contracts EUR loans	103	-3 458	0	-307	75	-2 410	0	-181
Cash flow hedge								
Interest rate swaps NOK	100	4	7	3	1 100	-3	-14	-2
Fair value hedge								
Interest rate swaps NOK	450	-35	2	0	300	-5	2	0
Sum	**1 158**	**-3 404**	**38**	**-237**	**1 891**	**-2 326**	**-22**	**-112**

No reclassification adjustments due to transactions no longer being expected (ineffective hedging) in 2022 or 2021.

Movement in hedge reserve

The table below shows movement in the hedging reserve for 2021-2022:

CHANGE IN HEDGE RESERVE

(In NOK millions)	2022	**2021**
Carrying value 1 January	**-112**	**-397**
Change currency futures	-5	170
Change foreign currency loans	-126	95
Change interest rate swaps	5	19
Carrying value 31 December	**-237**	**-112**

10 Sales revenue

SALES REVENUE

(Amounts in NOK million)	2022	2021
Retail sales		
Energy	4 420	2 108
Power Grid	87	46
TV, fiber and other telecom revenues	3 411	3 527
Spot sales of hydro power	16 693	7 410
Phone revenue	1 957	0
Partner revenues	1 648	1 516
Transmission income	1 092	1 258
Income natural gas, district heating and district cooling	641	543
Other revenues	1 179	388
Sales revenue	**31 127**	**16 797**

11 Gains and losses on power and currency contracts

Gains and losses on power and currency contracts consist of unrealised and realised changes in value in financial instruments. The note covers gains and losses on power and currency contracts that are recognised through profit and loss and items recognised in total comprehensive income.

Gains and losses on power and currency contracts are presented as operating revenue in the income statement.

GAINS AND LOSSES ON POWER AND CURRENCY CONTRACTS RECOGNISED THROUGH PROFIT AND LOSS

	Unrealised	Realised	2022	Unrealised	Realised	2021
Positive contributions to the result are presented with a '+' notation (cost -, income +)						
Changes in value, financial instruments						
Financial instruments at fair value through profit and loss						
Financial energy contracts – held for hedging purposes	-66 242	-819 617	-885 859	-639 270	-314 428	-953 698
Currency derivatives in long-term physical industry contracts in EUR	-205 765	-29 263	-235 028	31 398	-33 016	-1 618
Currency derivatives – held for hedging purposes	0	29 187	29 187	0	-9 134	-9 134
Other changes in value						
Long-term financial energy contracts	163 031	0	163 031	-33 457	0	-33 457
Changes in value for financial instruments recognised through profit and loss	**-108 975**	**-819 693**	**-928 668**	**-641 329**	**-356 579**	**-997 908**
Net gains and losses on power and currency contracts	**-108 975**	**-819 693**	**-928 668**	**-641 329**	**-356 579**	**-997 908**
Total tax effect of gains and losses on power and currency contracs	30 412	173 895	204 307	162 209	71 184	233 392
Net gains and losses on power and currency contracts recognised through profit/loss for the year	**-78 563**	**-645 798**	**-724 361**	**-479 120**	**-285 395**	**-764 516**

GAINS AND LOSSES ON POWER AND CURRENCY CONTRACTS RECOGNISED THROUGH OCI

	2022	2021
Unrealised changes in value for financial instruments recognised through OCI		
Cash flow hedge, currency forward contracts	-4 221	169 934
Cash flow hedge, interest swap contracts	5 215	19 491
Cash flow hedge liabilities in EUR	-126 137	95 318
Unrealised gains and losses on power and currency contracts recognised through OCI	**-125 142**	**284 743**
Gains and losses on power and currency contracts recognised through OCI	**-849 503**	**-479 773**

12 Cost of goods sold

COST OF GOODS SOLD

(Amounts in NOK millions)	2022	2021
Power related purchases*	7 171	2 838
Transfer costs*	670	580
Digital content services	1 187	1 443
Fibre related cost	157	149
Cost of sales TV and fibre equipment	190	142
Mobile network cost	508	0
Cost of sales mobile equipment	234	0
Other	167	111
Total	**10 285**	**5 262**

* Power purchase related to grid loss has been moved from "Power related purchase" to "transfer cost". The change only affects presentation within the note. The change is also incorporated in comparative figures.

13 Salaries and payroll cost

SALARIES AND PAYROLL COST

	Note	2022	2021
Salaries		1 388 551	1 083 556
Employers' National Insurance contributions		196 341	146 727
Pension costs - defined benefit plans	14	27 001	27 527
Pension costs - defined contribution plans	14	116 179	84 960
Capitalised salary cost		-331 078	-298 573
Other payroll costs		127 165	100 434
Total salaries and payroll cost		**1 524 160**	**1 144 632**
Average number of full-time equivalents		1 708	1 391

14 Pensions

The Lyse Group is obliged to have an occupational pension scheme in compliance with Norway's Mandatory Occupational Pensions Act. The Group meets the requirements of this Act.

The Lyse Group has the following employee pension plans:

	Number of retirees	Number of employees	Year's cost	Estimated cost next year
Public defined benefit pension and public early retirement pension	466	138	27 047	21 022
Defined contribution pension and early retirement pension		1 831	116 179	145 145
Pensions funded through operations		51	3 178	3 348
Total			146 404	169 515

Defined contribution scheme

The company's defined contribution scheme covers a total of 1 831 people as at 31 December 2022. The scheme is organised in accordance with the Defined Contribution Act.

Early retirement pension scheme in the private sector

Employees covered by the defined contribution pension plan are also covered by the early retirement plan (AFP) scheme in the private sector. The scheme is a defined benefit multi-employer scheme compliant with the standards set by the Norwegian Confederation of Trade Unions (LO)/Confederation of Norwegian Enterprises (NHO). The company has an actual financial obligation connected to the AFP scheme. However, the information available is not sufficient to recognise a liability in the annual financial statements for 2022. Consequently and in accordance with IAS 19 no liability for the AFP scheme is recognised as at 31 December 2022.

The contribution to the AFP scheme is recognised as personnel costs and next year's premium is estimated to be NOK 15.9 million.

Defined benefit plan

Lyse has a defined benefit pension plan in line with the collective pay agreement for municipal employees. The pension plan covers a total of 604 people, of which 138 are active employees and 466 are retirees, as well as established rights for those who have left the plan. For active employees the pension plan is partially financed through a 1.5% deduction of gross salary.

The pension scheme for the employees is secured in KLP's collective pension schemes. This applies to retirement, disable, survivor pensions, early retirement, AFP and contingent occupational pension.
The members born before 1963 are secured early retirement and AFP 62-67 years, and the scheme benefits are coordinated with the benefits provided by the Norwegian National Insurance Scheme.
From 01.01.2020 members born in 1963 or later are secured conditional occupational pension or life-long AFP. The retirement pension is calculated according to rules very similar to the National Insurance and comes as a supplement to the National Insurance and there is no coordination with the National Insurance System.
Service pensions are not included in the calculation.
The accounting for occupational pension schemes with statutory benefit level complies with IAS 19 Employee Benefits.

The pension funds are valued at fair value at year end. Pension liabilities (net present value of pension payments on the balance sheet date adjusted for future salary increases) are valued using a best estimate based on prevailing assumptions on the date of the balance sheet. The actuarial calculations of pension liabilities have been performed by independent actuaries. The assumptions behind salary increases, adjustments to pension plans and the National Insurance basic amount are pursuant with historic observations, collective bargaining agreements entered into and the relationship between specific assumptions.

Employees that leave before retirement age remain in the pension scheme through an established right. Lyse is financially obliged to adjust deferred rights in line with the National Insurance basic amount until retirement age and with the National Insurance basic amount less 0.75 percentage points when the pension is paid out. Liabilities for these benefits are accounted for as if they have been fully earned. However, from a cash perspective the adjustment premium is due in line with the description above.

AFP scheme in the public sector

Employees with a defined benefit pension plan are covered by the public AFP scheme. The present value of pension liabilities is based on a best estimate, as for the defined benefit plan, and with the same assumptions. Members born in the 1963 and after, there will be a new AFP scheme with a lifetime payment similar to private AFP. Until this is adopted, the pension obligation is calculated in accordance with the rules for today's AFP 62 - 67 years.

The employees who in 2016 changed to defined contribution pension and private AFP, and do not meet the requirements for numbers of year in the private scheme, receive compensated for this through the operation, which is equal to what the employee had received in the public scheme from the age of 62.

Pensions funded through operations

The Group has a defined benefit scheme for all employees earning more than 12G. The scheme is recognised through operations and as a liability in the Group's balance sheet. The previous scheme for employees earning above 12G remains as a liability on the Group's balance sheet as an established right and is also recognised through operations.
Both schemes guarantee an annual return of 3.5% or 3%, respectively.

THE TABLE BELOW SHOWS HOW THE GROUP'S PENSION PLANS ARE RECOGNISED:

	2022	2021
Liabilities recognised on balance sheet:		
Defined benefit plans	25 107	93 264
Pension cost recognised in income statement during the year: *		
Defined benefit plans	27 047	29 765
Defined contribution plans	116 179	84 960
Pensions funded through operations	3 178	2 692
Pension effects through consolidated other comprehensive income:		
Actuarial gains and losses before tax	-43 257	-79 239
Tax effect	15 299	16 982
Actuarial gainst (-) and losses (+) after tax	**-27 958**	**-62 257**

* Pension costs recognised in the income statement include the year's accrual, amendments made to termination policies of plans and pension plan amendments. Net interest costs are presented as financial costs.

LIABILITIES RECOGNISED ON THE BALANCE SHEET

	2022	2021
Present value of accrued pension liabilities for defined benefit plans in fund-based schemes	1 633 912	1 706 411
Fair value of pension assets	-1 629 294	-1 630 883
Actual net pension liabilities for defined benefit plans in fund-based schemes	**4 619**	**75 529**
Net present fund-based pension liabilities recognised in the balance sheet	19 780	83 165
Net present fund-based pension funds recognised in the balance sheet	15 161	7 636
Pensions funded through operations	20 489	17 735
Net pension liabilities on the balance sheet*	**25 107**	**93 264**

* Employers' National Insurance contributions are included in net pension liabilities and pension funds.

CHANGES IN THE DEFINED BENEFIT PENSION LIABILITIES FUND-BASED SCHEMES DURING THE YEAR:

	2022	2021
Pension liabilities 1 January	1 706 411	1 641 972
Pension accruals for the year	24 134	25 396
Interest cost	33 321	27 644
Actuarial gains/losses	-99 566	96 781
Employers' National Insurance contributions on contributions	-7 030	-9 427
Changes to estimates	-50 652	-49 117
Reduced pension obligations from business combinations (note 4)	27 294	-26 838
Pension liabilities 31 December	**1 633 912**	**1 706 411**

CHANGES IN PENSION FUND'S FAIR VALUE:

	2022	2021
Fair value of pension funds 1 January	1 630 883	1 433 809
Actual return on funds in relation to recognised interest income	31 898	24 148
Actuarial gains/losses	-56 309	175 608
Administration and financial costs	-3 243	-2 726
Total contributions	52 883	72 597
Total payments from fund	-50 652	-49 117
Reduced pension fund from business combinations (note 4)	23 834	-23 435
Fair value of pension funds as at 31 December	**1 629 294**	**1 630 883**

UNFUNDED PENSION LIABILITIES

	2022	2021
Pension liabilities 1 January	17 735	15 243
Deposits for the year	2 215	1 865
Interest cost	576	495
Employers' National Insurance contributions	391	331
Benefits paid	-425	-200
Pension liabilities 31 December	**20 489**	**17 735**

THE FOLLOWING FINANCIAL ASSUMPTIONS WERE USED

	31.12.2022	31.12.2021
Discount rate	3,00%	1,90%
Expected return on pension funds	3,00%	1,90%
Salary adjustments	3,50%	2,75%
Pension adjustments	2,48%	1,73%
Adjustment of National Insurance basic amount	3,25%	2,50%
Employers' National Insurance contributions*	14,10%	14,10%
Estimated exploitation of AFP at 62	42,50%	42,50%
Mortality tables	K2013BE	K2013BE

* Employers contribution in the subsidiary Signal Bredbånd equals 6.9%

*Voluntary departure (joint scheme):

Age (in years)	<24	24 - 29	30 - 39	40 - 49	50 - 55	>55
Departure (in %)	25.00%	15.00%	7.50%	5.00%	3.00%	0.00%

The defined benefit schemes in Lyse are part of the multi-employer scheme in KLP and this is reflected in the calculation. The economic assumptions applied are in accordance with what is recommended by the Norwegian Accounting Standards Board. The K2013BE mortality table and KLP's disability table have been applied.

The mortality table indicates the following average remaining lifetimes at retirement age of 65:

	2022	2021
New pensioners at end of the financial year:		
- Men	24	22
- Women	26	26
New pensioners in 25 years:		
- Men	27	25
- Women	28	28

SENSITIVITY ANALYSIS:

The table below estimates the potential effects of changes in certain assumptions for defined benefit-based pension schemes in Lyse.

Change in discount rate	-0,50%	points	0,50%	points
Change in percentage gross pension liabilities	9,16%		-7,22%	
Change in wages growth	0,50%	points		
Change in percentage gross pension liabilities	0,23%			

Changes made to financial and actuarial assumptions, as well as actual return on pension funds, mean that Lyse is subject to risk regarding the pension scheme. The pension liabilities are especially sensitive to changes in the discount rate. A reduction in discount rate would, if isolated, result in an increase in the pension liabilities. All three parameters in the sensitivity analysis have been changed simultaneously and all other assumptions are unchanged.

THE TOTAL PENSION COSTS INCLUDED IN THE PROFIT AND LOSS:

	2022	2021
Present value of this year's pension accruals	24 134	25 396
Interest cost*	1 423	3 497
Expenditures	3 243	2 726
Employees' pension deductions	-1 752	-1 855
Pensions funded through operations	3 178	2 692
Pension costs, defined benefit plans	**30 225**	**32 456**
Employer's contributions to the defined contribution scheme	100 772	70 492
Premiums from AFP LO/NHO scheme	15 407	14 468
Pension costs, defined contribution plans	**116 179**	**84 960**
Total pension costs	**146 404**	**117 416**

* Interest costs are recognised as financial costs.

The weighted average duration of the liability is 15.5 years.
The expected contribution to the defined benefit scheme is NOK 99 million for 2023.
The expected contribution to the defined contribution scheme is NOK 145 million for 2023.

PENSION FUNDS COMPRISE:

	2022		2021	
Liquidity/Money market	69 245	4%	44 034	3%
Bonds bought	193 071	12%	197 337	12%
Construction bonds	460 601	28%	455 016	28%
Short-term bonds	191 931	12%	226 693	14%
Property	241 461	15%	218 538	13%
Shares and alternative investments	472 984	29%	489 265	30%
Fair value, pension funds	**1 629 294**		**1 630 883**	

15 Regulatory fees

Regulatory fees include fees to the authorities classified as operating costs. The owners of large hydropower plants in Norway are required to pay licence fees to the state and municipalities.

A high-price contribution was introduced with effect from 28 September 2022 to hydropower plants with generators with a total rated output of 10 000 kVA or more and from 1 January 2023 to other hydropower plants. The rate is set at 23 per cent of the electricity price above NOK 0.70 per kWh.

REGULATORY FEES

	2022	2021
Property tax	165 988	161 894
Licence fees	85 240	84 322
High-price contribution	528 294	0
Total regulatory fees	**779 522**	**246 215**

16 Other operating costs

OTHER OPERATING COSTS

	2022	2021
External services	726 233	464 671
Office costs	263 005	222 255
Other operating costs, related to partly-owned hydro power stations	81 088	49 388
Repair and maintenance cost	175 013	287 359
Cost related to property, machine hire, equipment and other hire costs	375 757	46 743
Sales and advertising costs	325 277	210 313
Other operating costs	375 750	113 240
Total other operating costs	**2 322 122**	**1 393 969**

17 Financial items

NET FINANCIAL COST

	Note	2022	2021
Interest costs:			
Subordinated loans		73 751	47 757
Bond loans and certificate loans		281 838	219 309
Interest hedge		-4 439	12 645
Interest costs, energy sale agreements and free energy		40 384	40 384
Other interest costs	32	284 068	124 303
Total interest costs	27	**675 602**	**444 398**
Other financial expense			
Disagio		142 562	49 378
Impairment of financial assets		23 464	0
Finance element, pension costs	14	3 224	4 930
Other financial expense		164 141	8 120
Total financial expense		**1 008 992**	**506 826**
Financial income:			
Other interest income		157 884	44 092
Gains through realisation of securities		-8	3 380
Dividends		0	442
Agio		145 295	33 715
Other financial income		38 798	5 036
Total financial income		**341 970**	**86 665**
Net financial cost		**667 022**	**420 161**

18 Taxes

Tax expense and tax payable

SPECIFICATION OF TAX EXPENSE

	2022	2021
Tax payable	2 807 009	1 353 645
Change in deferred tax, recognised through profit and loss in the period	-77 188	-148 308
Over/underprovision relating to previous years	770	0
Resource rent tax payable	5 453 360	2 046 812
Change in deferred tax resource rent, recognised through profit and loss in the period	186 821	96 779
Change in deferred tax resource rent, changed tax rate recognised through profit and loss in the period *	1 028 610	0
Over/underprovision relating to previous years, resource rent	3 037	69
Total tax expense	**9 402 420**	**3 348 998**

SPECIFICATION OF TAX PAYABLE ON BALANCE SHEET

	2022	2021
Income taxes payable	714 347	709 015
Natural resource tax payable	107 072	121 929
Resource rent tax payable	3 933 621	1 612 237
Total tax payable on balance sheet	**4 755 040**	**2 443 181**

* The effective ground rent tax rate has been changed from 37% in 2021 to 45% in 2022. The effect of the changed tax rate has been fully recognised in the profit and loss. This also applies to deferred tax on excess values in the Group concerning the Hydro transaction.

