More than a Company

Annual Report 2023
Lyse Group

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Financial key figures for the Group

FROM THE STATEMENT OF PROFIT AND LOSS

			2023	2022	2021	2020	2019
Operating revenues		NOK mill.	23 279	30 219	15 799	7 930	9 230
EBITDA	(1)	NOK mill.	11 092	15 308	7 753	2 616	3 564
Operating result (EBIT)	(2)	NOK mill.	7 895	12 495	5 887	1 042	2 090
Unrealised changes in value, financial instruments		NOK mill.	525	-138	-674	-304	276
Non-recurring items, EBITDA		NOK mill.	0	0	0	0	-35
Non-recurring items (-), reversal impairment (+)		NOK mill.	0	-98	0	96	35
Operating result (EBIT) underlying operations	(3)	NOK mill.	7 370	12 732	6 561	1 250	1 814
Net financial items		NOK mill.	793	645	401	425	401
Profit after tax		NOK mill.	2 394	2 448	2 137	354	928

FROM THE STATEMENT OF FINANCIAL POSITION

			2023	2022	2021	2020	2019
Total assets		NOK mill.	69 667	69 037	55 820	51 163	33 539
Of which is PP&E and investments in companies	(4)	NOK mill.	36 801	33 751	29 156	27 662	23 605
Cash and cash equivalents	(5)	NOK mill.	6 190	8 862	6 466	4 106	4 718
Equity		NOK mill.	20 974	21 016	20 709	19 578	9 967
Gross interest-bearing debt, incl. financial leases	(6)	NOK mill.	25 225	21 656	17 933	17 924	15 968
Of which is subordinated loans		NOK mill.	1 932	1 662	1 792	1 921	2 051
Net interest-bearing liabilities, incl. financial leases	(7)	NOK mill.	19 035	12 794	11 467	13 817	11 250
Capital employed	(8)	NOK mill.	40 008	33 810	32 176	33 395	21 217

CASH FLOWS

			2023	2022	2021	2020	2019
Net cash flow from operations		NOK mill.	3 514	14 654	7 256	1 887	1 790
Net interest costs		NOK mill.	512	500	408	411	416
Dividends paid to shareholders		NOK mill.	1 237	744	663	627	562
Net investments in non-current assets (excl. right of use assets, licences and SAC)		NOK mill.	4 661	3 782	2 922	3 161	2 334
Net investments in ownership interests	(9)	NOK mill.	219	3 038	56	315	239
Cash and cash equivalents	(5)	NOK mill.	6 190	8 862	6 466	4 106	4 718
Unused drawing rights		NOK mill.	3 549	3 633	1 800	1 800	1 800

FINANCIAL ITEMS

			2023	2022	2021	2020	2019
Net interest-bearing liabilities / EBITDA			1,7	0,8	1,5	5,3	3,2
Funds from operations (FFO)	(10)	NOK. Mill	7 981	10 053	4 902	1 837	2 468
EBITDA interest coverage	(11)		10,0	22,7	17,4	5,7	6,8
FFO interest coverage	(12)		7,2	14,9	11,0	4,0	4,7
FFO / Net interest-bearing liabilities		%	41,9 %	78,6 %	42,7 %	13,3 %	21,9 %
Gross interest-bearing debt - equity ratio	(13)	%	54,6 %	50,7 %	46,4 %	47,8 %	61,6 %
Equity ratio	(14)	%	30,1 %	30,4 %	37,1 %	38,3 %	29,7 %
Equity ratio – taking into account subordinated loans	(15)	%	32,9 %	32,8 %	40,3 %	42,0 %	35,8 %

KEY FIGURES, CONSOLIDATED FINANCIAL STATEMENTS

			2023	2022	2021	2020	2019
EBITDA margin	(16)	%	47,6 %	50,7 %	49,1 %	33,0 %	38,6 %
EBIT margin	(17)	%	33,9 %	41,3 %	37,3 %	13,1 %	22,6 %
Return on equity	(18)	%	11,4 %	11,7 %	10,6 %	2,4 %	9,7 %
Return on average capital employed	(19)	%	21,4 %	37,9 %	18,0 %	3,8 %	10,5 %

KEY FIGURES, RENEWABLE ENERGY

			2023	2022	2021	2020	2019
Average production	(20)	GWh	9 749	9 721	10 075	5 921	5 921
Water reservoir capacity		GWh	6 775	6 803	6 803	5 249	5 249
Hydropower production	(21)	GWh	8 571	7 974	10 353	6 004	4 579
Area price NO2		øre/kWh	90,41	212,77	76,23	9,80	38,66
Actual price attained (incl. hedging)		øre/kWh	95,90	180,00	67,92	18,90	42,73
Electricity supply, end-user		GWh	2 526	2 278	2 529	2 536	2 622

KEY FIGURES, TELECOMMUNICATIONS

			2023	2022	2021	2020	2019
Capital employed	(8)	NOK mill.	22 758	20 741	10 726	10 635	8 523
EBITDA	(1)	NOK mill.	2 732	2 728	2 123	1 672	1 449
EBITDA margin	(16)	%	30,8 %	36,6 %	41,0 %	36,9 %	37,3 %
Carrying value PP&E and equity accounted investments		NOK mill.	15 834	14 044	10 197	9 603	8 129
Number of active optic customers in the Altibox partnership			868 321	828 881	784 918	708 913	625 265
Number of active customers owned by Lyse	(22)		536 366	513 606	491 545	445 158	386 759
Number of smartphone subscribers			882 075	757 305	0	0	0
Number of mobile broadband subscribers			50 907	57 453	0	0	0
Number of base stations			3 365	3 303	0	0	0

KEY FIGURES, INFRASTRUCTURE AND CIRCULAR ENERGY

			2023	2022	2021	2020	2019
Number of electricity grid customers			164 227	162 300	159 902	158 508	153 706
Supplied energy (total consumption in the area)		GWh	4 806	4 699	5 300	5 110	4 914
Power grid capital (NVE capital) used as a basis in revenue cap		NOK mill.	5 794	4 857	4 387	4 168	3 790
Return on NVE capital		%	12,5%	4,8%	3,7%	7,5%	5,0%
Measured efficiency (NVE efficiency) distribution grid		%	97,1%	98,1%	96,3%	91,4%	93,5%
Measured efficiency (NVE efficiency) regional and central grid		%	99,3%	116,6%	133,1%	127,3%	120,3%
KILE costs		NOK mill.	22	26	23	19	23
Supplied volume natural gas, biogas and fuel (incl. internal deliveries)		GWh	350	412	612	551	519
Supplied volume district heating and district cooling		GWh	185	175	193	171	174

SHAREHOLDERS

			2023	2022	2021	2020	2019
Subordinated loans from shareholders (municipalities)		NOK mill.	1 900	1 600	1 700	1 800	1 900
Interest and instalments, subordinated loans		NOK mill.	217	170	144	148	171
Dividends/shareholder withdrawals		NOK mill.	1100	650	630	600	550
Proposed dividend*		NOK mill.	745	1 100	650	630	600
Proposed dividend per share		NOK	738	1 090	644	624	595
Earnings per share	(23)	NOK	1 658	1 342	1 345	287	886

* Proposed dividend for 2022 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

SOCIAL DISCLOSURES

HEALTH AND SAFETY

		Unit	31.12.23	31.12.22	31.12.21
Injuries					
Employees - Lost-time injuries (LTI)	(1)	Number	6	5	1
Employees - Total recordable injuries (TRI)	(2)	Number	13	9	5
Lost-time injuries per million hours worked	(3)	LTI-rate	1,80	1,77	0,52
Total recordable injuries per million hours worked	(4)	TRI-rate	5,70	4,96	3,13
Sick leave in total	(5)	**%**	**4,0**	**4,2**	**3,6**
- Hereof doctor-certified		%	2,5	2,9	2,9
- Hereof self-certified		%	1,8	1,2	0,7