RECONCILIATION FROM NOMINAL TO ACTUAL TAX RATE

	2022	2021
Ordinary profit/loss before tax	11 850 489	5 485 835
Expected income taxes at nominal tax rate (22%)	2 607 108	1 206 884
Tax effect of:		
Net non-deductible income and costs	123 907	-635
Natural resource tax	107 072	121 929
Offset natural resource tax	-107 241	-132 219
Resource rent tax, tax expence (45% / 37%)	6 671 829	2 143 661
Over/underprovision relating to previous years	770	0
Other items	-1 025	9 378
Tax expense on ordinary profit/loss	**9 402 420**	**3 348 998**
Effective tax rate	79%	62%

Deferred tax

Deferred tax is recognised at net value when the Group has a legal right to offset deferred tax asset against deferred tax on the balance sheet and if deferred tax is paid to the same tax authority. The following has been booked at net value:

ITEMS THAT ARE RECOGNISED AT NET VALUE

	2022	2021
Deferred tax asset	167 939	111 586
Deferred tax	4 043 576	3 690 198
Net deferred tax	**3 875 637**	**3 578 612**

CHANGE IN DEFERRED TAX RECOGNISED ON THE BALANCE SHEET, ORDINARY INCOME

	2022	2021
Carrying value 1 January	**3 578 612**	**3 648 972**
Reclass to deferred tax, recource rent tax	0	-217 631
Recognised through profit and loss in the period	-77 188	-148 308
Tax recognised in other comprehensive income	-26 710	97 786
Tax, not recognised in total comprehensive income	400 923	197 793
Carrying value 31 December	**3 875 637**	**3 578 612**

CHANGE IN DEFERRED TAX RECOGNISED ON THE BALANCE SHEET, RESOURCE RENT TAX

	2022	2021
Carrying valule 1 January	**5 032 519**	**4 716 437**
Reclass from deferred tax	0	217 631
Recognised through profit and loss in the period	1 215 432	96 779
Remeasurements of pensions	5 176	1 672
Carrying value 31 December	**6 253 127**	**5 032 519**

CHANGE IN DEFERRED TAX, OTHER COMPREHENSIVE INCOME

	2022	2021
Cash flow hedges	-35 297	80 312
Remeasurements of pensions	8 587	17 474
Remeasurements of pensions, recource rent tax	5 176	1 672
Net change in deferred tax, other comprehensive income	**-21 534**	**99 458**

DEFERRED TAX

	Intangible assets	Property, plant and equipment	Gain and loss account	Derivatives	Deferred tax asset not recognised on the balance sheet	Total
1 January 2021	2 266 971	1 440 039	0	31 427	-4 933	3 733 505
Recognised through profit and loss in the period	-226 775	395 597	0	-215 804	-32 028	-79 011
Recognised in other comprehensive income	0	0	0	80 312	0	80 312
Recognised in other equity	0	173 023	0	0	0	173 023
Reclass to deferred tax, resource rent tax	0	-217 631	0	0	0	-217 631
31 December 2021	**2 040 196**	**1 791 028**	**0**	**-104 065**	**-36 961**	**3 690 198**
Recognised through profit and loss in the period	-37 764	213 160	-1 590	-125 841	-42 045	5 920
Recognised in other comprehensive income	0	0	0	-37 081	6 634	-30 446
Recognised in other equity	0	-141 487	0	13 187	39 098	-89 203
Acquisition of subsidiaries	322 829	142 068	0	0	1 545	466 441
Reclass to deferred tax, resource rent tax	0	2 642	-592	0	-1 383	667
31 December 2022	**2 325 261**	**2 007 410**	**-2 182**	**-253 801**	**-33 113**	**4 043 577**

DEFERRED TAX ASSET

	Loans and liabilities	Investments	Pensions	Current assets	Tax losses carried forward*	Deferred tax foreign subsidiaries	Total
1 January 2021	20 790	863	12 082	1 101	42 922	6 775	84 533
Recognised through profit and loss in the period	17 175	18 875	8 693	5 931	6 647	-6 775	50 545
Recognised in other comprehensive income	0	0	-17 474	0	0	0	-17 474
Recognised in other equity	0	0	6	0	0	0	6
Adjustment prior years	0	0	0	0	-6 024	0	-6 024
31 December 2021	**37 965**	**19 738**	**3 307**	**7 032**	**43 545**	**0**	**111 585**
Recognised through profit and loss in the period	-27 626	47 405	-157	4 220	59 266	0	83 108
Recognised in other comprehensive income	-1 471	0	-2 266	0	0	0	-3 737
Recognised in other equity	0	-1 514	9	82	-87 215	0	-88 637
Acquisition of subsidiaries	0	0	0	0	1 220 335	0	1 220 335
Change in tax losses carried forward due to aquisition of subsidiaries	0	0	0	0	-1 155 383	0	-1 155 383
Adjustment prior years	0	92	-265	844	-4	0	667
31 December 2022	**8 868**	**65 722**	**628**	**12 178**	**80 544**	**0**	**167 939**

* Tax losses carried forward include natural resource tax carried forward, which is expected to be offset in the coming years.

DEFERRED TAX, RESOURCE RENT TAX

	Property, plant and equipment	Pensions	Gain and loss account	Derivatives	Total
1 January 2021	4 756 263	-3 590	-2 095	0	4 750 578
Recognised through profit and loss in the period	126 033	3 323	3 714	-18 657	114 414
Recognised in other comprehensive income	0	1 672	0	0	1 672
Reclass from deffered tax	217 631	0	0	0	217 631
31 December 2021	**5 099 927**	**1 405**	**1 619**	**-18 657**	**5 084 295**
Recognised through profit and loss in the period	1 215 122	-426	2 842	-5 151	1 212 387
Recognised in other comprehensive income	0	5 176	0	0	5 176
31 December 2022	**6 315 049**	**6 155**	**4 461**	**-23 807**	**6 301 858**

DEFERRED TAX ASSET, RESOURCE RENT TAX

	Derivatives	Property, plant and equipment	Pensions	Gain and loss account	Tax losses carried forward, resource rent tax	Deferred tax asset not recognised on the balance sheet	Total
1 January 2021	11 563	-20 014	1 049	2 193	57 578	-18 228	34 141
Recognised through profit and loss in the period	-11 563	5 073	-761	-178	19 928	5 135	17 635
31 December 2021	**0**	**-14 941**	**288**	**2 015**	**77 506**	**-13 093**	**51 776**
Recognised through profit and loss in the period	0	-333	-184	-369	-15 251	13 093	-3 045
31 December 2022	**0**	**-15 274**	**104**	**1 646**	**62 255**	**0**	**48 731**

19 Intangible assets

FINANCIAL YEAR 2022

	Waterfall rights	Goodwill	Frequencies	Excess value brand and customer portfolios	Internally generated incl. SAC	Under develop-ment	Total
Carrying value 1 January	8 417 301	6 342 302	0	539 535	764 260	124 635	16 188 033
Transferred from assets under development	0	0	0	0	188 969	-178 825	10 144
Additions	0	0	742 277	0	236 373	227 722	1 206 373
Acquisition subsidiary	0	957 517	1 650 679	1 467 405	813 586	287 667	5 176 855
Disposal	-4 000	0	0	0	0	0	-4 000
Reclassification intangibles from tangible fixed assets	0	0	0	0	-241	-5 841	-6 082
Amortisations	0	0	-126 842	-130 464	-538 582	-17 465	-813 354
Foreign currency translation effects	0	0	0	0	443	0	443
Carrying value 31 December	**8 413 301**	**7 299 820**	**2 266 114**	**1 876 476**	**1 464 809**	**437 893**	**21 758 414**
Balance 31 December							
Acquisition cost	8 418 301	7 312 495	2 392 956	2 208 756	2 662 975	471 240	23 466 724
Accumulated depreciation and impairment losses	-5 000	-12 676	-126 842	-332 280	-1 198 166	-33 347	-1 708 311
Carrying value 31 December	**8 413 301**	**7 299 820**	**2 266 114**	**1 876 476**	**1 464 809**	**437 893**	**21 758 414**
Expected useful life			20 years	0-15 years	0-15 years		
Depreciation method			Straight-line	*	Straight-line		

FINANCIAL YEAR 2021

	Waterfall rights	Goodwill	Frequencies	Excess value brand and customer portfolios	Internally generated incl. SAC	Under develop-ment	Total
Carrying value 1 January	8 417 301	6 344 827	0	674 765	662 752	147 923	16 247 569
Transferred from assets under development	0	0	0	0	191 040	-173 062	17 978
Additions	0	0	0	0	11 703	165 597	177 300
Acquisition subsidiary	0	0	0	-86 855	86 855	0	0
Disposal	0	0	0	0	0	0	0
Reclassification intangibles from tangible fixed assets	0	-2 734	0	0	20 805	0	18 071
Amortisation and impairment charge for the year	0	209	0	-48 375	-208 286	-15 823	-272 274
Foreign currency translation effects	0	0	0	0	-611	0	-611
Carrying value 31 December	**8 417 301**	**6 342 302**	**0**	**539 535**	**764 260**	**124 635**	**16 188 033**
Balance 31 December							
Acquisition cost	8 417 301	6 354 978	0	739 650	1 447 203	146 677	17 105 809
Accumulated depreciation and impairment losses	0	-12 676	0	-200 115	-682 943	-22 042	-917 775
Carrying value 31 December	**8 417 301**	**6 342 302**	**0**	**539 535**	**764 260**	**124 635**	**16 188 033**

Expected useful life			20 years	0-15 years	0-15 years		
Depreciation method			Straight-line	*	Straight-line		

* Excess value related to brand are not amortised. Purchased customer portfolios related to telephony are amortised degressively, based on expected cash flow. Acquisition costs (SAC) are amortised over the expected useful life of the customer relationship and type of subscription. Frequencies are amortised over the licence period.

Reclassification in Under development are mainly reclassifications from Assets under constructions in Tangible fixed assets to Intangible assets.

Access to excess value presented on the line for Acquisition subsidiary comes mainly of values from the acquisition of the Ice group.

Waterfall rights and most of the goodwill recognised on the balance sheet are booked in the Energy business segment.

Other intangible assets are mainly allocated to the Group's Telecommunications business segment. Excess value mainly consists of customer portfolios and brands. Internally generated intangible assets relate to activated software costs and acquisition costs which are costs used to acquire subscription customers (SAC).

EXPENSED RESEARCH AND DEVELOPMENT COSTS

	2022	2021
Expensed R&D	6 192	10 628

Waterfall rights

Waterfall rights have an unlimited lifetime and are classified as intangible assets. When assessing an impairment, waterfall rights are grouped with the pertinent power plants. A power plant and its associated waterfall rights is regarded as a cash generating unit. Fair value is determined on the basis of the average production of cash generating units multiplied by an industry norm for sales value. Book value of hydroelectricity is lower than the estimated sales value and these excess values are largely assumed to be related to the waterfall rights. Thus, further testing for impairment is not needed. The valuation was categorised as level 3.

Goodwill

The Group's value of goodwill is NOK 7 300 million, which NOK 5.513 million are related to the Energy business segment, NOK 1 786 million to the Telecommunications business segment and NOK 1 million to the Power Grid business segment.

Goodwill in the Energy business segment is a technical goodwill, which consist of the difference between nominal and fair value of deferred tax.

Goodwill is not amortised but is subject to an annual impairment test and is mainly a result of business acquisitions. Recoverable amount of assets is the higher of value in use and fair value less costs of disposal. A recoverable amount of a cash-generating unit is calculated based on the value that the asset would produce and is estimated based on the value of future cash flows. Cash-generating units in the Energy business segment are the power plants, while for the Telecommunication business segment is the fibre network and connected customers who are the cash-generating units.

A discounted cash flow model is used to determine value in use. The cash flows are based on management's forecast and strategy for the coming year plus terminal value (5 years for Telecommunications and over 5 years for Energy as the facilities linked to cash-generating units have a lifespan that is considerably longer than the other segments)

Central assumptions in the calculation are growth rate, investments, discount rate, average subscription price and number of customers (Telecommunication), power price/power-specific master data (Energy).

Growth rate – based on historical development in the cash-generating unit as well as expectations of development in the forecast period.

Discount rate - Weighted average cost of capital (WACC). The discount rate used for the Energy segment is 6.35% (nominal value after tax), and for the Telecommunication segment it is between 6.46% and 8.27% depending on the risk premium and beta coefficient/systematic risk inherent in the cash-generating unit.

The group's impairment test substantiates the book value of goodwill in the group and does not indicate write-down requirement.

Frequencies

The frequencies relate to 5G licences and are under the Telecommunication segment. The largest part of this year's procurement comes from Ice acquisition (see note 4), while 5G licences have also been acquired in Altibox AS.

20 Tangible fixed assets

FINANCIAL YEAR 2022

	Energy Facilities	Telecom facilities	Power Grid facilities	Other buildings and land**	Machinery and equipment	Assets under construction	Total fixed assets
Carrying value 1 January	**12 102 283**	**8 105 140**	**4 834 720**	**508 915**	**264 634**	**1 327 848**	**27 143 540**
Additions	100 851	284 534	352 946	13 498	60 355	2 727 691	3 539 876
Acquisition subsidiary	0	1 337 165	0	1 821	124 131	268 346	1 731 463
Transferred from assets under construction	396 205	986 120	107 549	16 518	11 046	-1 527 583	-10 144
Disposals	-2 224	-396	12	-8 502	-1 825	0	-12 936
Reclassification*	-1 290	-37 506	-20 890	-136	23 065	98 489	61 731
Depreciation for the year	-349 088	-942 130	-215 463	-18 566	-81 410	-41	-1 606 699
Impairment	-99 304	0	-200	0	-175	-14 361	-114 040
Foreign currency translation effects	0	0	0	0	1 932	0	1 932
Carrying value 31 December	**12 147 432**	**9 732 926**	**5 058 674**	**513 548**	**401 753**	**2 880 389**	**30 734 726**
Carrying value 31 December							
Acquisition cost	18 589 736	16 507 428	9 366 895	685 065	975 439	3 011 849	49 136 410
Accumulated depreciation and impairment losses	-6 442 303	-6 774 501	-4 308 220	-171 516	-573 686	-131 460	-18 401 688
Carrying value 31 December	**12 147 432**	**9 732 926**	**5 058 674**	**513 548**	**401 753**	**2 880 389**	**30 734 726**

* Reclassification within categories, and within assets under construction tangible/intangible.
** Land is not depreciated.

	Energy Facilities	Telecom facilities	Power Grid facilities	Other buildings and land**	Machinery and equipment
Expected useful life	3-75 years	3-25 years	15-40 years	33-50 years	3-25 years
Depreciation method	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line

FINANCIAL YEAR 2021

	Energy Facilities	Telecom facilities	Power Grid facilities	Other buildings and land*	Machinery and equipment	Assets under construction	Total fixed assets
Restated opening balance	**11 433 199**	**7 447 692**	**4 508 517**	**600 135**	**916 019**	**958 187**	**25 863 750**
Reclassifications Hydro-transaction	560 193	0	0	0	-540 901	-19 292	0
Carrying value 1 January	**11 993 392**	**7 447 692**	**4 508 517**	**600 135**	**375 118**	**938 895**	**25 863 750**
Additions	49 771	503 646	368 980	16 875	58 644	1 474 264	2 472 180
Additions buildings	0	0	0	291 441	0	0	291 441
Transferred from assets under construction	82 924	809 991	190 029	16 209	3 528	-1 119 322	-16 641
Disposals	-16 779	0	-14 460	-1 609	-12 750	8 927	-36 670
Reclassification	337 710	87 742	14 448	-401 491	-70 819	23 967	-8 442
Depreciation charge for the year	-344 735	-743 945	-232 794	-11 118	-86 718	1 116	-1 418 194
Impairment charge	0	0	0	-1 527	-459	0	-1 987
Foreign currency translation effects	0	13	0	0	-1 910	0	-1 897
Carrying value 31 December	**12 102 283**	**8 105 140**	**4 834 720**	**508 915**	**264 634**	**1 327 848**	**27 143 540**
Carrying value 31 December							
Acquisition cost	17 310 012	14 760 615	8 851 295	1 100 052	1 708 807	1 345 994	45 076 776
Accumulated depreciation and impairment losses	-5 207 729	-6 655 474	-4 016 575	-591 137	-1 444 173	-18 147	-17 933 235
Carrying value 31 December	**12 102 283**	**8 105 140**	**4 834 720**	**508 915**	**264 634**	**1 327 848**	**27 143 540**

* Land is not depreciated.

Expected useful life	3-75 years	3-25 years	15-40 years	33-50 years	3-25 years
Depreciation method	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line

Capitalised interest on facilities under construction

Additions of the year include capitalised interest on construction loans of NOK 56.3 million in 2022. The average interest rate applied was 4.86%.

Impairments

Tangible fixed assets are tested for impairment when impairment indicators are present. An asset is impaired if the book value is greater than the recoverable amount, see note 3. Discount rates applied are based on the weighted average capital cost (WACC) method where the specific risk for the individual result unit is taken into account.

The impairment of the year is mainly related to land-based natural gas networks in Lyse Neo AS, amounting to NOK 89 million.

21 Investments in joint ventures and associates

THE GROUPO HAS THE FOLLOWING INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

	Office location	Segment	Ownership	Voting share	2022	2021
Associates:						
NO-UK COM Holding AS	Hjelmeland	Telecom	37%	37%	168 909	156 998
Altifiber AS	Hauge i Dalane	Telecom	34%	34%	80 949	71 888
Other					25 837	21 465
Carrying value associates					**275 694**	**250 351**
Joint ventures:						
Bergen Fiber AS	Bergen	Telecom	37%	50%	357 588	339 983
Forus Energigjenvinning Holding AS	Stavanger	Energy	50%	50%	73 810	65 523
Istad Fiber AS	Molde	Telecom	50%	50%	74 430	71 677
Nordvest Fiber Holding AS	Ålesund	Telecom	50%	50%	34 363	31 674
Other					187	
Carrying value joint ventures					**540 377**	**508 857**
Carrying value associates and joint venture companies					**816 072**	**759 208**

	Office location	Segment	Ownership	Voting share
Joint operating arrangements:				
Sira-Kvina kraftselskap DA	Tonstad	Energy	41%	41%
Ulla Førre verkene	Sauda	Energy	18%	18%

Shares in associates and joint ventures are recognised according to the equity method - equity accounted investments. Shares in partially owned power plants are recognised as joint operations and are therefore consolidated pro-rata line by line. See further specifications at the end of the note.

No contingent liabilities are associate with the investments.

CARRYING VALUE OF INVESTMENTS IN ASSOCIATES

	Note	2022	2021
Carrying value as at 1 January		**250 351**	**287 819**
Additions - new acquisitions		23 328	14 576
Share of profit and loss		-2 390	-40 352
Dividend distributed		-1 093	-3 900
Recognised in other equity and retained earnings		-98	-14 679
Recognised in exchange differences over OCI		5 597	6 886
Carrying value as at 31 December		**275 694**	**250 351**
Amortisation of excess value during the year		0	0
Impairment of excess value during the year		0	0
Disposal of excess value		0	3 579
Excess values as at 31 December		-7 211	-7 211

CARRYING VALUE OF INVESTMENTS IN JOINT VENTURES

	Note	2022	2021
Carrying value as at 1 January		**508 857**	**491 042**
Additions		10 249	0
Share of profit and loss		24 328	19 993
Recognised through consolidated profit and loss		0	0
Recognised in other equity and retained earnings		-3 057	-2 178
Carrying value as at 31 December		**540 377**	**508 857**
Amortisation of excess values during the year		-3 664	-3 664
Impairment of excess value during the year		0	0
Excess values as at 31 December		-120 675	-124 339

Shares in partly-owned power plants

Lyse Kraft DA owns a 41.1% share in Sira-Kvina Kraftselskap DA. In addition, Lyse Kraft DA has co-ownership rights amounting to 18.0% in Ulla-Førre Power Plants, of which 7.8% is in compensation for waived waterfall rights, and 10.2% constitutes 80% of Rogaland County Council's rights acquired by Lyse Kraft DA. Development of the rights obtained from Rogaland County Council has been completed and financed by Lyse. The participation in Ulla-Førre Power Plants is based on an agreement with Statkraft SF regarding a 'right of co-ownership'. Statkraft SF holds the lawful licence for the properties. The shares entitle the extraction of 41.1% and 18.0%, respectively, from the hydro power generation of the company concerned. No compensation is paid for the hydro power extraction, but Lyse Kraft DA covers a proportional share of costs. Power extraction from partially owned power plants is included in ordinary energy sales and is accounted for in line with power produced from fully owned power plants. There is an exception made for imposed sale of concession power and operating income distributed among owners through a continuous offsetting basis. Below follows a summary of the main accounting lines of the income statement stating the profit items consolidated pro-rata line by line.

	2022		2021	
	Sira-Kvina	**Ulla-Førre**	**Sira-Kvina**	**Ulla-Førre**
Energy sales*	3 458 202	1 806 862	2 372 477	1 145 940
Share of operating income	276 111	0	155 348	0
Share of transmission costs	35 555	53 146	27 670	938
Share of payroll costs	39 480	4 992	40 951	4 484
Share of fees	29 225	10 126	53 599	28 746
Share of ordinary depreciation	57 199	29 441	28 860	10 126
Share of write downs	1 107	4 654	0	0
Share of property tax and other operating costs	54 733	32 397	31 763	17 655
Share of net financial profit and loss	139	0	197	0
Share of profit and loss in partly-owned power plants (before tax)	**3 517 153**	**1 778 398**	**2 344 785**	**1 085 867**

* Energy sales are based on a 100 % share, and is presented net of extracted power and pumping. Lyse's share is 74,4%

Ulla-Førre Power Facility

The 18% share in Ulla-Førre power facility is recognised as a tangible fixed asset on Lyse Kraft DA's balance sheet. No entries have therefore been made on the balance sheet for the shares in Ulla-Førre Power plants. At the end of the financial year, the book value of tangible fixed assets in the Ulla-Førre power facility was NOK 815 million, and the book value of waterfall rights amounted to NOK 6.4 million.

Sira-Kvina kraftselskap DA

The 41.1% share in Sira-Kvina Kraftselskap DA's balance sheet is consolidated pro-rata line by line. Lyse Kraft DA's shares of assets and liabilities is recognised on a line by line basis on the balance sheet. See the specification below for further details.

	2022	2021
Share of waterfall rights	29 747	29 747
Share of tangible fixed assets	1 839 746	1 807 514
Share of pension funds	15 161	7 636
Share of receivables	190 186	130 816
Share of bank deposits, cash and cash equivalents	143 304	92 018
Share of assets	**2 218 144**	**2 067 731**
Share of accounts payable	7 705	3 403
Share of other current liabilities	206 762	235 713
Share of liabilities	**214 467**	**239 116**

There are no contingent liabilities linked to the Group's share in partly owned power plants and the partly-owned power plants do not have any contingent liabilities recognised in their own balance sheets.

22 Related parties

All subsidiaries and associates are related parties of Lyse AS. Intercompany positions at the balance sheet date and transactions are eliminated in the consolidated financial statements and are therefore not part of this note. The Municipality of Stavanger owns a 45.74% share and is, pursuant to IAS 24, a related party. Hydro has a non-controlling interest of 25.6% in Lyse Kraft DA, thus they are defined as a related party. See note 2 for accounting principles and note 6 for information related to significant non-controlling interests. The other shareholders have a stake that is less than 20% and are therefore, according to current guidance, not a related party. See notes 30, 34 and 35 for more information on owners, management and companies that are included in the consolidation.

The Group has been involved in transactions with the following related parties:

Purchases from and sales to related parties

SALE OF GOODS AND SERVICES

	2022	2021
Associates	127 751	120 825
Joint ventures	340 995	405 714
Non-controlling interests	1 553 395	1 620 372
Municipality of Stavanger	130 331	107 554
Total sale of goods and services	**2 152 472**	**2 254 464**

PURCHASES OF GOODS AND SERVICES

	2022	2021
Associates	17 205	44 649
Joint ventures	828 490	51 659
Non-controlling interests	2 178 279	1 519 396
Municipality of Stavanger	10 444	19 268
Total purchases of goods and services	**3 034 419**	**1 634 972**

Balance sheet items relating to related parties

Short-term receivables from related parties are not interest-bearing, and mainly consists of sales of goods and services, and joint venture expenditures. Current liabilities to related parties mainly consist of the purchase of goods and services and are due one month after the date of purchase. Such liabilities are not interest-bearing.

TRADE RECEIVABLES AND OTHER RECEIVABLES FROM RELATED PARTIES

	2022	2021
Associates	21 985	21 416
Joint ventures	64 558	60 285
Non-controlling interests	167 499	93 649
Municipality of Stavanger	16 049	28 764
Trade receivables and other receivables from related parties	**270 091**	**204 114**

ACCOUNTS PAYABLE TO RELATED PARTIES

	2022	2021
Associates	2 062	45 641
Joint ventures	140 085	103 532
Non-controlling interests	483 464	318 371
Municipality of Stavanger	440	6 486
Total accounts payable to related parties	**626 050**	**474 030**

SUBORDINATED LOANS TO OWNERS

	2022	2021
Municipality of Stavanger carrying value as at 1 January	740 433	786 168
Loan repaid during the year	-45 735	-45 735
Interest costs	32 133	20 080
Interest paid	-32 133	-20 080
Carrying value as at 31 December	**694 698**	**740 433**

LOAN FROM OTHER RELATED PARTIES

	2022	2021
Loan from other related parties	31 822	68 788
Carrying value as at 31 Deccember	**31 822**	**68 788**

23 Inventory

INVENTORY

	2022	2021
Decoders	139 113	38 927
Modems and network routers	1 410	2 919
Electricity certificates	21 996	950
Home control centres	172 138	46 367
Technical equipment, operational stores, spare parts	72 635	59 218
Mobile phones	19 116	0
Other	37 787	33 552
Total inventory	**464 195**	**181 933**

PROVISION FOR OBSOLETE INVENTORY

	2022	2021
Provision for obsolete inventory	52 796	62 855

Inventory items are assessed at acquisition cost or net realisable value, whichever is lower. In the business area Telecom, the acquisition cost is calculated as a weighted average. There are no security pledges related to the inventory.

WATER INVENTORY IN OWN AND JOINT VENTURE POWER PLANTS

	2022	2021
Water stock in GWh	3 679	2 829
Reservoir levels in %	54%	42%
Year's generation	7 974	10 353

Annual mean generation amounted to 9 721 GWh in 2022 and 10 075 GWh in 2021.

24 Trade receivables and other receivables

OTHER NON-CURRENT RECEIVABLES

	Note	2022	2021
Equity deposit KLP		32 505	34 855
Other non-current receivables		52 781	27 757
Total other non-current receivables		**85 286**	**62 612**

TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES

	Note	2022	2021
Face value of trade receivables		2 685 311	2 206 147
Receivables from related parties	22	270 091	204 114
Bad debt provision		-48 199	-26 288
Net trade receivables		**2 907 203**	**2 383 973**
Other current receivables		864 267	838 993
Total trade receivables and other receivables		**3 771 470**	**3 222 966**

BREAKDOWN OF BAD DEBT PROVISION

	2022	2021
1-6 months	12 389	10 560
More than 6 months	35 809	15 728
Total bad debt provision	**48 199**	**26 288**

Lyse applies the simplified approach for trade receivables, measuring the loss allowance at an amount equal to lifetime expected credit losses. The calculation for expected loss on trade receivables is twofold. To measure the expected credit loss for receivables from end users, a provision matrix has been created that groups receivables based on shared risk and days past due, and the provision is calculated on the basis of historical credit losses. For the remaining trade receivables, an individual assessment is made and a provision for losses is made when there are indications that the group will not receive settlement in accordance with the original conditions.

MOVEMENT IN PROVISIONS FOR BAD DEBT OF TRADE RECEIVABLES IS AS FOLLOWS:

	2022	2021
Balance as at 1 January	26 288	14 724
Movement in provisios for bad debt (receivables)	39 730	4 322
Actual loss during the year	-17 820	7 242
Balance as at 31 December	**48 199**	**26 288**

Impairments and reversals of impairments of trade receivables are included in other operating costs. Impairments to cover losses have been carried out when no further cash is expected to be collected. Other receivables do not include impaired current assets.

25 Derivatives

CARRYING VALUE AS AT 31 DECEMBER 2022

	Tangible Fixed assets	Non-current liabilities	Current assets	Current liabilities
Energy derivatives				
Financial energy contracts – signed for hedging purposes	0	319 740	0	390 055
Financial energy contracts – fair value, customers' positions	30 790	0	0	0
Financial energy contracts – others	0	80 045	0	0
Currency and interest rate derivatives				
Currency derivatives – cash flow hedge	99 765	0	0	13 541
Currency derivatives – signed for hedging purposes	0	0	370	0
Currency derivatives in long-term physical industry contracts in EUR	123 282	0	38 254	0
Interest swap agreements – cash flow hedge	3 581	0	0	0
Interest swap agreements – fair value hedge	0	35 435	0	0
Total derivatives recognised in the balance sheet	**257 418**	**435 220**	**38 624**	**403 596**

NETTING OF DERIVATIVES AS AT 31 DECEMBER 2022

	Assets	Liabilities
Total carrying value (including netting)	296 042	838 816
The following balances have been offset (due to offsetting possibilities in signed agreements)	11 032	6 364

CARRYING VALUE AS AT 31 DECEMBER 2021

	Tangible Fixed assets	Non-current liabilities	Current assets	Current liabilities
Energy derivatives				
Financial energy contracts – signed for hedging purposes	0	271 792	0	188 264
Financial energy contracts – fair value, customers' positions	2 852	0	0	0
Financial energy contracts – others	0	76 933	0	0
Currency and interest rate derivatives				
Currency derivatives – cash flow hedge	59 353	0	32 283	0
Currency derivatives in long-term physical industry contracts in EUR	368 192	0	28 741	0
Interest swap agreements – cash flow hedge	0	369	0	2 737
Interest swap agreements – fair value hedge	0	4 796	0	0
Total derivatives recognised in the balance sheet	**430 396**	**353 890**	**61 024**	**191 000**

NETTING OF DERIVATIVES AS AT 31 DECEMBER 2021

	Assets	Liabilities
Total carrying value (including netting)	491 420	544 890
The following balances have been offset (due to offsetting possibilities in signed agreements)	19 623	16 204

The counterparty for derivatives with netting transactions are banks. For further information about derivatives, please see Note 8 Financial Instruments per measurement category and Note 9 Hedge Accounting. For information about credit risk exposure please see note 7 Financial Risk Management.

Energy derivatives

Financial power contracts signed for hedging purposes are contracts signed to secure the price of future power sales and purchases. Financial power contracts - fair value customers' positions, relate to management contracts signed on behalf of customers. The contra entry for the market value of the contracts are trade receivables and accounts payable.
Other financial energy contracts relate to free power liabilities and prepayments related to energy sale agreements.

Currency and interest rate derivatives

For currency and interest rate derivatives in cash flow hedges and fair value hedges, please see Note 8 Hedge Accounting, for more information.

Currency derivatives in long-term physical industry contracts in EUR concern long-term agreements for the delivery of industrial power up to 2040. The energy contracts stipulate requirements for the physical supply of hydro power volumes meaning that the contracts are not within the scope of IFRS 9. The power contracts are fixed price contracts with settlement in EUR, which means the power contracts contain an embedded derivative. The currency derivatives are not considered to be closely linked to the host contract. For this reason, the currency derivatives are separated from the host contract and recognised at fair value through profit and loss. The fair value calculations are based on best estimate of future currency rates on the currency derivatives.

Offsetting

Financial instruments where Lyse has a right to offset assets and liabilities and where payments are to be made on a net basis, are presented net on the balance sheet. This applies to financial power contracts, currency- and interest rate derivatives.

Collateral

Cash collateral must be pledged when financial power contracts are traded. Lyse has drawing rights which is used when pledging such collateral.

26 Cash and cash equivalents

BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	2022	2021
Bank deposits, cash and cash equivalents	7 713 341	5 701 614
Total bank deposits, cash and cash equivalents	**7 713 341**	**5 701 614**

The Group has a cash pool agreement with SpareBank 1 SR-bank. A cash pool agreement means joint responsibility from participating companies. Only Lyse AS has an outstanding balance with the bank, whereas deposits and withdrawals on the subsidiary companies' accounts constitute intragroup balances in the company's income statement or statement of financial position. Interest is credited/charged between Lyse AS and the subsidiary companies related to balances/withdrawals in each individual company's sub-accounts at interest rates set out in the agreements between Lyse AS and SpareBank 1 SR-Bank.

UNUSED DRAWING FACILITIES:

	2022	2021
Drawing facilities and bank syndicate	3 320 000	1 500 000
Overdraft facility	312 698	300 000
Total unused drawing facilities	**3 632 698**	**1 800 000**

LIQUIDITY RESERVE

	2022	2021
Bank deposits, cash and cash equivalents	7 713 341	5 701 614
Of which restricted funds	-829 288	-693 602
Unused drawing facilities	3 632 698	1 800 000
Short term financial investments	1 148 400	764 000
Liquidity reserve	**11 665 151**	**7 572 012**

Lyse expanded its drawing facility with a syndicate of Nordic banks from NOK 1 500 million to NOK 3 000 million in 2022. The drawing facilities expire in 2024. The group also has drawing facilities and overdraft facilities with two banks totalling 695 million, of which 633 million was available by the end of 2022.

27 Liabilities to financial institutions

LONG-TERM LOANS:

	Note	2022	2021
Bond loans		9 764 565	8 577 204
Subordinated loans from shareholding municipalities		1 500 000	1 600 000
Subordinated loans, other		31 820	61 693
Currency loan in EUR		3 345 452	2 302 892
Other loans		3 194 995	3 135 000
Total long-term loans	**8**	**17 836 832**	**15 676 788**

SHORT-TERM LOANS:

	Note	2022	2021
First year's instalment on bond loans reclassified from long-term loans		580 000	1 054 000
First year's instalment on subordinate loans reclassified from long-term loans		100 000	100 000
First year's instalment on subordinate loans, other reclassified from long-term loans		29 872	29 873
First year's instalment on EUR currency loan reclassified from long-term loan		112 915	107 276
First year's instalment on other loans reclassified from long-term loans		1 150 000	42 727
Total short-term loans	**8**	**1 972 787**	**1 333 876**

NET INTEREST-BEARING LOANS

	Note	2022	2021
Total long-term and short-term loans*	8	19 809 619	17 010 664
Short-term financial positions	26	-1 148 400	-764 000
Bank deposits, cash and cash equivalents	26	-7 713 341	-5 701 614
Net interest-bearing loans		**10 947 878**	**10 545 051**

* Includes unrealised disagio on currency loan.

UNREALISED DISAGIO ON LONG-TERM AND SHORT-TERM LOANS

	Note	2022	2021
Unrealised disagio on currency loan in EUR		-394 108	-232 219
Total unrealised disagio on currency loan		**-394 108**	**-232 219**

DEVELOPMENT OF NET INTEREST-BEARING LOANS

	Note	2022	2021
Opening balance as at 1 January - net interest-bearing loans		10 545 051	12 969 413
Change in cash and cash equivalents		-2 011 728	-1 874 339
Change in short-term financial positions		-384 400	-485 000
New long-term loans issued		4 318 349	1 800 000
Loan in acquired companies	4	3 121 000	0
Paid instalments		-3 358 104	-278 849
Redemtion of loans		-1 079 364	-920 000
Repurchase of long-term loans		-334 000	-539 000
Change with no cash effect		131 074	-127 174
Closing balance 31 December - net interest-bearing loans		**10 947 878**	**10 545 051**

See Note 7 Financial Instruments, for information about the fair value for interest-bearing debt.

Bond loans:
Bond loans are financial obligations measured at amortised cost. Fair value of associated interest swap agreements are included (LYSE23 ESG and LYSE25).