EMPLOYEE RATIO

		Unit	31.12.23	31.12.22	31.12.21
Total number of permanent and temporary employees		Number	2 046	1 936	1 473
Number of temporary employees		Number	16	39	20
Number of full-time employees		Number	1 941	1 814	1 428
Number of part-time employees		Number	105	122	45
Number of summer job employees in the period		Number	45	49	51
Number of graduates in the period		Number	7	1	5
Number of apprentices in the period		Number	26	32	22
New hires in the period		Number	340	480	191
Internal mobility	(6)	Number	172	169	95
Turnover	(7)	%	7,4	8,3	8,8
Seniority	(8)	Year	7,9	7,8	9,1
Share of employees who achieve stipulated upper age limit within 5 years	(9)	%	1,7	1,4	1,9
Share of employees who achieve stipulated upper age limit within 10 years	(9)	%	6,6	6,5	6,1
Union density	(10)	%	42,2	31,7	45,7

EMPLOYEE RATIO CONTINUED

		Unit	31.12.23	31.12.22	31.12.21
Equality					
Percentage of women					
- In total		%	32,5	31,5	29,8
- Among management positions	(11)	%	29,6	33,9	34,2
- In the Group Management		%	50,0	50,0	50,0
- In the Group Board		%	50,0	50,0	50,0
- Among new hires		%	35,3	41,3	31,9
- Among full-time employees		%	32,0	31,1	29,0
- Among part-time employees		%	41,9	38,5	53,3
- Among permanent employees		%	32,5	31,1	29,9
- Among temporary employees		%	31,3	51,3	25,0
Average parental leave - women		Weeks	16,9	18,7	21,6
Average parental leave - men		Weeks	11,9	10,2	13,0
Involuntary part-time among part-time employees - women	(12)	%	0,0	4,3	0,0
Involuntary part-time among part-time employees - men	(12)	%	6,5	0,0	0,0
Equal salary					
Salary ratio fixed salary among all employees	(13)	Ratio	0,93	0,93	NA
Salary ratio total salary among all employees	(14)	Ratio	0,91	0,86	0,88
Salary ratio fixed salary among management	(15)	Ratio	0,95	0,89	NA
Salary ratio total salary among management	(16)	Ratio	0,94	0,90	0,88

VIOLATION OF LAWS AND REGULATIONS

		Unit	31.12.23	31.12.22	31.12.21
Confirmed serious environmental incidents	(17)	Number	0	0	0
Confirmed incidents of corruption		Number	0	0	0
Confirmed incidents of discrimination		Number	0	0	0
Registered personal data security breaches	(18)	Number	3	6	3

REPORTED CONCERNS

		Unit	31.12.23	31.12.22	31.12.21
Reported concerns	(19)	Number	2	NA	NA

ENVIRONMENTAL DISCLOSURES

ENERGY CONSUMPTION

		Unit	31.12.23	31.12.22	31.12.21
Electricity consumption		**GWh**	**619**	**466**	**352**
- Hereof pumped storage		GWh	298	180	57
- Hereof grid loss		GWh	218	213	249
- Hereof mobile network		GWh	32	27	NA
- Hereof other operations		GWh	71	46	46
Grid loss of power transported		%	4,5	4,3	4,5
District heating		MWh	1 497	77	321
Natural gas		GWh	50	38	58
Biogas		GWh	14	27	21
Diesel		Liter	307 061	320 632	352 629
Gasoline		Liter	11 074	10 892	4 267

CLIMATE

		Unit	31.12.23	31.12.22	31.12.21
Scope 1: Direct emissions		**tCO2e**	**13 211**	**10 624**	**15 094**
- Gasoline	(20)	tCO2e	25	25	10
- Diesel	(20)	tCO2e	827	863	949
- Natural gas	(20)	tCO2e	11 699	8 864	13 445
- Leakage SF6 gas	(21)	tCO2e	343	268	81
- Leakage natural gas	(22)	tCO2e	25	0	114
- Leakage refrigerants	(23)	tCO2e	291	604	494
Scope 2: Indirect emissions, energy consumption		**tCO2e**			
- Electricity consumption - market based	(24)	tCO2e	4 904	2 450	2 745
- Electricity consumption - location based	(25)	tCO2e	11 773	5 127	3 879
- District heating	(26)	tCO2e	4	0	0
Scope 3: Other indirect emissions		**tCO2e**	**61 252**	**77 290**	**120 291**
- Sold natural gas		tCO2e	60 751	76 826	120 190
- Business travels	(27)	tCO2e	501	464	102
Biogenic emissions	**(28)**	**tCO2e**	**8 138**	**8 693**	**7 711**
- Biogas consumption	(20)	tCO2e	2 727	5 262	4 232
- Sold biogas	(20)	tCO2e	5 411	3 430	3 479