SUMMARY OF BOND LOANS AS AT 31 DECEMBER 2022

	Amount	Interest
Year 2014-2024 (LYSK103)	250 000	Fixed interest-rate 4.35 %
Year 2015-2025 (LYSK113)	725 000	Fixed interest-rate 3.3 %
Year 2016-2026 (LYSE02)	400 000	Fixed interest-rate 3.275 %
Year 2017-2027 (LYSE08)	500 000	Fixed interest-rate 3.00 %
Year 2017-2023 (LYSE09)	184 000	3 mnd nibor + 0,82 %
Year 2017-2023 (LYSE10 ESG)	396 000	3 mnd nibor + 0,81 %
Year 2017-2032 (LYSE12)	600 000	Fixed interest-rate 2.96 %
Year 2017-2029 (LYSE14)	600 000	Fixed interest-rate 3.075 %
Year 2019-2024 (LYSE17)	225 000	3 mnd nibor + 0,87 %
Year 2020-2025 (LYSE18 PRO)	500 000	3 mnd nibor + 0,54 %
Year 2020-2026 (LYSE19 PRO)	600 000	Fixed interest-rate 1.78 %
Year 2020-2025 (LYSE20 PRO)	600 000	3 mnd nibor + 0,80 %
Year 2020-2024 (LYSE21 PRO)	750 000	3 mnd nibor + 0,60 %
Year 2020-2027 (LYSE22 ESG)	750 000	3 mnd nibor + 0,69 %
Year 2020-2028 (LYSE23 ESG)	728 034	Fixed interest-rate 1.73 %
Year 2021-2031 (LYSE24)	400 000	3 mnd nibor + 0,75 %
Year 2021-2025 (LYSE25)	286 531	Fixed interest-rate 1.635 %
Year 2021-2026 (LYSE26 ESG)	600 000	3 mnd nibor + 0,5 %
Year 2022-2028 (LYSE27 ESG)	400 000	3 mnd nibor + 1,2 %
Year 2022-2028 (LYSE28 ESG)	350 000	Fixed interest-rate 4.85 %
Year 2022-2030 (LYSE29)	500 000	Fixed interest-rate 4.52 %
Total Lyse AS	**10 344 565**	
Total Lyse Group	**10 344 565**	

Subordinated loans from shareholding municipalities:

When establishing Lyse AS, NOK 3 billion was converted from equity to a subordinated loan from the shareholding municipalities. No instalments were due on the loan up to and including 2008, after which it is repayable over 30 years, in equal instalments. The interest rate on the loan is 3-month NIBOR + 2%. No security has been pledged for the loan. The subordinated loan is a financial obligation, measured at amortised cost.

As at 31 December 2022, the Lyse Group has NOK 100 million in future interest swaps agreements available to hedge the interest payment due on the subordinated loan. Hedging documentation has been prepared and the hedge is meeting the hedge accounting requirements and thus hedge accounting has been applied. The fair value changes of this hedge is booked against other comprehensive income, see notes 8, 9 and 25.

CURRENCY LOANS IN EUR AS AT 31 DECEMBER 2022

	EUR	Interest	Instalment
Year 2015-2030	80 548	Fixed interest-rate 0.29%	Half-yearly fixed from 2020 till due date in 2030
Year 2018-2030	45 000	Fixed interest-rate 2.01%	As a whole when due
Year 2018-2033	45 000	Fixed interest-rate 2.28%	As a whole when due
Year 2019-2039	30 000	Fixed interest-rate 1.91%	As a whole when due
Year 2019-2044	30 000	Fixed interest-rate 2.29%	As a whole when due
Year 2022-2037	98 388	Fixed interest-rate 0.96 %	Half-yearly fixed from 2027 till due date in 2037
Total Lyse AS	**328 936**		

The EUR loans are designated as a hedging instrument in a cash flow hedge. The hedging documentation is prepared and satisfy the requirements for hedge accounting. The loans are recognised at fair value with the currency rate at the balance sheet date and changes in the fair value measured against EUR on the time of draw down is recognised in equity, see note 8 and 9.

INSTALMENT PROFILE LONG-TERM AND SHORT-TERM LOANS

Year	2023	2024	2025	2026	2027	Thereafter	Sum
Amount	1 972 787	3 079 732	2 854 446	2 342 915	841 432	8 718 309	**19 809 619**

RECONCILIATION OF CHANGES IN BOOK VALUE OF LIABILITIES INCURRED AS A RESULT OF FINANCING ACTIVITIES:

	2021	Cash flows	No cash flow effects			2022
			Currency adjustments	Fair value adjustments	Other Changes	
Long-term interest-bearing loan	15 676 789	-1 086 393	156 076	-30 639	3 120 999	17 836 832
Short-term interest-bearing loan	1 333 876	633 273	5 638	0	0	1 972 787
Interest swap agreements cash flow hedging	3 106	0	0	-3 106	0	0
Interest swap agreements cash flow hedging	4 796	0	0	30 639	0	35 435
Long-term financial leases	774 111	0	0	0	792 042	1 566 153
Short-term financial leases	147 943	-212 008	0	0	344 072	280 007
Total liabilities of financing activities	**17 940 621**	**-665 128**	**161 714**	**-3 106**	**4 257 113**	**21 691 214**

28 Other liabilities

OTHER LONG-TERM LIABILITIES:

	Note	2022	2021
Asset retirement and protect obligation		62 636	23 054
Physical free power		7 533	7 533
Compensation power		30 580	30 580
Total long-term provisions		**100 749**	**61 167**
Free power liabilities		861 060	861 060
Monetary compensation		29 827	29 827
Other non-current liabilities		41 845	31 823
Licence fee liabilities		1 885 869	0
Deferred revenue	2	1 019 200	836 802
Total other non-current liabilities		**3 837 801**	**1 759 512**

Asset retirement obligation

Lyse has a commitment of NOK 18 million related to the expected removal of old equipment in the power station of Lysebotn I. Furthermore, Lyse has a removal obligation of NOK 38 million related to the removal of an old transformer station and power lines, and a removal obligation of NOK 3.3 million related to a refuelling station and district heating system.

Physical free power and compensation power

As part of the compensation to the landowners Lyse has, in some instances, agreed to deliver a certain quantity of power to the landowners (free electricity/compensatory power). These agreements concern the delivery of power and are therefore assessed along the same lines as other power contracts. The IFRS 9 exception regarding ordinary purchases and sales is considered to be applicable for these agreements. Pursuant with IAS 37, a provision has been recognised and calculated at amortised cost.

Monetary compensation

Monetary compensation agreements are agreements where an annual compensation is paid over an unlimited period. The compensation is equal to the purchase and is a financial liability that is measured and recognised at amortised cost.

Free power liabilities

The Lyse Group has entered into perpetual agreements to supply 81.1 GWh of free power. The contracts stipulate requirements for physical supply. The contracts are classified as contracts for the sale of non-financial items. The settlement terms in the contracts were changed from financial to physical as of 1 January 2008. The fair value of the contracts at the time was set to the new cost price of the liabilities associated with future delivery of power entitlements.

A reduction in the liability is recognised as sales income. Correspondingly the liability will increase due to the effect this has on the discounting rate. The increase in liabilities is classified as a financial cost. An annual income recognition and an annual interest cost of NOK 40.4 million is calculated. This is based on the fair value of the obligation at the time of changing the settlement terms for the contracts.

Licence fee liabilities

The group has recognised a liability of NOK 2 219 million related to future payments for frequency rights. The obligation is calculated based on the present value of future payments where marginal loan interest is used as discount rate. Of this liability, NOK 1 886 million is classified as a long-term liability, while NOK 333 NOK million to be paid in 2023 is classified as short-term debt (see note 29). As of 31.12.2022, debt due later than five years amounts to NOK 822 million.

Deferred income

Deferred income represents the long-term portion of accrued investment contributions. See note 2 for more information for the accounting principles on investment contributions.

Off-balance sheet commitments

CONTRACTS ENTERED INTO REGARDING INVESTMENTS THAT ARE NOT INCLUDED IN THE ANNUAL ACCOUNTS:

	2022	2021
Tangible fixed assets	698 690	429 807
Intangible fixed assets	32 500	832 809
TOTAL	**731 190**	**1 262 616**

29 Current liabilities

ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	Note	2022	2021
Accounts payable		2 000 274	967 167
Accounts payable to related parties	22	626 050	474 030
Other current liabilities		2 393 579	1 162 494
Deferred revenue	2	33 909	24 422
Public duties payable		1 561 343	977 347
Total accounts payable and other current liabilities		**6 615 156**	**3 605 460**

Accounts payable are a financial instrument. Accounts payable are measured at amortised cost.

30 Share capital and premium reserve

	Number of shares	Ordinary shares	Premium reserve	TOTAL
As at 1 January 2022	1 008 983	1 008 983	266 608	1 275 591
Changes in share capital and premium reserve during the period	0	0	0	0
As at 31 December 2022	**1 008 983**	**1 008 983**	**266 608**	**1 275 591**

Nominal value of shares is NOK 1 000. Only municipalities can be shareholders. Share acquisition is subject to approval by the Board. In the event of a sale or other disposal of shares, the other shareholders have preferential purchasing rights. Each share represents one vote at the general meeting. Any amendment to the articles of association requires support from at least two-thirds of represented share capital and the support of at least five shareholders.

The table below shows the ownership distribution as of 31 December 2022.

Ownership interest	Number of shares	Ownership interest	Voting shares
Shareholding municipalities:			
Municipality of Stavanger	461 459	45,74%	45,74%
Municipality of Sandnes	197 064	19,53%	19,53%
Municipality of Sola	88 195	8,74%	8,74%
Municipality of Time	58 844	5,83%	5,83%
Municipality of Klepp	42 670	4,23%	4,23%
Municipality of Hå	38 190	3,79%	3,79%
Municipality of Randaberg	33 085	3,28%	3,28%
Municipality of Eigersund	29 775	2,95%	2,95%
Municipality of Strand	25 547	2,53%	2,53%
Municipality of Hjelmeland	10 029	0,99%	0,99%
Municipality of Gjesdal	9 414	0,93%	0,93%
Municipality of Lund	7 194	0,71%	0,71%
Municipality of Bjerkreim	5 166	0,51%	0,51%
Municipality of Kvitsøy	2 351	0,23%	0,23%
Total number of shares	**1 008 983**	**100,00%**	**100,00%**

31 Security and guarantees

For any financing in addition to the subordinated loan the Lyse Group has placed a negative pledge and there are capital requirements from lenders, stipulating that the market value of the Group's equity is not to be lower than a set minimum. In addition, agreements have been signed in which security declarations or guarantees for all of the Group's commitments shall not constitute more that 15 % of total assets. There is also a special limitation on obligations to partly-owned companies and subsidiaries with no controlling ownership interest where such pledges, security declarations and guarantees must not exceed a limit of NOK 500 million at any given time. The limitations do not apply to ordinary guarantees entered into in conjunction with trade in securities and financial instruments, and ordinary sales pledges in the case of supplies of goods and services on credit and security in conjunction with statutory requirements for security. The capital requirements are monitored on an ongoing basis. The Lyse Group complies with these requirements.

Jørpeland Kraft entered into a new loan agreement amounting to NOK 315 million as per 24.02.2021. As part of this new loan agreement the company signed a negative pledge clause. Jørpeland Kraft AS is 66.7% owned by Lyse Produksjon AS.

Lyse Energi AS and Lyse Produksjon AS must provide security for settlement of contractual obligations in connection with financial trading activities on Nasdaq OMX Commodities. Both companies use a clearing representative and security is provided in the form of cash. The other securities are primarily linked to securities required by law, such as guarantees related to re-invoicing agreements with grid owners. Otherwise, the Group seeks to provide the least possible security.

SECURITY PLEDGED AS AT 31 DECEMBER 2022

(In NOK millions)	
Limits for guarantee pledges according to loan agreements:	**10 356**
Security pledged	
Unconditional guarantee	290
Parent company guarantee	5
House rental garantee	4
Nasdaq powertrade security	421
Assets pledged as security	**719**
Unused limit security pledged	**9 636**
Limit for pledges partly-owned companies	**500**
Unused limit pledges partly-owned companies	**500**

OTHER GUARANTEE AGREEMENTS

Tax withholding guarantee (social securities)	**60**

32 Leases

Lyse implemented IFRS 16 with effective date 1 January 2019. The standard regulates the accounting of leases. The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The standard is only applicable for Lyse as lessee. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model. An exception applies to leases of assets with low value and lease contracts with shorter duration than 12 months. At the start of a leasing period, the lessee is required to recognise a liability at the present value of future lease payments, and a corresponding asset representing the right to use the asset ("right-of-use asset").

The lessee must recognise an interest cost related to the liability and depreciate the right-of-use asset. The recognised amounts in the balance sheet consists of agreements for the lease of office and property, fibre and telecom equipment, vehicles, machines, and land lease for base stations. The accounting principles is discussed in more detail in section 2.21.

RIGHT OF USE ASSETS 2022

	Offices and other property	Telecom equip-ment, fibre and line lease	Operating movable property	Land lease base stations	Total
Carrying value 1 January 2022	**138 051**	**1 009 739**	**11 115**	**0**	**1 158 905**
Additions	29 815	172 436	3 283	184 625	**390 159**
Additions from acquisitions	67 978	0	197	758 554	**826 729**
Depreciations	-43 725	-135 150	-4 483	-95 254	**-278 612**
Disposals	-812	-8 594	-2 826	0	**-12 232**
Remeasurement and other changes	27 172	-28 346	1 048	7 687	**7 561**
Carrying value 31 December 2022	**218 481**	**1 010 084**	**8 334**	**855 612**	**2 092 510**

RIGHT OF USE ASSETS 2021

	Offices and other proprety	Telecom equip-ment, fibre and line lease	Operating movable property	Land lease base stations	Total
Carrying value 1 January 2021	**99 965**	**862 678**	**2 469**	**0**	**965 112**
Reclassification of lease categories	27 782	-33 088	5 306	0	**0**
Reclassified opening balance	**127 747**	**829 590**	**7 775**	**0**	**965 112**
Additions	22 623	382 443	9 729	0	**414 795**
Additions from acquisitions	0	0	0	0	**0**
Depreciations	-30 761	-137 427	-5 091	0	**-173 279**
Disposals	-6 090	-7 814	-765	0	**-14 669**
Remeasurement and other changes	24 532	-57 053	-532	0	**-33 054**
Carrying value 31 December 2021	**138 051**	**1 009 739**	**11 115**	**0**	**1 158 905**

AMOUNT RECOGNISED IN THE INCOME STATEMENT

	31.12.22	31.12.21
Depreciation right of use assets	278 523	173 279
Interest cost lease commitments	78 920	31 327
Sum	**357 442**	**204 606**

AMOUNT RECOGNISED IN THE STATEMENT OF CASH FLOWS

	Classification in cash flow statement	31.12.22	31.12.21
Cash payment for the principal of the lease obligation	Financing activities	212 008	163 458
Cash payment for the interest part of the lease obligation	Operating activities	61 358	28 848
Prepayments made at or before lease	Investment activities	81 540	126 623
Total cash payment for lease liabilities		**354 906**	**318 929**

LEASING LIABILITIES

Current leasing liabilities	280 007	147 943
Non-current leasing liabilities	1 566 153	774 111
Total leasing liabilities	**1 846 160**	**922 054**

MATURITY PLAN LEASING LIABILITIES - UNDISCOUNTED CONTRACTUAL CASH FLOWS

Less than 1 year	340 372	167 007
1-2 years	291 192	158 768
2-3 years	257 419	125 534
3-4 years	223 863	107 177
4-5 years	209 091	55 410
More than 5 years	924 921	479 959
Total undiscounted leasing liabilities 31 December	**2 246 858**	**1 093 855**

Lyse has no significant costs related to variable lease payments, lease agreements for assets with a low value, or leases with a shorter duration than 12 months.

Future cash flows that are not reflected in the measurement of leasing liabilities

Options to extend leasing agreements

Property

Several of the leasing contracts for property include extension options that can be exercised by Lyse. The buildings that are included in the leasing agreements are considered standardised buildings, not specifically adapted to Lyse or the operations of Lyse. With several years left of the agreements it is not considered reasonably certain that the lease extensions will be exercised, and as such periods after the agreed period is not included in the measurement of the lease obligation.

Telecommunication equipment, fibre, and line rental

For the lease agreements in this category, it has been assumed that options will not be used. This is substantiated by the expectation that market prices will be reduced and that the agreements with the longest binding period expect a technological development that will lead to a change in conditions.

33 External auditor's fees

Deloitte AS has been the auditor of the Lyse Group since the financial year of 2022 and performs the audit of all subsidiaries subject to audit. Total fees (excl. VAT) recognised as costs for the Group's auditor for auditing and other services were as follows:

EXPENSED REMUNERATION FEES - STATUTORY AUDITOR

	2022	2021
Statutory auditing	6 346	5 030
Other attestation services	643	309
Tax advice services	0	0
Other services	190	170
Total fees	**7 179**	**5 509**

34 Remuneration to executive management and the Board of Directors

REMUNERATION TO EXECUTIVE MANAGEMENT AND THE BOARD OF DIRECTORS

Name	Position	Note	Salary / Remuneration	Benefits in kind and other taxable remuneration	Pension costs	Total remuneration
Eimund Nygaard	Managing director/ Group CEO		2 864	334	1 114	4 312
Eirik Børve Monsen	Executive Vice President, Economics and Finance		2 208	141	316	2 665
Leiv Ingve Ørke	Executive Vice President, Energy		1 949	221	350	2 520
Toril Nag	Executive Vice President, Telecommunications		2 042	165	356	2 563
Grethe Høiland	Executive Vice President, Power grid		1 775	262	298	2 335
Jens Arne Steinsbø	Executive Vice President Strategy og Technology		1 697	19	244	1 960
Gyrid Holmen	Executive Vice President, HR		1 708	21	260	1 989
Astrid Rebekka Norheim	Executive Vice President, Customers and Marketing		1 677	19	245	1 941
Harald Espedal	Chairman of the Board		355	0	0	355
Stine Rolstad Brenna	Deputy Chair		312	0	0	312
Svein Ingvar Gjedrem	Board Member		195	0	0	195
Jonas Skrettingland	Board Member		185	0	0	185
Siri Annette Haataja Meling	Board Member (from 26.04.2022)		77	0	0	77
Lotte Hansgaard	Board Member (from 26.04.2022)		77	0	0	77
Kate Torunn Hidle	Board Member (until 26.04.2022)		77	0	0	77
Irene Grasveit	Board Member (until 26.04.2022)		77	0	0	77
Morten Larsen	Employee representative (from 26.04.2022)	1	139	0	0	139
Marie Folstad	Employee representative (from 26.04.2022)	2	77	0	0	77
Arne Malvin Sele	Board Observer (from 26.04.2022)	3	139	0	0	139
Marion Svihus	Deputy Board Member		0	0	0	0
Jone Heggheim	Deputy Board Member		0	0	0	0
Svein Høyland	Deputy Board Member		0	0	0	0
Solveig Ege Tengesdal	Deputy Board Member (from 26.04.2022)		0	0	0	0
Ingvill Moen Hovlund	Deputy Board Member (from 26.04.2022)		7	0	0	7
Siv Margrete G. Grønhilder	Deputy Board Member (until 26.04.2022)		0	0	0	0
Elisabet Lerstøl Oftedal	Deputy Board Member (until 26.04.2022)		0	0	0	0
Karen Ommundsen	Employee representative - deputy (from 26.04.2022)	4	84	0	0	84
Inge Vadla	Employee representative - deputy (from 26.04.2022)		0	0	0	0
Mona Johansen	Employee representative - deputy (from 26.04.2022)		0	0	0	0
Kristen Løland	Employee representative - deputy (from 26.04.2022)		0	0	0	0

1) Morten Larsen was board observer until 26.04.2022
2) Marie Folstad was employee representative - deputy until 26.04.2022
3) Arne Malvin Sele was employee representative until 26.04.2022
4) Karen Ommundsen was employee representative until 26.04.2022

The Group management has not received any compensation or financial benefits from other companies in the same Group other than those shown above. No additional compensation for special services beyond normal managerial functions has been provided, nor have any loans or surety been granted. Pension costs for the Group management team and officers are included in the Group's general collective pension scheme, except for matters described under "Early retirement schemes". The Board has no remuneration agreements other than the directors' fee and remuneration for participation in committee work, nor have any loans or surety been granted to directors of the Board.