BIODIVERSITY

		Unit	31.12.23	31.12.22	31.12.21
Spawning Stock Targets (SST)	(29)				
Årdalselva in Hjelmeland		% of SST	266	236	342
Lyseelva in Sandnes		% of SST	335	240	138
Jørpelandselva in Strand		% of SST	418	469	448
Espedalselva in Sandnes		% of SST	517	449	228
Frafjordelva in Gjesdal/Forsand		% of SST	660	1 118	569

ENVIRONMENTAL WASTE AND LOCAL ENVIRONMENT IMPACT

		Unit	31.12.23	31.12.22	31.12.21
Sold mobile phones returned under Consumer Purchase Act		%	3,0	1,2	NA
Share of returned mobile phones that are reused		%	100	100	NA
Base stations		Number	3 360	3 303	NA
Ice Group base stations in cooperation with other operators		%	45	45	NA
Newbuilt Ice Group masts		Number	2	118	NA

POWER- AND DISTRICT HEATING PRODUCTION

		Unit	31.12.23	31.12.22	31.12.21
Installed capacity - power generation		**MW**	**2 497**	**2 513**	**2 390**
- Hereof hydropower		MW	2 494	2 510	2 387
- Hereof other		MW	3	3	3
Installed capacity - thermal production		**MW**	**182**	**182**	**191**
- District heating		MW	95	95	95
- District cooling		MW	45	45	48
- Local heating		MW	42	42	48
Production - power generation		**GWh**	**8 571**	**7 973**	**10 363**
- Hereof hydropower		GWh	8 565	7 962	10 353
- Hereof other		GWh	6	11	10
Production - thermal production		**GWh**	**223**	**209**	**223**
- District heating		GWh	156	139	150
- District cooling		GWh	16	17	16
- Local heating		GWh	51	53	57
Renewable energy production from power and thermal production		**%**	**99,4**	**99,4**	**99,5**

ECONOMIC DISCLOSURES

CONTRIBUTION TO SOCIETY

		Unit	31.12.23	31.12.22	31.12.21
Gross operating revenues		NOK millions	23 096	31 127	16 797
Gains and losses on power and currency contracts		NOK millions	183	-929	-998
Paid to suppliers for good and services		NOK millions	-6 950	-10 285	-5 262
Gross value added		**NOK millions**	**16 329**	**19 913**	**10 538**
Depreciation and impairment		NOK millions	-3 197	-2 813	-1 866
Other operating expenses		NOK millions	-2 667	-2 322	-1 394
Net value added		**NOK millions**	**10 465**	**14 779**	**7 278**
Financial income		NOK millions	495	342	87
Net gain from sale of business		NOK millions	0	20	0
Share of profit from associates		NOK millions	-1	22	19
Value for distribution		**NOK millions**	**10 958**	**15 163**	**7 384**
DISTRIBUTION OF VALUE GENERATED					
Employees					
- Gross salaries and social benefits		NOK millions	1 870	1 524	1 145
Lenders / owners					
- Financial costs		NOK millions	1 286	1 009	507
- Dividend		NOK millions	745	1 100	650
The public sector*					
- Profit tax		NOK millions	1 664	2 731	1 205
- Resource rent tax		NOK millions	3 043	6 672	2 144
- Regulatory fees		NOK millions	700	780	246
Net distributed values employees, lenders, owners and the public		**NOK millions**	**9 309**	**13 815**	**5 897**
The company					
Retained values		NOK millions	1 615	1 488	1 432
Non-controlling interest's share of result		NOK millions	35	-140	55
Net distributed values company		**NOK millions**	**1 649**	**1 348**	**1 487**
Distributed values		**NOK millions**	**10 958**	**15 163**	**7 384**
Reconciliation of profit allocated to non-controlling interests		**NOK millions**	**721**	**1 094**	**780**
- Non-controlling interests power consumption		NOK millions	687	1 234	725
- Other non-controlling interests		NOK millions	35	-140	55
Indirect value creation					
Proportion of spending on local suppliers	(30)	%	15,5	26,0	21,0

* NOK 1 580 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) LTI rate is the sum of the number lost-time injuries and the number of deaths. The LTI rate is calculated as follows: Number of lost-time injuries + number of deaths * 1,000,000 hours / Number of hours worked
(4) TRI rate is calculated as follows: Number of lost-time injuries (incl. death) and number of injuries without lost-time (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 employees with personnel responsibility within each company in the Group
(12) A survey among the part-time employees has been conducted in 2023. Response rate was 24%
(13) Average fixed salary for women in relation to average fixed salary for men
(14) Average total salary for women in relation to average total salary for men
(15) Average fixed salary for women in relation to average fixed salary for men among managers
(16) Average total salary for women in relation to average total salary for men among managers
(17) A serious environmental incident is an incident that causes serious or irreversible environmental impact
(18) Registered breaches of personal data security that have resulted in a report to the Norwegian Data Protection Authority (Datatilsynet)
(19) Reported concerns about conditions that may be in conflict with laws and regulations, the Group's ethical guidelines or other ethical norms that are widely accepted in society. New key figure in 2023. Comparative figures have not been obtained.
(20) Including CO_2, CH_4 and N_2O using GHG Calculation Tool Stationary Combustion
(21) Global Warming Potential value from IPCC Sixth Assessment Report (2021). Refilled gas in Lnett
(22) Calculated as methane emissions with Global Warming Potential value from IPCC Sixth Assessment Report (2021)
(23) Calculated using the GHG Protocols RAC Tool
(24) It is mainly the grid loss and some of the power consumption of the mobile network that is not covered by guarantees of origin. Lyse deletes guarantees of origin for own consumption related for the pumped-storage power in power plants.
(25) The calculation in 2023 is based on conversion factors from The Norwegian Water Resources and Energy Directorate (NVE) for Norway (factor from 2022) and the European Environment Agency (EEA) for Denmark (factor from 2022)
(26) Calculated using emission factors for 2023/2022 from Norsk Fjernvarme for the locations Stavanger/Sandnes/Forus and Oslo – Nydalen (Fjernkontrollen.no)
(27) Includes flights in Lyse that are registered via Lyse's travel agency and trips booked by employees of Altibox Denmark
(28) Emissions from biogenic sources. Calculated using GHG Calculation Tool Stationary Combustion
(29) 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.
(30) 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

Board of Directors Report

2023

LYSE IS AN ENERGY AND TELECOM GROUP

Lyse is a Norwegian energy and telecom group. The company is a significant national player in renewable and flexible hydropower. Lyse has long been a driving force behind the development of robust digital infrastructure. Through a nationwide partnership, the Group delivers broadband and entertainment services to a significant proportion of the population, and we are building Norway's third 5G mobile network. Telecom services are provided through the national product brands Altibox, Ice and NiceMobil.

In southern 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 fibre-optic broadband. As a national telecommunications player, the Group owns a nationwide fibre and mobile network for 4G/5G and has ownership interests in several subsea fibre cables abroad that ensure good digital connections in and out of Norway. Good availability and high delivery reliability are priorities.

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

BUSINESS IN 2023

Notable events

- Falling continental power prices combined with stronger hydrology have resulted in falling spot prices throughout the year. In summer and early autumn, Lyse's price area (NO2) occasionally received negative prices driven by imported solar and wind power from Germany and the Netherlands, where unregulated renewable production periodically exceeded power consumption. At the same time, power consumption in southern Norway was low, together with snow melting and periods rich in precipitation led to forced hydropower production.

- Lyse and Hydro have applied for a licence to upgrade the 60-year-old power plants in Røldal-Suldal with five new hydropower plants. The upgrade will more than double the number of horsepower and can be accomplished with limited environmental consequences. The total investment could be in the range of NOK 7-8 billion, with construction starting in 2027 at the earliest.