Chair of the Corporate Assembly is paid NOK 139 500. Each representative is also paid NOK 2 600 per meeting.

The Board's Statement regarding salaries and other remunerations to management executives

An important role for the Board of Directors is to ensure a moderate, but competitive development of executive pay in Lyse. The main principles for management executive salary are formed accordingly.

Lyse's policy is to offer competitive terms, but not take a leading position. Lyse has established an assessment system with description of positions and assessments which are key criteria to determine compensation for each employee. Lyse is member of NHO and the industry organisations EnergiNorge and Abelia. The companies in Lyse Group are covered by their collective agreement for compensation within the NHO area.

The Compensation Committee

The Board of Lyse has established a separate Compensation Committee. The Committee shall consist of 3 members elected of and among the Board of Directors. The Members elected shall not have ties which can affect the members independent assessment. The Committee's responsibilities and tasks are to:

- Prepare the Board's treatment of items related to the CEO's salary and conditions of employment.
- Prepare the Board's treatment of items related to principles and framework for executive pay
- Be informed about and advise the administration in the work with executive pay in the Group
- Suggest the process for hiring new CEO
- Make an annual assessment of the CEO's performance
- Annually assess the CEO's salary and suggest any changes of this
- Advise in new employment contracts or changes in current standard contracts for those that report directly to the CEO
- Planning of successor and leadership development

Lyse Group has established requirements for executives which highlight that the executives should be both result- and action-oriented and loyal to the company and the decisions made. The most important tasks for the executives relate to organising and operating the entity in an efficient manner, ensure good communication and clarify goals and strategies while also developing their co-workers.

Group management does not have any variable pay based on neither achievement of results nor individual goals. They are also not covered by any share-based reward agreement.

There are no options/entitlements providing employees or officers with the right of subscription, purchase or sale of shares.

Early Retirement Schemes

Except as noted below, no one on the executive management team or the Board are entitled to salary/remuneration after the end of the employment relationship/assignment. The CEO has until the age of 65 years rights to a 6-month severance pay in case of termination of employment. After the age of 65 years and before 70 years, a potential exit from the company is regulated by the early retirement scheme. The right to early retirement requires that the CEO is employed in Lyse when reaching 65 years. The early retirement shall be equivalent to 66% of base salary with addition of full compensation for the retirement benefits that lapses upon termination of employment and continues until the CEO reaches the age of 70, whereafter it is closed without any additional compensation.

35 Companies included in the consolidation

Company name	Note	Segment	Business office	Owned directly by parent company	Owned by the Group as a whole	Share owned of non-controlling ownership interests
Lyse Produksjon AS		Energy	Stavanger	100%	100%	
Lyse Energi AS		Energy	Stavanger	100%	100%	
Lyse Strøm AS	(1)	Energy	Stavanger	100%	100%	
Lyse Neo AS		Energy	Stavanger	100%	100%	
Jørpeland Kraft AS		Energy	Stavanger		67%	33%
Lyse Kraft DA		Energy	Stavanger		74%	26%
RSK Holding AS	(2)	Energy	Nesflaten		74%	26%
RSK DA	(2)	Energy	Nesflaten		71%	29%
Røldal Suldal Kraft AS		Energy	Nesflaten		71%	29%
RSK II AS	(2)	Energy	Stavanger		68%	32%
Lnett AS		Power Grid	Sandnes	100%	100%	
Lnett Jærveien 35 AS	(3)	Power Grid	Sandnes		100%	
Altibox AS		Telecom	Stavanger	100%	100%	
Altibox Danmark A/S		Telecom	Skanderborg, DK	100%	100%	
Signal Bredbånd AS		Telecom	Bodø		100%	
Lyse Fiberinvest AS		Telecom	Stavanger	100%	100%	
Lyse Fiber AS		Telecom	Stavanger		100%	
Viken Fiber Holding AS		Telecom	Drammen		65%	35%
Viken Fiber AS		Telecom	Drammen		65%	35%
Skiptvet Digital AS		Telecom	Skiptvet		65%	35%
Altibox Carrier AS		Telecom	Stavanger		100%	
Skagenfiber AS		Telecom	Stavanger		100%	
Byfiber AS		Telecom	Oslo		100%	
Tårnselskapet Holding AS	(4)	Telecom	Oslo		51%	49%
Tårnselskapet AS	(4)	Telecom	Oslo		51%	49%
Ice Group Scandinavia Holdings AS		Telecom	Oslo	100%	100%	
Ice Communications Norge AS		Telecom	Oslo		100%	
Phonepartner Norge Holding AS	(5)	Telecom	Oslo		100%	
Phonepartner AS		Telecom	Oslo		100%	
Ice Retail Holding AS	(5)	Telecom	Oslo		100%	
Ice Retail AS		Telecom	Oslo		100%	

Company name	Note	Segment	Business office	Owned directly by parent company	Owned by the Group as a whole	Share owned of non-controlling ownership interests
Lyse Dialog AS		Other	Stavanger	100%	100%	
Lyse Eiendom Mariero AS		Other	Stavanger	100%	100%	
Lyse Eiendom Jørpeland AS	(6)	Other	Stavanger	100%	100%	
Lyse Eiendom Ullandhaug AS		Other	Stavanger	100%	100%	
Lysstart01 AS	(7)	Other	Stavanger	100%	100%	
Lysstart06 AS	(8)	Other	Stavanger	100%	100%	
Lyse Vekst AS		Other	Stavanger	100%	100%	
Lyse Elkon AS		Other	Stavanger	100%	100%	
Lyse Lux AS		Other	Stavanger	100%	100%	
Lyse Agon AS	(9)	Other	Stavanger	100%	100%	
Smartly AS		Other	Stavanger	100%	100%	
Lyse Kraft AS		Other	Stavanger	100%	100%	
Lyse Elnett AS		Other	Stavanger	100%	100%	
Lyse AS		Other	Stavanger		Mor	

Note
(1) Company founded 24.05.2022. The company changed it’s name from Lysstart05 AS to Lyse Strøm AS 28.11.2022.
(2) RSK DA was founded on 14.11.2022 as a result of the reorganisation of the Røldal-Suldal power plants. RSK II AS and RSK Holding AS was merged with RSK DA as a part of the reorganisation (accounting effective date 01.01.2022). At year-end Lyse holds an interest of 74,4% in Lyse Kraft DA. Lyse Kraft DA itself holds an interest of 95,21% in RSK DA, with RSK DA owning 100% of Røldal-Suldal Kraft AS.
(3) Company merged with Lnett AS on 23.04.2022 (accounting effective date 01.01.2022).
(4) Company founded 14.01.2022.
(5) Company merged with Ice Group Scandinavia Holdings AS on 01.12.2022 (accounting effective date 01.01.2022)
(6) Company sold 15.09.2022.
(7) Company merged with Altibox Carrier AS on 16.08.2022 (accounting effective date 01.01.2022).
(8) Lysstart06 AS was founded 24.05.2022 and is a company with no activities.
(9) Company changed name from Lysstart02 AS to Lyse Agon AS on 30.03.2022.

The ownership interest is equal to the share of voting rights.

Further information on changes in what companies are included in the consolidation can be found in note 4.

Financial Statement

Lyse AS

Key figures Lyse AS

			2022	2021
Operations				
Operating revenues		NOK mill.	522	354
Operating profit		NOK mill.	-352	-219
Profit before tax		NOK mill.	347	960
Profit for the period		NOK mill.	265	789
Return on capital				
Net operating margin	(1)	%	-68%	-62%
Total return on capital	(2)	%	3%	6%
Return on equity	(3)	%	4%	13%
Balance sheet				
Total capital		NOK mill.	37 026	24 880
Equity		NOK mill.	5 891	6 266
Capital employed	(4)	NOK mill.	22 644	20 400
Equity ratio	(5)	%	20%	32%
Interest-bearing liabilities	(6)	NOK mill.	16 753	14 134
Liquidity				
Liquidity reserve	(7)	NOK mill.	8 814	7 306
Cash flow from operations	(8)	NOK mill.	-388	-458
Investments in tangible fixed assets		NOK mill.	34	342
No. of full-time equivalents			**188**	**164**

Definitions:

(1) Net Operating Margin	Operating profit and loss as a % of operating income
(2) Total Return on Capital	Operating profit and loss + financial income as a % of average total capital
(3) Return on Equity	Profit for the year as a % of average equity
(4) Capital Employed	Equity + Interest Bearing Debt
(5) Equity Ratio	Total Equity + any subordinated shareholders' loans/total capital
(6) Interest Bearing Debt	Interest Bearing Debt (excluding debt included in the cash pool arrangement)
(7) Liquidity Reserve	Distributable means of payment + unused drawing rights/limits
(8) Cash Flow from Operations	Distributable means of payment + unused drawing rights/limits

Statement of profit and loss

(Amounts in NOK 1000)	Note	2022	2021
Operating revenues			
Other operational revenue	2	521 530	353 960
Total operating revenues		**521 530**	**353 960**
Operating costs			
Payroll costs	3	240 311	186 289
Depreciation	4	98 698	59 667
Impairment	4	0	0
Other operating costs	5	534 953	326 681
Total operating costs		**873 962**	**572 637**
Operating profit		**-352 432**	**-218 677**
Financial income and financial expenses			
Income from investments in subsidiaries	6	647 683	1 284 268
Other financial income	6	600 063	232 664
Impairment of financial fixed assets	7	0	0
Other financial expenses	7, 8	548 056	338 057
Net financial profit and loss		**699 690**	**1 178 875**
Profit and loss before tax		**347 258**	**960 198**
Tax expense	9	82 703	170 736
Profit for the year		**264 556**	**789 462**

Statement of comprehensive income

(Amounts in NOK 1000)	Note	2022	2021
Profit for the year		**264 556**	**789 462**
Items that will not recycle over profit and loss in future periods			
Other pension effects	10	3 493	8 434
Items that will recycle over profit and loss in future periods			
Cash flow hedging, currency forward contracts	11	5 215	19 490
Statement of comprehensive income for the period		**8 708**	**27 924**
Total comprehensive income for the period		**273 264**	**817 386**

Statement of financial position as at 31 December

FIXED ASSETS

(Amounts in NOK 1 000)	Note	31.12.2022	31.12.2021
Intangible assets			
Other intangible assets	4	336 019	397 062
Deferred tax assets	9	5 409	0
Total intangible assets		**341 427**	**397 062**
Tangible fixed assets			
Buildings and assets under construction	4	9 466	9 774
Machinery and equipment	4	8 195	8 342
Right of use asset	8	4 645	43 421
Total tangible fixed assets		**22 307**	**61 537**
Financial fixed assets			
Investments in subsidiaries	12	9 931 317	4 543 003
Investments in associates	13	4 516	4 406
Other investments	13	19 546	20 943
Other receivables	14	15 625 905	10 548 445
Derivatives	11, 15	3 581	0
Total financial fixed assets		**25 584 863**	**15 116 796**
Total non-current assets		**25 948 597**	**15 575 395**

CURRENT ASSETS

Receivables			
Trade receivables	14	144 655	91 550
Group contributions receivable		647 683	1 284 268
Other receivables	14	3 269 925	2 422 438
Derivatives	11, 15	369	0
Total receivables		**4 062 632**	**3 798 256**
Investments			
Short-term financial investments	16, 17	1 148 400	764 000
Total investments		**1 148 400**	**764 000**
Bank deposits, cash and cash equivalents	16, 17	5 866 019	4 741 922
Total current assets		**11 077 050**	**9 304 178**
Total assets		**37 025 647**	**24 879 573**

EQUITY

(Amounts in NOK 1000)	Note	31.12.2022	31.12.2021
Paid-in capital			
Share capital	18	1 008 983	1 008 983
Additional paid-in capital		266 608	266 608
Total paid-in capital		**1 275 591**	**1 275 591**
Retained earnings			
Retained earnings and other equity		4 615 865	4 990 769
Total retained earnings		**4 615 865**	**4 990 769**
Total equity		**5 891 456**	**6 266 360**

LIABILITIES

Provisions			
Pension liabilities	10	20 765	29 756
Total provisions		**20 765**	**29 756**
Other non-current liabilities			
Subordinated loans	19	1 500 000	1 600 000
Bond loans	19	9 764 565	8 577 204
Liabilities to financial institutions	19	4 345 448	2 652 892
Long-term leasing obligation	8	1 552	36 979
Derivatives	11, 15	35 435	5 165
Deferred tax liability	9	0	2 893
Total other non-current liabilities		**15 646 999**	**12 875 133**
Total non-current liabilities		**15 667 765**	**12 904 889**
Current liabilities			
Liabilities to financial institutions	19	1 142 915	1 304 003
Short-term leasing obligation	8	3 061	7 812
Accounts payable	14	88 608	69 238
Tax payable	9	0	160 266
Public duties payable		17 526	13 434
Derivatives	11, 15	0	2 737
Group contributions payable		3 423 188	0
Other current liabilities	14	10 791 129	4 150 833
Total current liabilities		**15 466 426**	**5 708 323**
Total liabilities		**31 134 190**	**18 613 213**
Total equity and liabilities		**37 025 647**	**24 879 573**

This translation from Norwegian has been prepared for information purposes only.

Stavanger, March 29th 2023

Harald Espedal Chairman of the Board	Stine Rolstad Brenna Deputy Chair	Siri Annette Haataja Meling Styremedlem	Jonas Skrettingland Board member
Svein Gjedrem Board member	Lotte Hansgaard Styremedlem	Morten Larsen Styremedlem	Marie Folstad Styremedlem

Eimund Nygaard
Managing Director/CEO

Statement of cash flows

(Amounts in NOK 1000)	2022	2021
Ordinary profit and loss before tax	347 258	960 198
Ordinary depreciation	98 698	59 668
Impairment tangible fixed assets	0	0
Group contributions recognised as income	-647 683	-1 284 268
Pension cost without cash effect	5 472	-9 925
Impairment of shares	0	0
Change in accounts receivables and other current receivables	-128 739	753 030
Change in accounts payable and other current liabilities	6 663 773	3 013 057
Of which change in corporate account*	-6 570 244	-3 869 428
Change in other items without cash effect	3 921	-2 950
Net cash flow from operational activities	**-227 544**	**-380 618**
Tax paid	-160 266	-77 350
Net cash flow from operations	**-387 810**	**-457 968**
Receipts from sale of tangible fixed assets	15	2 532
Payments on purchase of tangible fixed assets	-33 821	-46 189
Receipts from sale of financial fixed assets	24 822	72 513
Payments on purchase of financial fixed assets	-630	-26 810
Net receipts – loans from subsidiaries	-5 760 828	-932 241
Payments to investments in subsidiary	-2 022 045	-86 070
Net deposits/withdrawals from short term financial placements	-384 400	-485 000
Net cash flow from investing activities	**-8 176 887**	**-1 501 265**
Receipts from new long-term borrowings	4 108 349	1 250 000
Repayment of non-current liabilities	-1 620 596	-1 357 977
Repayments of current liabilities	-3 474	-8 294
Change in corporate accounts*	6 570 244	3 869 428
Dividens paid to company shareholders	-650 000	-630 000
Receipts of group contributions	1 284 268	595 263
Net cash flow from financing activities	**9 688 791**	**3 718 420**
Net change in cash and cash equivalents	1 124 094	1 759 187
Cash and cash equivalents as at 1 January	4 741 922	2 982 735
Current financial assets	1 148 400	764 000
Cash and cash equivalents as at 31 December	**7 014 418**	**5 505 922**

* Balances with subsidiaries within the cash pool arrangement is presented gross.

See note 17 for more details.

Statement of changes in equity

STATEMENT OF CHANGES IN EQUITY 2022

(Amounts in NOK 1000)	Share capital	Premium reserve	Other reserves - not recognised in profit and loss	Other equity	Total equity
Equity 1 January 2022	**1 008 983**	**266 608**	**5 868**	**4 984 901**	**6 266 360**
Change of principle (Exception to IFRS 16 Leases for intra-group leases for lessees)	0	0	0	1 547	1 547
Adjusted equity 1 January 2022	**1 008 983**	**266 608**	**5 868**	**4 986 448**	**6 267 907**
Profit for the year	0	0	0	264 556	264 556
Statement of other comprehensive income					
Other pension effects	0	0	3 493	0	3 493
Cash flow hedging	0	0	5 215	0	5 215
Comprehensive income after tax	**0**	**0**	**8 709**	**264 556**	**273 265**
Dividends	0	0	0	-650 000	-650 000
Other changes recorded directly against equity	0	0	26	258	285
Equity 31 December 2022	**1 008 983**	**266 608**	**14 603**	**4 601 262**	**5 891 456**

STATEMENT OF CHANGES IN EQUITY 2021

(Amounts in NOK 1000)	Share capital	Premium reserve	Other reserves - not recognised in profit and loss	Other equity	Total equity
Equity 1 January 2021	**1 008 983**	**266 608**	**-22 351**	**4 825 757**	**6 078 997**
Profit for the year	0	0	0	789 462	789 462
Statement of other comprehensive income					
Other pension effects	0	0	8 434	0	8 434
Cash flow hedging	0	0	19 490	0	19 490
Comprehensive income after tax	**0**	**0**	**27 924**	**789 462**	**817 386**
Reclassification	0	0	295	-295	0
Dividends	0	0	0	-630 000	-630 000
Other changes recorded directly against equity	0	0	0	-23	-23
Equity 31 December 2021	**1 008 983**	**266 608**	**5 868**	**4 984 901**	**6 266 360**

Notes to the financial statements 2022

1 Accounting policies

Basis for preparation of annual accounts

The financial statement has been prepared in accordance with the Accounting Act § 3-9 and regulations on simplified IFRS (2022) established by the Ministry of Finance on 3 November 2014. This means that the measurement and recognition comply with international accounting standards (IFRS) and presentation and note information are in accordance with the Norwegian Accounting Act and generally accepted accounting principles.

The company has deviated from IFRS IAS 10 no. 12 and 13 so that group contributions are accounted for in accordance with the Accounting Act. In other respect, the recognition and assessment rules are in accordance with IFRS.

Estimates and assumptions:

The management has used estimates and assumptions that have affected assets, liabilities, income, expenses as well as doubtful assets and liabilities on the balance sheet during the preparation of the financial statement. This applies in particular to depreciation of property, plants and equipment and pension obligations. Future events may cause the estimates to change. Estimates and underlying assumptions are assessed on an ongoing basis and are based on best judgement and historical experience. Changes in accounting estimates are recognised in the period in which the changes occur. If the changes also apply to future periods, the effect is distributed over current and future periods.

Assessments

In preparing the financial statement, the management has made some significant assessments based on critical judgement related to the application of the accounting principles.

Estimates and discretionary assessments are evaluated on an ongoing basis and are based, among other things, on historical experience as well as expectations of future events. As a result, applied accounting estimates may deviate from the financial outcome, and thus, lead to a significant correction of book values in the accounts when they occur. Estimates and assumptions used for significant capitalised assets and liability items are discussed below.

Important accounting estimates

Impairment losses related to non-current assets

The company has made considerable investments in tangible fixed assets and other intangible assets. Impairment tests are conducted when impairment indicators are present. Such indications might include changes in market prices, agreement structures, negative events, or other operational circumstances. Impairment losses are recognised if the carrying value exceeds the recoverable amount. The recoverable amount is defined as the higher of an asset's or cash-generating unit's fair value less costs to sell, and its value in use. Several judgmental estimates are made related to the future cash flows.

Pension liabilities

Judgement and estimates are used for several parameters when calculating pension liabilities. Defined benefit pensions are calculated based on a set of chosen financial and actuarial assumptions. Changes to parameters such as discount rate, future salary adjustments, etc. could have a significant impact on calculated pension liabilities and pension assets.

Other accounting principles

Currency

Transactions in foreign currency are translated at the exchange rate at the time of the transaction. Monetary items in foreign currency are translated into Norwegian kroner using the exchange rate on the balance sheet date. Non-monetary items measured at the historical exchange rate expressed in foreign currency are translated into Norwegian kroner using the exchange rate at the time of the transaction. Exchange rate changes related to monetary items are recognised in the income statement on an ongoing basis during the accounting period under other financial items.

Operating revenue from contracts with customers

The company`s revenue stream is mainly derived from providing support services to the group companies. Operating revenue from contracts with customers are recognised when control of a good or service has been transformed to the customer and in accordance with the amount that reflects what the company expects to receive for the good or service.

Revenue from the sale of goods and services is assessed at the fair value of the payment, net after deducting VAT, returned items, discounts and reductions. Sales are entered into the income statement once revenue can be measured reliably, it is probable that the financial benefits linked to the transaction will flow to the company and special criteria linked to the forms of sale have been fulfilled.

Tax

The tax expense consists of tax payable and change in deferred tax. Deferred tax liabilities and assets are calculated on the basis of temporary differences that exist between accounting and tax values, as well as tax losses carried forward at the end of the financial year.

A deferred tax asset is recognised when it is probable that the company will have sufficient taxable profits in later periods to utilise the tax benefit. The company recognises previously unrecognised deferred tax asset to the extent that it has become probable that the company can utilise the deferred tax asset. Likewise, the company will reduce its deferred tax asset to the extent that the company no longer consider it probable that the deferred tax asset can utilised.

Deferred tax liabilities and assets are measured based on the expected future tax rate for the company where the temporary differences has arisen. Deferred tax liabilities and assets are measured at nominal value and classified as long-term liabilities (assets) in the balance sheet. Tax payable and assets or liabilities in the event of deferred tax are recognised directly in the equity to the extent that the tax items relate to items recognised directly in the equity.

Classification of balance sheet items

Assets are classified as current assets when the company expects to realise the asset or intends to sell or consume the asset in the company`s ordinary operating cycle. Furthermore, assets that are primary held for trade, or are expected to be realised within twelve months after the reporting period, are also classified as current assets. The same applies to assets in the form of cash or cash equivalents, unless these are subjects to restrictions which mean that they cannot be exchanged or used to settle a liability for at least twelve months. All other assets are classified as fixed assets.

Liabilities are classified as current when they are expected to be settled in the company`s ordinary operating cycle, held for trade, or if the liability expires within twelve months after the reporting period, or the enterprise does not have an unconditional right to defer settlement for at least twelve months. All other liabilities are classified as non-current.

Tangible non-current assets and other intangible assets

Tangible non-current assets and other intangible assets are accounted for at acquisition cost or manufacturing cost, less depreciation. Acquisition cost includes cost directly related to the acquisition of the fixed asset. Manufacturing costs include direct and indirect costs attributable to the fixed assets. Borrowing costs incurred during the manufacture of tangible non-current assets are capitalised until the asset is ready for its intended use.

Maintenance expenses that generate future financial benefits are recognised in the balance sheet as long as the criteria for capitalisation are met. Discretionary assessments are made in relation to whether the expense is capitalised or recognised in the income statement. Key factors in the assessment are whether the expenses will have future financial benefits and can be measured reliably. Ongoing maintenance is expensed.

Property, plant and equipment are depreciated over their expected useful lives. This forms the basis for annual depreciation in the income statement. Expected useful life is estimated on the basis of experience, history and discretionary assessments related to future use. Changes are made to the depreciation plans if changes occur in these estimates.

Land is not depreciated. Other fixed assets are depreciated according to the straight-line method so that the fixed assets' acquisition cost is depreciated to residual value over the expected useful life:

Other buildings	25-50 years
Machinery and equipment	3-15 years
Other intangible assets	3-8 years

The useful life of fixed assets, as well as the residual value, are assessed on each balance sheet date and changed if necessary. When the carrying amount of an asset is higher than the estimated recoverable amount, the value is written down to the recoverable amount.

Gains and losses on disposable assets are recognised in the income statement and constitute the difference between the sales price and the book value.

Accounts receivables and other receivables

Accounts receivable and other receivables are stated on the balance sheet at their nominal value after deductions for provisions for expected losses. Provisions for losses are made on the basis of individual assessments of each receivable.

Pensions

The company has both defined benefit pension plans and defined contribution plans.

Defined benefit scheme

A defined benefit plan is a pension scheme defining the pension that an employee will be paid when retiring and that is financed by contributions paid to insurance companies or pension funds. The pension payments are normally related to one or more factors such as age, number of years with the company and salary. The liability recognised on the balance sheet linked to defined benefit plans is the present value of the liability on the date of the balance sheet, less the fair value of the pension funds. The pension liability is calculated annually by an actuary using a linear accrual approach. The present value of the defined benefits is determined by discounting estimated future payments at a discount rate based on the rate of high-quality corporate bonds issued in the currency in which the liability is to be paid, and with an almost identical term as the payment horizon of the liability.

Gains and losses that occur when the liability is recalculated according to experience adjustments and changes in actuarial assumptions are recorded against equity via other comprehensive income during the period in which they occur. The effects of changes in the plan's benefits are recognised in the income statement immediately. Pension costs and net interest costs for the period are recognised as payroll costs and financial costs, respectively. The joint pension scheme is a multi-employer arrangement, i.e. the technical insurance risk is shared between all enterprises participating in the scheme. The financial and actuarial assumptions on which the calculation of net pension liabilities is based are therefore based on assumptions that are representative for the entire collective. Lyse is in a collective with other companies that have closed plans. The scheme is accounted for as a defined benefit scheme.

AFP scheme in the public sector

Employees with defined benefit pension plan are covered by the public AFP scheme. The present value of the pension liabilities is assessed based on a best estimate, together with the defined benefit scheme and equal assumptions.

Defined contribution scheme

A defined contribution plan is a pension scheme in which the company pays a fixed contribution to a separate legal entity. The company has no legal or any other obligation to pay further contributions if the legal entity does not have sufficient funds to pay all employee benefits linked to accruals in current and previous periods. In the case of defined contribution plans, the company pays a contribution to publicly or privately managed insurance company pension plans on a mandatory, contractual or voluntary basis. The company has no further payment liabilities once the contributions have been paid. The contributions are recorded as a payroll cost when they are due. Pre-paid contributions are recorded as an asset if the contribution can be refunded or can reduce future payments.

AFP scheme in the private sector

Employees covered by the defined contribution pension plan are also covered by the AFP scheme in the private sector. The scheme is a defined benefit multi-employer scheme compliant with the standards set by the Norwegian Confederation of Trade Unions (LO)/Confederation of Norwegian Enterprises (NHO). The company has a real financial obligation connected to the AFP scheme. However, the information available is not sufficient to recognise a liability in the annual financial statements for 2022. This means that in accordance with IAS 19 no liability for the AFP scheme is recognised as at 31 December 2022.

Pensions funded through operations

The company has pension schemes that are funded through operations. This means that the company recognises the cost and capitalises the liability. The liability is classified as a defined benefit scheme. The company has no legal or other obligation to pay contributions other than those on the company's balance sheet at any given time. The capitalised liability is paid out when employees leave.

Leases

Identification of a lease

When entering into a contract, the company assesses whether the contract is or contains a lease agreement. A contract is or contains a lease agreement if the contract transfers the right to control the use of an identified asset for a period in exchange for a consideration.

Recognition of leases and recognition exceptions

At the time of implementation of a lease, the company recognises a lease obligation and a corresponding right of use asset for all its leases, with the exception of the following exceptions applied:

- Short-term leases (lease term of 12 months or less)
- Low value assets (For these leases, the company recognises the lease payments as other operating expenses in the income statement when they accrue)
- Intra-group lease agreements

Lease obligations

The company measures lease obligations at the time of implementation to net present value. The lease period represents the non-cancellable period of the lease, in addition to periods covered by an option either to extend or terminate the lease if the company choose to exercise this option with reasonable certainty.

The rental payments that are included in the measurement of the rental obligation consist of:

- Fixed rent payments deducted any receivables in the form of rental incentives
- Variable rental payments that depend on an index or an interest rate, first measured using the index or the interest rate at the time of implementation

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability, reducing the carrying amount to reflect lease payments made and measuring the carrying amount again to reflect any revaluations or changes to the lease, or to reflect adjustments in lease payments that follow from adjustments in indices or rates. The company does not include variable rental payments in the rental obligation. Instead, the company recognises these variable rental costs in the income statement.

Exception from IFRS 16 Leases for intra-group lease agreements for the lessee

Effective from 01 January 2022, Lyse AS has implemented the exception from IFRS 16 Leases for intra-group lease agreements for the lessee, and recognise these agreements in accordance with NRS 14 in the statutory accounts

The effect in the statutory accounts for Lyse AS as per 01 January 2022 was:

- An increase in Equity by NOK 1 547 thousand.
- A decrease in right-of-use assets by NOK 37 146 thousand.

- A decrease in lease obligations by NOK 38 693 thousand.

The effect of the change in principle is presented on separate lines in the leasing note (covering both right-of-use assets and lease obligations. Other than the effect presented, the change in principle has no material effects on the accounts or financial statement lines.

Rights-of-use assets

The company measures rights of use assets at acquisition cost, less accumulated depreciation and impairment losses, adjusted for any new measurements of the lease obligation. Acquisition cost for the rights of use assets includes:

- The amount from the initial measurement of the lease obligation.
- All rental payments at or before the time of implementation, minus any rental incentives received.
- All direct expenses for entering into an agreement incurred by the company.

An estimate of the expenses incurred by the lessee for the dismantling and removal of the underlying asset, the restoration of the place where the unit is located, or the restoration of the underlying asset to the condition required by the terms of the lease.

The Company applies the depreciation requirements in IAS 16 Property, plant and equipment when depreciating the right of use assets, except that the right of use assets are depreciated from the date of implementation until what first occurs of the end of the lease term and the end of the useful life of the right of use assets.
The company applies IAS 36 "Impairment of assets" to determine whether the right of use asset has been impaired and to account for any proven impairment losses.

Financial assets

The company's financial assets are: Derivatives, unlisted equity investments, accounts receivable and cash and cash equivalents. The classification of financial assets on initial recognition depends on the characteristics of the contractual cash flows of the asset, and the business model the company uses as the basis for the management of its financial assets. With the exception of trade receivables that do not have a significant financing element, the company recognises financial asset at fair value, and if the financial asset is not measured at fair value with changes in value through other comprehensive income, transaction costs are added.

The company has the following classification of financial assets:

- Financial instruments at fair value through profit or loss.
- Financial instruments valued at fair value through comprehensive income
- Financial assets measured at amortised cost

Financial instruments valued at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trade. A financial asset is classified in this category if it is primarily acquired with the purpose of generating profit from short-term price fluctuations. Derivatives are classified as held for trade, unless they are part of an accounting hedge. Assets and liabilities in this category are classified as current assets / current liabilities if they are expected to be settled within 12 months, otherwise they are classified as fixed assets / long-term liabilities.

Financial instruments valued at fair value through comprehensive income

A derivative that is designated as a hedging instrument in a cash flow hedge and that qualifies for accounting hedging is classified in this category. Hedging instruments are capitalised at fair value at the time the hedging contract is entered into, and thereafter on an ongoing basis at fair value on each balance sheet date.

Financial assets measured at amortised cost

The company measures financial assets at amortised cost if the following conditions are met:

- The financial asset is held in a business model where the purpose is to receive contractual cash flows.
- The contract terms for the financial asset give rise to cash flows which consist exclusively of payment of principal and interest on given dates.

Subsequent measurement of financial assets measured at amortised cost is made using the effective interest method and is subject to a loss write-down. Gains and losses are recognised in profit or loss when the asset is deducted, modified or written down. The company's financial assets at amortised cost include accounts receivable and other short-term deposits. Accounts receivable are measured at the transaction price in accordance with IFRS 15 Revenue from contracts with customers.

Financial liabilities

Financial liabilities are, on initial recognition, classified as loans and liabilities, or derivatives. Derivatives are initially recognised at fair value. Loans and liabilities are recognised at fair value adjusted for directly attributable transaction costs. Derivatives are financial liabilities when the fair value is negative and are treated in the accounts in the same way as derivatives that are assets.

Loans and liabilities

After initial recognition, interest-bearing loans will be measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liability is deducted.

Amortised cost is calculated by taking into account costs and taxes that are an integral part of the effective interest rate. Effective interest rates are presented as financial expenses in the income statement. Liabilities are measured at their nominal amount if the effect of discounting is negligible.

Dividends

Dividends to shareholders are classified as liabilities from the time the dividend is decided by the general meeting.

Provisions

A provision is recognised when the company has a liability (legal or self-imposed) as a result of a previous event, and it is probable (more likely than not) that there will be a financial settlement as a result of this liability and that the amount can be measured reliably. If the effect is significant, the provision is calculated by discounting expected future cash flows with a discount rate before tax that reflects the market's pricing of the time value of money and, if relevant, risks specifically related to the obligation.

Cash and cash flow statement

Cash and cash equivalents include cash, bank deposits and other short-term, liquid investments. The cash flow statement has been prepared according to the indirect method. In the cash flow statement, overdraft facilities are deducted from the holdings of cash and cash equivalents.

2 Sales revenue

SPECIFICATION OF OPERATING REVENUE

	2022	2021
Other operating revenue	12 855	13 487
Gains from sales of plant and machinery	15	2 232
Other intragroup revenue	508 661	338 241
Total	**521 530**	**353 960**

3 Payroll costs, number of full-time equivalents and auditor's fee

PAYROLL COSTS

	2022	2021
Salaries	169 807	131 671
Employers' National Insurance contributions	26 688	20 356
Pension costs – defined benefit plans	4 541	4 789
Pension costs – defined contribution plans	16 999	11 554
Other personnel costs	22 276	17 919
Total	**240 311**	**186 289**
Average no. of full-time equivalents	188	164

REMUNERATION TO EXECUTIVE PERSONNEL

	Salary / fees	Pension costs	Other remuneration
Eimund Nygaard, CEO	2 864	1 114	334
Board as a whole	1 801	0	0
Total remuneration	**4 665**	**1 114**	**334**

The company is obliged to have an occupational pension scheme in compliance with Norway's Mandatory Occupational Pensions Act. The company's pension scheme satisfies the requirement of this Act.

THE AUDITOR'S FEES WERE AS FOLLOWS:

	2022	2021
Statutory auditing	1 165	1 071
Other attestation services	349	130
Other services	0	0

VAT is not included in the auditor's fees.

4 Tangible fixed assets and other intangible assets

	Machinery and equipment	Other buildings	Assets under construction - immaterial	Intangible assets	Total
Acquisition cost 1 January	335 914	25 640	122 453	456 185	940 191
Additions, purchased fixed assets	1 167	0	32 654	0	33 821
Additions, self-fabricated fixed assets	0	0	0	0	0
Reclassified produced fixed assets	2 050	0	-26 596	24 546	0
Disposals/ scrapping	-68	0	0	0	-68
Reclassification*	-282 817	-297	0	0	-283 114
Acquisition cost 31 December	**56 246**	**25 343**	**128 511**	**480 731**	**690 832**
Acc. depreciation/impairment 31 December	-330 868	-16 174	-33 347	-239 875	-620 264
Reclassification*	282 817	297	0	0	283 114
Carrying value 31 December	**8 195**	**9 466**	**95 164**	**240 856**	**353 679**
Depreciation**	-3 296	-307	-17 466	-74 181	-95 250
Impairment	0	0	0	0	0

Economic useful life	3-15 years	25-50 years		3-8 years	
Depreciation schedule	Straight-line	Straight-line		Straight-line	

* Reclassifications consist of corrections of accumulated cost and accumulated depreciation for scrapped assets, with no P&L-effect.
** In 2022, kNOK 17 466 has been set aside in depreciation that applies to capitalised ERP-adaption to companies that have used the solution.

5 Operating costs

	2022	2021
Purchase of services from group companies	26 736	28 822
External services	259 633	151 835
Office costs	4 747	5 116
Repair and maintenance	60 802	24 980
Property, machine hire, equipment and other hire costs	42 997	21 274
Sales and advertising costs	23 427	20 417
Other operating costs	116 610	74 237
Total	**534 953**	**326 681**

Net recognised R&D costs amounted to -376 kNOK (including grants of 554 kNOK) in 2022, compared to 136 kNOK in 2021.

6 Financial income

	2022	2021
Received group contributions	647 683	1 284 268
Interest income from group companies	458 128	184 489
Other interest income	82 424	38 723
Gains on currency exchange differences	38 978	2 878
Other financial income	20 534	6 574
Total	**1 247 747**	**1 516 932**

7 Financial expense

	2022	2021
Interest expenses subordinated loans	70 252	43 904
Other interest expenses	448 902	284 714
Losses on currency exchange differences	22 726	2 761
Other financial expenses	6 176	6 680
Total	**548 056**	**338 057**

8 IFRS 16 Leases

RIGHT OF USE ASSETS 2022

	Offices and other proprety	Operating movable property	Total
Carrying value 1 January 2022	**41 846**	**1 575**	**43 421**
Change of principle*	-37 146	0	-37 146
Carrying value 1 January 2022	**4 700**	**1 575**	**6 275**
Additions	2 387	0	2 387
Additions from acquisitions	0	0	0
Depreciations	-3 221	-228	-3 448
Disposals	0	-1 338	-1 338
Divestments subsidiary	0	0	0
Remeasurement and other changes	770	0	770
Carrying value 31 December 2022	**4 637**	**9**	**4 645**

RIGHT OF USE ASSETS 2021

	Offices and other proprety	Operating movable property	Total
Carrying value 1 January 2021	**42 554**	**2 643**	**45 197**
Additions	2 220	114	2 334
Additions from acquisitions	0	0	0
Depreciations	-6 216	-454	-6 669
Disposals	0	-729	-729
Divestments subsidiary	0	0	0
Remeasurement and other changes	3 288	0	3 288
Carrying value 31 December 2021	**41 846**	**1 575**	**43 421**

AMOUNT RECOGNISED IN THE INCOME STATEMENT

	31.12.22	31.12.21
Depreciation right of use assets	3 448	6 669
Interest cost lease commitments	170	1 619
Sum	**3 618**	**8 288**

AMOUNT RECOGNISED IN THE STATEMENT OF CASH FLOWS

	31.12.22	31.12.21
Cash payment for the principal of the lease obligation	3 307	6 509
Cash payment for the interest part of the lease obligation	167	1 617
Total cash payment for lease liabilities	**3 474**	**8 126**

LEASING LIABILTIES*

	31.12.22	31.12.21
Current leasing liabilities	3 061	7 812
Non-current leasing liabilities	1 552	36 979
Total leasing liabilities	**4 613**	**44 791**

MATURITY PLAN LEASING LIABILITIES - UNDISCOUNTED CONTRACTUAL CASH FLOWS*

	31.12.22	31.12.21
Less than 1 year	3 156	7 582
1-2 years	344	7 425
2-3 years	344	6 576
3-4 years	210	6 576
4-5 years	210	6 447
More than 5 years	629	13 293
Total undiscounted leasing liabilities 31 December	**4 893**	**47 899**

* As a result of the change of principle the leasing liabilities pr 01.01 have been reduced by 38 693 thousand.
The maturity plan has not been revised for comparable years.

9 Tax

SPECIFICATION OF TAX EXPENSE

	2022	2021
Tax payable	0	160 266
Tax effect on pensions recognised in equity	-985	0
Change in deferred tax	-9 413	10 470
Year's tax effect recognized through profit and loss	93 101	0
Total tax expense	**82 703**	**170 736**

CALCULATION OF YEAR'S TAX BASE

	2022	2021
Ordinary profit/loss before tax	347 259	960 198
Permanent differences	30 298	-4 122
Non-taxable group contributions	0	-180 000
Provided group contribution	-423 188	0
Changes in temporary differences that are not recorded as profit and loss	4 478	10 779
Change in temporary differences	41 153	-58 374
Taxable income	**0**	**728 481**
Tax payable (22%) on year's tax base	0	160 266

OVERVIEW OF TEMPORARY DIFFERENCES

	2022	2021
Plant and machinery	-5 330	29 675
Gains and losses account	14 166	17 708
Net pension liabilities capitalised	-20 765	-29 756
Financial lease obligation	-3 236	-1 370
Financial intruments	3 579	-3 107
Other liabilities	-13 000	0
Net temporary differences as at 31 December	**-24 585**	**13 150**
Deferred tax benefit/deferred tax (22 %)	-5 409	2 893

RECONCILIATION FROM NOMINAL TO ACTUAL TAX RATE

	2022
22% of profit before tax	76 397
Other differences	-359
Permanent differences (22%)	6 666
Calculated tax expense	**82 703**
Effective tax rate*	24%

* Tax rate compared to profit before tax.

10 Pensions

Lyse AS is obliged to have an occupational pension scheme in compliance with Norway's Mandatory Occupational Pensions Act. The company's pension schemes satisfy the requirements of this Act.

LYSE AS HAS THE FOLLOWING EMPLOYEE PENSION SCHEMES:

	Retirees	Employees	Current year cost
Public defined benefit pension and public AFP	110	14	3 107
Defined contribution pension and private AFP		190	16 441
Pension funded through operations		20	1 983
Total			**21 532**

LIABILITIES RECOGNISED ON THE BALANCE SHEET WERE ESTABLISHED AS FOLLOWS:

	31.12.2022	31.12.2021
Present value of accrued pension liabilities for defined benefit schemes in fund-based schemes	294 000	315 127
Fair value of pension funds	-290 196	-300 237
Actual pension liabilities for defined benefit schemes in fund-based schemes	**3 804**	**14 890**
Pensions funded through operations	16 961	14 865
Net pension liability on the balance sheet	**20 765**	**29 756**

Employer's National Insurance contribution is included in net pension liabilities and pension funds for the fund base schemes

THE FOLLOWING ASSUMPTIONS WERE APPLIED:

	31.12.2022	31.12.2021
Discount rate	3,00%	1,90%
Return on pension funds	3,00%	1,90%
Salary adjustment	2,50%	2,75%
Pension adjustments	2,48%	1,73%
National Insurance basic amount adjustment	3,25%	2,50%
Employer's National Insurance rate	14,10%	14,10%

Voluntary departure for joint-scheme						
Age	< 24	24 - 29	30 - 39	40 - 49	50 - 55	> 55
Turnover	25%	15%	7,5 %	5%	3%	0%
Mortality tables					**K2103BE**	**K2103BE**

The actuarial assumptions are based on common assumptions within insurance with respect to demographic factors and it is assumed that 42.5% will retire on an AFP pension when they turn 62. The assumptions from last year were used to calculate this year's pension cost, while this year's assumptions were used to calculate this year's net pension liability.

YEAR'S PENSION COST RECOGNISED IN INCOME STATEMENT

	2022	2021
Defined benefit plan	2 723	3 068
Net interest costs	550	848
Plan changes	0	0
Employees' contributions to pension premiums	-166	-190
Pensions funded through operations	1 983	1 911
Pension costs, defined benefit plans	**5 090**	**5 637**

PENSION COSTS, DEFINED CONTRIBUTION SCHEME AND AFP

	2022	2021
Employer's contributions to the defined contribution scheme	13 966	9 837
Pensions funded through operations	557	71
Premiums for FP LO/NHO scheme	2 475	1 645
Pension cost, defined contribution scheme	**16 999**	**11 553**
Total pension costs	**22 089**	**17 190**

PENSION EFFECTS RECOGNISED IN EQUITY

	2022	2021
Estimation deviation	-4 478	-10 805
Intragroup transfers of employees	101	26
Of which tax effect	985	2 371
Net effects recognised in equity (-) reducing pension liabilities	**-3 392**	**-8 408**

PENSION FUNDS COMPRISE:

	2022	2021
Equity capital instruments	84 273	89 771
Interest-bearing instruments	205 923	210 466
Fair value, pension funds	**290 196**	**300 237**

11 Financial instruments per measurement category

Assessment of fair value

Financial instruments in the categories: financial instruments at amortised cost, financial instruments at fair value over profit and loss and financial instruments at fair value over other comprehensive income are classified using a fair value hierarchy that reflects the significance of the input used in the preparation of the measurements.

The fair value of a loans is estimated based on the best possible observable data, so that the assessment is as realistic/fair as possible. Long-term financial liabilities in EUR are measured at the prevailing exchange rate on the balance sheet date. Long term loans are not recognised at fair value and are categorised as level 2 in the valuation hierarchy below.

For some items, the carrying value is considered to be sufficiently comparable to fair value. These assets and liabilities are not placed in the fair value hierarchy since their fair value is not determined. This applies to current assets and liabilities; trade receivables and other current receivables, cash and cash equivalents, accounts payable and other current liabilities, as well as non-current receivables.

The fair value hierarchy has the following levels:

Level 1

The input data in level 1 are (non-adjusted) quoted prices listed in active markets for identical assets or liabilities to which the company has access on the date of measurement. A market is regarded as being active if the market rates are easily and readily available from a stock market, trader, broker, industry group, pricing service or regulatory authority. These prices are based on actual and regularly occurring transactions based on the at 'arm's length' principle. Instruments included in level 1 primarily comprise of Oslo Stock Exchange instruments.

Level 2

The input data in level 2 is input data, other than quoted prices included in level 1, which are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).The fair value of forward currency contracts are calculated based on the currency spot rate as at year end (close of business, Norges Bank rate). The fair value of interest rate swap agreements is calculated based on future interest rate curves. The fair value of financial instruments not traded on an active market is determined by using common valuation methods. These valuation methods maximise the use of observable data when available and rely as little as possible on the Group's own estimates.

Level 3

The input data in level 3 are unobservable input data for the asset or liability.

The company has no assets or liabilities at level 3.

CARRYING VALUE PER MEASUREMENT CATEGORY – ASSETS 31 DECEMBER 2022

	Assets at fair value through profit and loss	Assets at fair value through OCI	Derivatives as hedging instrument	Assets at amortised cost	Total	Fair value
Non-current receivables	0	0	0	15 629 485	15 629 485	15 629 485
Other non-current financial assets	16 275	0	0	6 456	22 731	22 731
Bonds - short term financial investments	0	1 148 400	0	0	1 148 400	1 148 400
Trade receivables and other current receivables	0	0	0	4 062 263	4 062 263	4 062 263
Bank deposits, cash and cash equivalents	0	0	0	5 866 019	5 866 019	5 866 019
Total assets	**16 275**	**1 148 400**	**0**	**25 564 223**	**26 728 898**	**26 728 898**

CARRYING VALUE PER MEASUREMENT CATEGORY – LIABILITIES 31 DECEMBER 2022

	Liabilities at fair value through profit and loss	Derivatives as hedging instrument	Liabilities at amortised cost	Total	Fair value
Derivatives - Hedge accounting	0	35 435	0	35 435	35 435
Accounts payable and other current liabilities	0	0	10 879 737	10 879 737	10 879 737
Total liabilities	**0**	**35 435**	**10 879 737**	**10 915 172**	**10 915 172**

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE, 31 DECEMBER 2022

	Level 1	Level 2	Level 3	Total 31 December 2022
Investments in funds / shares	13 090	0	3 186	16 275
Derivatives, measured at fair value through profit and loss	0	369	0	369
Derivatives, measured at fair value through other comprehensive income	0	3 581	0	3 581
Bonds - short term financial investments	1 148 400	0	0	1 148 400
Total assets	**1 161 490**	**3 950**	**3 186**	**1 168 626**
Derivatives, measured at fair value through other comprehensive income (incl. fair value hedge)	0	35 435	0	35 435
Total liabilities	**0**	**35 435**	**0**	**35 435**

CARRYING VALUE PER MEASUREMENT CATEGORY – ASSETS 31 DECEMBER 2021

	Assets at fair value through profit and loss	Assets at fair value through OCI	Derivatives as hedging instrument	Assets at amortised cost	Total	Fair value
Non-current receivables	0	0	0	10 548 444	10 548 444	10 548 444
Other non-current financial assets	18 892	0	0	6 456	25 348	25 348
Derivatives - hedge accounting	0	0	0	0	0	0
Bonds - short term financial investments	0	764 000	0	0	764 000	764 000
Bank deposits, cash and cash equivalents	0	0	0	4 741 922	4 741 922	4 741 922
Total assets	**18 892**	**764 000**	**0**	**19 095 078**	**19 877 970**	**19 877 970**

CARRYING VALUE PER MEASUREMENT CATEGORY – LIABILITIES 31 DECEMBER 2021

	Liabilities at fair value through profit and loss	Derivatives as hedging instrument	Liabilities at amortised cost	Total	Fair value
Derivatives	0	0	0	0	0
Derivatives - Hedge accounting	0	7 902	0	7 902	7 902
Accounts payable and other current liabilities	0	0	4 220 071	4 220 071	4 220 071
Total liabilities	**0**	**7 902**	**4 220 071**	**4 227 973**	**4 227 973**

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE, 31 DECEMBER 2021

	Level 1	Level 2	Level 3	Total 31 December 2022
Investments in funds / shares	14 487	0	4 406	18 893
Bonds - short term financial investments	764 000	0	0	764 000
Total assets	**778 487**	**0**	**4 406**	**782 893**
Derivatives, measured at fair value through other comprehensive income (incl. fair value hedge)	0	7 902	0	7 902
Total liabilities	**0**	**7 902**	**0**	**7 902**

12 Subsidiaries

Company	Office	Ownership	Voting share	P&L for the year	Equity at 31.12	Carrying value as 31.12
Lyse Produksjon AS	Stavanger	100%	100%	2 179 581	4 596 252	3 648 529
Lyse Energi AS	Stavanger	100%	100%	-151 927	167 742	150 679
Lyse Neo AS	Stavanger	100%	100%	-141 169	892 907	893 819
Lnett AS	Sandnes	100%	100%	111 195	1 569 942	1 101 370
Altibox AS	Stavanger	100%	100%	373 286	448 884	249 930
Altibox Danmark A/S	Danmark	100%	100%	-8 237	24 879	71 487
Ice Group Scandinavia Holdings AS	Oslo	100%	100%	-14 912	1 470 358	2 045 212
Lyse Fiberinvest AS	Stavanger	100%	100%	93 435	1 433 225	1 135 773
Smartly AS	Stavanger	100%	100%	-2	11	30
Lyse Vekst AS	Stavanger	100%	100%	-23 274	57 447	76 000
Lyse Kraft AS	Stavanger	100%	100%	-10	120	93
Lyse Dialog AS	Stavanger	100%	100%	-28 569	94 141	71 605
Lyse Elkon AS	Stavanger	100%	100%	-442	5 000	5 000
Lyse Eiendom Ullandhaug AS	Stavanger	100%	100%	-561	5 309	5 010
Lyse Eiendom Mariero AS	Stavanger	100%	100%	14 698	470 412	471 709
Lyse Lux AS	Stavanger	100%	100%	654	5 835	4 980
Lyse Agon AS	Stavanger	100%	100%	268	726	30
Lyse Elnett AS	Stavanger	100%	100%	-12	30	30
Lysstart 06 AS	Stavanger	100%	100%	0	30	31
Total						**9 931 317**

13 Investments in associates and other shares

Company	Office	Ownership	Voting share	P&L for the year	Equity at 31.12	Carrying value as at 31.12
Nordic Edge AS*	Stavanger	33%	33%	2 073	8 998	3 100
Blinktech AS*	Stavanger	45%	45%	-92	1 019	0
Bio Jæren AS	Stavanger	21%	21%	0	3 000	630
Jæren Biopark AS	Nærbø	33%	33%	-194	-67	700
Toppindustrisenteret AS*	Oslo	7%	7%	-71	4 911	85
Total						**4 515**

* P&L and Equity are from 2021 as figures for 2022 were not ready before financial reporting.

Investments	Market value as at 31.12	Carrying value as at 31.12
Equity deposits KLP	6 456	6 456
Stock fund KLP	13 090	13 090
Total	**19 546**	**19 546**

14 Receivables and liabilities

RECEIVABLES DUE IN MORE THAN ONE YEAR

	2022	2021
Other non-current receivables, group companies	15 624 797	10 547 337
Other non-current receivables, external	1 108	1 108
Total	**15 625 904**	**10 548 444**

ACCOUNTS RECEIVABLES

	2022	2021
Accounts receivables to group companies	142 048	89 392
Accounts receivables, external	2 607	2 158
Total	**144 655**	**91 550**

OTHER CURRENT RECEIVABLES

	2022	2021
Other current receivables, group companies	26 197	20 910
Group cash pool account	1 448 112	1 429 053
Current portion of loans to group companies	1 679 005	906 783
Other current receivables, external	116 980	65 692
Total	**3 270 294**	**2 422 438**

ACCOUNTS PAYABLE AND CURRENT LIABILITIES

	2022	2021
Accounts payable to group companies	2 617	1 131
Accounts payable, external	85 991	68 107
Other current liabilities to group companies	538	134
Group cash pool account	10 593 538	4 004 235
Other current liabilities, external	197 053	146 464
Total	**10 879 737**	**4 220 071**

Receivables for the VAT settlement is included in other receivables and amounts to kNOK 24 073 in 2022 and kNOK 16 901 kNOK in 2021.

15 Derivatives

CARRYING VALUE AS AT 31 DECEMBER 2022

	Tangible Fixed assets	Non-current liabilities	Current assets	Current liabilities
Interest swap agreements – fair value hedge	3 581	35 435	0	0
Interest swap agreements – cash flow hedge	0	0	369	0
Total derivatives recognised in the balance sheet	**3 581**	**35 435**	**369**	**0**

CARRYING VALUE AS AT 31 DECEMBER 2021

	Tangible Fixed assets	Non-current liabilities	Current assets	Current liabilities
Interest swap agreements – fair value hedge	0	4 796	0	0
Interest swap agreements – cash flow hedge	0	369	0	2 737
Total derivatives recognised in the balance sheet	**0**	**5 165**	**0**	**2 737**

For further information about derivatives please see Note 11 Financial Instruments per measurement category. For information about credit risk exposure please see note 21 Financial market risk.

16 Short-term debt instruments

SHORT-TERM DEBT INSTRUMENTS

	2022	2021
Covered bonds (OMF)*	1 148 400	764 000
Total	**1 148 400**	**764 000**

* Short-term debt instruments are short-term investments in bonds issued on Oslo Stock Exchange (i.e OMF).

17 Bank deposits

The Lyse Group has a cash pool agreement with SpareBank 1 SR-Bank. The balance of Lyse AS's main account represents the sum of the balances of the sub-accounts for each of the subsidiaries at any given time, inclusive of interest accounts. The balance of the main account is represented to reflect the legal outstanding balance between Lyse AS and SpareBank 1 SR-Bank. Interest is credited/charged between Lyse AS and the subsidiary companies in relation to balances/withdrawals in each individual company's sub-accounts at interest rates set out in the agreements between Lyse AS and SpareBank 1 SR-Bank.

Balances with subsidiaries within the cash pool arrangement are presented gross. For example, the subsidiaries' negative bank holdings are presented as a receivable in the financial statements of Lyse AS.

	2022
Bank deposits, cash and cash equivalents in Lyse AS	1 708 280
Cash pool accounts	4 157 738
Current financial assets	1 148 400
Total	**7 014 418**

The company extended it’s drawing rights established with a syndicate of Nordic banks from NOK 1 500 million to NOK 3 000 million in 2022. The drawing rights facility expires in 2024. The cash pool agreement with SpareBank 1 SR-Bank is available until 30.06.2023 and has an unused drawing right of NOK 300 million.

Of the company's bank deposits, restricted cash amount to NOK 0.

18 Share capital and shareholder information

THE SHARE CAPITAL CONSISTS OF:

	Number	Nominal value	Carrying
Ordinary shares	1 008 983	1 000	1 008 983

OVERVIEW OF SHAREHOLDERS AS AT 31 DECEMBER

	Ordinary shares	Ownership	Voting share
Municipality of Stavanger	461 459	45,74%	45,74%
Municipality of Sandnes	197 064	19,53%	19,53%
Municipality of Sola	88 195	8,74%	8,74%
Municipality of Time	58 844	5,83%	5,83%
Municipality of Klepp	42 670	4,23%	4,23%
Municipality of Hå	38 190	3,78%	3,78%
Municipality of Randaberg	33 085	3,28%	3,28%
Municipality of Eigersund	29 775	2,95%	2,95%
Municipality of Strand	25 547	2,53%	2,53%
Municipality of Hjelmeland	10 029	0,99%	0,99%
Municipality of Gjesdal	9 414	0,93%	0,93%
Municipality of Lund	7 194	0,71%	0,71%
Municipality of Bjerkreim	5 166	0,51%	0,51%
Municipality of Kvitsøy	2 351	0,23%	0,23%
TOTAL	**1 008 983**	**100%**	**100%**

Neither the chief executive nor the members of the Board own shares or options in the company.

Lyse AS's registered office is in Stavanger. The consolidated financial statements are available from www.lysekonsern.no. Only municipalities can be shareholders. Share acquisition is subject to approval by the Board. Other shareholders shall have first refusal upon the sale or other disposal of shares. Each share represents one vote at the general meeting. Any amendment to the articles of association requires support from at least two-thirds of represented share capital and the support of at least five shareholders.

19 Liabilities to financial institutions

NON-CURRENT LIABILITIES

	2022	2021
Other non-current liabilities	4 345 448	2 652 982
Bond loans	9 764 565	8 577 204
Subordinated loans*	1 500 000	1 600 000
Total	**15 610 013**	**12 830 186**

BONDS (1-10 YEARS)

	2022	2021
Bond loans	10 344 565	9 631 204
Total	**10 344 565**	**9 631 204**

CURRENT LIABILITIES TO FINANCIAL INSTITUTIONS**

	2022	2021
Other liabilities	462 915	150 003
Bond loans	580 000	1 054 000
Subordinated loans	100 000	100 000
Total	**1 142 915**	**1 304 003**

LIABILITIES THAT EXPIRE MORE THAN 5 YEARS AFTER THE END OF THE FINANCIAL YEAR

	2022	2021
Other non-current liabilities	2 795 275	1 873 787
Bond loans	4 350 000	3 150 000
Subordinated loans	1 100 000	1 200 000
Total	**8 245 275**	**6 223 787**

* The subordinated loan will be repaid over 30 years in equal instalments. The interest rate on the loan is 3-month NIBOR + 2 %. No security has been pledged for the loan. The subordinated loan is a financial obligation, measured at amortised cost.
As at 31 December 2022, the company has NOK 100 million in future interest swaps agreements available to hedge the interest payment due on subordinated loan. Hedging documentation has been prepared, and the hedge is meeting the hedge accounting requirements, and thus hedge accounting has been applied. The fair value changes of this hedge is booked over other comprehensive income.

** Current liabilities to financial institutions consist of the first year's instalment on short-term loans as mentioned above.

20 Security and guarantees etc.

LYSE AS HAS THE FOLLOWING GUARANTEES AND DEPOSITS THAT HAS NOT BEEN RECOGNISED ON THE BALANCE SHEET AS AT 31 DECEMBER 2022:

	2022
Withholding tax guarantee	60
Other absolute guarantees/guarantees	247
Total	**307**

Lyse AS has placed a negative pledge for any financing in addition to the subordinated loan, and there are capital requirements from lenders, stipulating that the market value of the Group's equity is not to be lower than a set minimum. In addition, agreements have been signed stating that security declarations or guarantees for all of the Group's commitments shall not constitute more than 15 % of total carrying value of assets. There is also a special limitation on obligations to partly owned companies and subsidiaries with no controlling ownership where such pledges, security declarations and guarantees must not exceed a limit of NOK 500 million at any given time. The limitations do not apply to ordinary guarantees entered into in conjunction with trade in securities and financial instruments, and ordinary sales pledges in the case of supplies of goods and services on credit and security in conjunction with statutory requirements for security. The capital requirements are monitored on an ongoing basis. Lyse Group satisfies these requirements.

Lyse AS is jointly registered in the Value Added Tax Register with the other subsidiaries in which the company has controlling interests. The companies are thus jointly and severally liable for any existing liability at any given time.

21 Financial market risk

Financial risk

Lyse's management of financial risk complies with the limits approved by the Board and is described for each category of risk below.

Interest rate risk

Lyse's financial strategy sets limits for financial investments and borrowing. Lyse AS's interest risk is largely linked to non-current liabilities and short-term debt instruments. The total effect on the result after tax in the case of a one-percentage point change in interest rates must not exceed NOK 25 million in the next 12 months. Lyse AS has interest swap agreements from floating to fixed rates at a nominal value of NOK 100 million (cash flow hedging).

Fixed rate loans are recorded at amortised cost, implying that changes in fair value is not recognised through profit and loss. Where loans are categorised as hedge objects in fair value hedging, amortised cost is adjusted by hedging gains and losses. This applies to bond loans for which interest swap agreements from fixed to variable rate have been signed. Interest swap agreements are recognised at fair value. Changes in the fair value of hedging instruments are recognised through profit or loss together with changes in value of the hedged item.

The interest swap agreements have different terms to maturity within the period 2022-2025. For information on amounts regarding interest rate swaps, see note 11.

Financial strategy

One of the main duties of the Lyse Group's central finance department is to ensure that Lyse is financed so that there are liquid funds, at all times, to meet ongoing payment commitments. The finance department monitors the Group's liquidity by means of rolling forecasts based on the anticipated cash flow.

In line with the Group's financial strategy, Lyse maintains a considerable liquidity reserve that can be made available in the course of 5 working days. The liquidity reserve consists of liquid assets and unused drawing rights. The liquidity reserve is required to be large enough to cover payments due as well as estimated new loans within a 6-month rolling period. Furthermore, borrowing must have a diversified maturity structure.

The aforementioned circumstances, together with Lyse's high credit rating, mean that the Group's and the company's liquidity risk is regarded as low.

	Financial strategy framework	31.12.22	Target attainment
Duration of the liquidity reserve measured against estimated financing need (no. of months)	6 months	30 months	Within target
Actual liquidity reserve* compared to capital requirement for next 6 months	NOK 1 435 million	NOK 6 936 million	Within target

* Liquidity excl. drawing rights and overdraft

Currency risk

Lyse AS has raised debt totalling at EUR 329 million in the capital market. The company has a corresponding non-current receivable from Lyse Produksjon AS. The agreements on which the liability and receivable are based, stipulate the same conditions and result in no currency exposure.

Credit risk associated with other financial instruments

Lyse assumes a credit risk by investing surplus liquidity and, as a consequence of counterparty risk, by utilising hedging instruments such as interest-swap agreements. Credit risk is limited in that funds are only invested with first class debtors. The security requirement takes priority over the return requirement.

The financial strategy includes rules on limits for various types of investments. The financial strategy also includes rules on the type of hedging instruments that can be used, and the criteria the relevant counterparties must satisfy are the same as those for the investment of funds.

Insurance risk

Lyse AS bears the risk of damage to assets through operations. The company also bears the risk for third party lives and property. Insurance contracts have been signed that cover the most significant risks. The insurance excess for third party injury is NOK 2 million, with the insurance excess in the event of damages to buildings being lower.

Deloitte.

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To the General Meeting of Lyse AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lyse AS, which comprise:

- The financial statements of the parent company Lyse AS (the Company), which comprise the balance sheet as at 31 December 2022, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Lyse AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2022, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 1 year from the election by the general meeting of the shareholders on 26 April 2022 for the accounting year 2022.

Deloitte.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
ENERGY AND FOREIGN CURRENCY FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING	
Lyse's revenue from energy production is denominated in euro and is therefore exposed to fluctuations in both energy prices and euro. In accordance with the Group's financial strategy the Group handle these risks by applying energy and foreign currency financial instruments. Reference is made to note 7 Financial risk management, note 8 Financial Instruments per measurement category and note 9 Hedge Accounting. Hedging of future sale of energy production in euro is accounted for through hedge accounting if requirements for applying hedge accounting are met. When hedge accounting is applied, the hedging instruments are recognized at fair value with changes in fair value through other comprehensive income until the hedged item affects profit or loss. This was considered a key audit matter due to the extent and size of these transactions, and the potential material effect on the consolidated financial statements arising from changes in fair value, as well as the complexity in the accounting regulation on hedge accounting, when applied.	Through our audit we have assessed Lyse's process for identification, classification and valuation of energy and foreign currency financial instruments, as well as the process for hedge accounting, and tested design and implementation of relevant internal controls. We have considered the Group's accounting principles for financial instruments and hedge accounting against IFRS and the Group's financial risk management strategy. We have tested the completeness of transactions related to energy and foreign currency financial instruments by obtaining documentation from external parties, on both closed and open positions, and compared these against closed transactions recognized in profit and loss and open positions recognized in the balance sheet. Furthermore, we have tested valuation and existence on a sample of the Group's financial instruments against confirmations obtained from banks and other counterparties, as well as quoted market prices (Nasdaq). On foreign currency hedging we have, on a sample basis, assessed that the hedging documentation is in line with the requirements in IFRS and recalculated the Group's calculation of hedge effectiveness. We have also assessed the presentation and classification of the financial instruments in the financial statements and the corresponding note disclosures.

Other Information
The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of ABC ASA, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name Lyse-2022-12-31-no.zip, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in compliance with ESEF. We conduct our work in compliance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in compliance with the ESEF Regulation.

As part of our work, we have performed procedures to obtain an understanding of the Company's processes for preparing the financial statements in compliance with the ESEF Regulation. We examine whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte.

Stavanger, 29 March 2023
Deloitte AS

Bjarte M. Jonassen
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

Alternative Performance Measures (APM)

Lyse has reported its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) since 2007. The IFRS-standards have been applied without exception throughout all periods presented in the consolidated financial statements.

As defined in ESMAs guideline on alternative performance measures (APM), an APM is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than financial measures defined or specified in the applicable financial reporting framework.

There are no changes in the definition of key figures from 2021 to 2022.

LYSE APPLIES THE FOLLOWING ALTERNATIVE PERFORMANCE MEASURES:

(1)	EBITDA	Operating profit/ loss before depreciation and amortisation
(2)	EBIT	Operating profit/loss
(3)	EBIT, underlying operations	Operating profit/loss adjusted for unrealised changes in value of financial instruments, material non-recurring items and impairment
(4)	Fixed assets and investments in subsidiaries	Including fixed assets, right-of-use assets, investments in associates companies, joint ventures and other financial investements
(5)	Cash and bank	Including short term financial investments
(6)	Gross Interest-bearing debt	Non-current and current loans, including financial lease obligations
(7)	Net interest-bearing debt	Gross interest-bearing debt - cash and cash equivalents including short term financial investments
(8)	Capital employed	Equity + interest-bearing debt
(9)	Investments in ownership interests	Sale and purchase of shares, and receipt and payments of subordinated loans to associated companies and joint ventures
(10)	Funds from operations (FFO)	EBITDA, underlying operations less paid interest and tax payable in current year
(11)	EBITDA interest coverage	EBITDA/interest costs
(12)	FFO interest coverage	FFO/interest costs
(13)	Interest-bearing debt ratio	Gross Interest-bearing debt / (gross interest-bearing debt + book equity)
(14)	Equity ratio	Equity/total assets
(15)	Equity ratio – taking into account subordinated loans	Total equity + subordinated shareholders’ loans/total capital
(16)	EBITDA margin	EBITDA/operating revenue
(17)	EBIT margin	EBIT/operating revenue
(18)	Return on equity	Profit/loss as % of average equity – result for the last 12 months
(19)	Return on average capital employed	Operating profit/loss as % of average capital employed – result for the last 12 months
(20)	Average production hydropower	Average production last 10 years (changed from 30 years to 10 years in 2022)
(21)	Hydropower generation	Generation of hydropower (GWh) measured at outgoing generation terminal
(22)	Numer of active customers owned by Lyse	Including subsidiaries, associated companies and joint ventures owned by Lyse
(23)	Earnings per share	Profit/loss allocated to shareholders/no. of shares in the Company

Underlying operating profit (‘EBIT, underlying operations’) is an APM used to measure profit from underlying operations. EBIT, underlying should not be considered as an alternative to operating profit and profit before tax as an indicator of the company's operations in accordance with general accounting principles. Underlying EBIT is also not an alternative to change in cash from operations in accordance with general accounting principles.

Underlying operating profit is defined as operating profit adjusted for unrealised changes in value of financial instruments, material non-recurring items and impairments.

- Unrealised changes in the value of financial instruments are excluded because they do not reflect how management follows up the results. The currency exposure in the sale of energy contracts is secured by entering into currency derivatives with bonds denominated in euros. Thus, the unrealised changes in value from these currency derivatives are partially offset in net financial items in the income statement.

- Gains / losses from disposal of companies are excluded as the gain does not give any indication of future or periodic profit from operating activities. This type of gain is related to the cumulative value creation from the time the asset is acquired until the time of disposal.

- Impairments / reversal of material impairments are excluded. The reason for this is that an impairment affects the return on an asset over the lifetime of the asset, not just in the period in which the asset is impaired or an impairment is reversed. The above items are also excluded from underlying gross operating income and underlying net operating income.

Underlying operating revenue and costs are based on the same definition as underlying operating profit.
Non-recurring items on operating profit is not relevant for 2022 and 2021.

Return on capital employed is defined as operating profit (EBIT) divided by capital employed and is calculated based on a rolling 12-month average. It is used to measure the return on the Group's operating activities and also to compare returns with similar companies.

Capital employed is capital necessary to carry out operational activities and is presented in a table with financial key figures. Net interest-bearing debt is used to measure the debt's utilisation rate. Net interest-bearing debt / equity is calculated as net interest-bearing debt relative to the sum of net interest-bearing debt and equity.

A reconciliation between operating profit pursuant to IFRS as presented in the consolidated financial statements and the APMs used otherwise in the financial report follows below.

Profit for the year adjusted for unrealised changes in value is defined as an underlying IFRS-profit after tax, adjusted for unrealised changes in value of financial instruments, business combinations and material non-recurring items. Below follows a complete reconciliation of the profit for the year adjusted for unrealised changes in value.

(Amounts in NOK million)	2022	2021
Underlying operating revenue	30 356	16 473
Underlying operating costs	17 625	9 912
Underlying operating profit	12 731	6 561
Unrealised changes in value financial instruments (+ / - revenue/cost)	-138	-674
Material non-recurring items affecting operating profit (+ / - revenue/cost)	-98	0
Operating profit (IFRS)	**12 495**	**5 887**
Profit for the year including non-controlling interests (IFRS) after tax	**2 448**	**2 137**
Unrealised changes in value financial instruments (+ / - income/cost) after tax	108	511
Material non-recurring items affecting profit for the year (+ / - income/cost) after tax	76	14
Non-recurring item relatetd to change in resource rent tax rate on excess value from previous acquisitions	740	0
Profit for the year adjusted for unrealised changes in financial instruments, non-recurring items, including non-controlling interest, after tax	**3 372**	**2 662**
Non-controlling interests	1 283	780
Profit for the year allocated to Lyses shareholders adjusted for changes in financial instruments and non-recurring items, after tax	**2 089**	**1 882**

NET INTEREST-BEARING LOANS (INCLUDING LEASE OBLIGATIONS)

	Note	2021	2020
Total long-term and short-term loans*	8	19 809 619	17 010 664
Short-term financial position	26	-1 148 400	-764 000
Bank deposits, cash and cash equivalents	26	-7 713 341	-5 701 614
Net interest-bearing loans		**10 947 878**	**10 545 051**
Non current lease obligation	32	1 566 153	774 111
Current lease obligation	32	280 007	147 943
Net interest-bearing loans including lease obligation		**12 794 038**	**11 467 105**

* Including unrealised disagio on currency loans.

RECONCILIATION OF EFFECTS OF UNREALISED CHANGES IN VALUE IN FINANCIAL INSTRUMENTS TO EBIT UNDERLYING OPERATIONS

(Amounts in NOK million)	2022	2021
Operating result (EBIT) underlying operations	**12 731**	**6 561**
Unrealised changes in value, financial energy contracts - held for hedging purposes	-66	-639
Unrealised changes in value, currency derivatives in long-term physical industry contracts in EUR	-206	31
Unrealised changes in value, long-term financial energy contracts	163	-33
Realised changes in value, currency derivatives in long-term physical industry contracts in EUR	-29	-33
Unrealised changes in value, financial instruments	**-138**	**-674**
Significant non-recurring items before tax affecting operating result (+/- income/cost)	-98	0
Operating result (IFRS)	**12 495**	**5 887**

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