- In the national budget for 2024, it was decided to discontinue the high price contribution introduced in September 2022, effective from 1 October 2023. The loss of the high price contribution is an important prerequisite for power upgrades of hydropower. The discontinuation of the high-price contribution means a more rational use of hydropower and greater predictability for Lyse's investments. Lyse believes that the government should also reverse the 2022 amendment, which involved an increase in the resource rent tax for hydropower of 8 percentage points. This resulted in a substantial transfer of value from the municipalities to the state, at the same time as it weakens the companies' investment capacity.

- In November, the Lyse, Shell and Eviny consortium prequalified for Norway's offshore wind licence 'Sørlige Nordsjø II'. The commercial requirements were not met and thus the consortium decided not to submit bids in the auction.

- The Altibox partnership continued its growth in 2023, and at the end of 2023, Lyse's wholly owned subsidiary Altibox provided broadband and entertainment services to 868,321 customers, a growth of 39,440 compared to the end of 2022. The Altibox partnership maintains its position as Norway's largest provider of both fixed internet and TV distribution services.

- In 2023, Altibox Carrier completed work on a new main fibre connection between East and West through a powerful fibre cable from Stavanger to Oslo.

- The wholly owned subsidiary Ice saw good customer growth in 2023. At the end of 2023, Ice had 882,075 mobile customers, a growth of 124,770 compared to year-end 2022.

- Further investments in the development of our national 5G network, Norway's third mobile network, are proceeding as planned.

- In November we announced the establishment of Lyse Tele AS. Lyse merges Altibox, Ice and large parts of Lyse's wholly owned fibre companies into one company and thereby becomes a fully integrated telecom company that will deliver better products and services to customers. Altibox, Ice and NiceMobil will remain as our three national brands in the telecom area. The new organisation will be operational from February 1, 2024, but the merger will formally not be completed until April 4, 2024.

- Lnett has put into operation three new substations: Håland, Veland and Hjelmeland. In addition, voltage has been installed on two power lines in the regional grid, at Jæren and in Ryfylke respectively, and reinforcement of the interconnector from Fagrafjell (Statnett). Lnett continues its major expansion of the regional grid.

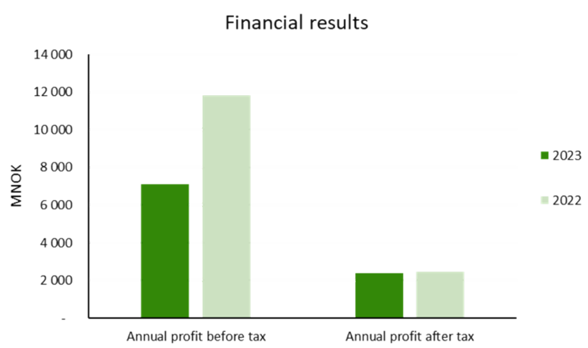
- High raw material costs and an increase in the incineration tax have put pressure on profitability for the district heating business. The increase comes in addition to framework conditions related to the electricity subsidy, which puts a cap on district heating revenues. The district heating tariff is regulated to be below the electricity price, and district heating operators have not received compensation from the state for the loss of revenue. Lyse believes that district heating is a good solution for relieving pressure on the grid in situations where grid capacity is limited. It is unfortunate that the handling of waste in a climate-friendly manner has demanding framework conditions.

- Scope ratings has upgraded its company rating of Lyse AS from BBB+ to A- on 3 April 2023.

- In April 2023, Lyse paid NOK 700 million in dividend based on its annual accounts for 2022. This is an increase of NOK 50 million from 2022. In addition, the owner municipalities were awarded a claim on the company in the form of a subordinated loan of NOK 400 million. The total benefit from the company to the owners was thus NOK 1 100 million. Principal payments and interest of NOK 198 million were paid out on existing subordinated loans. It is proposed to distribute NOK 745 million in dividends based on the 2023 financial statements.

Financial performance

In 2023, the profit before taxes was NOK 7,102 million, compared with NOK 11,850 million in 2022. After taxes, the profit for the year was NOK 2 394 million, compared with NOK 2 448 million the year before. Of this, NOK 1,673 million accrues to the majority shareholders, compared with NOK 1,354 million in 2022.



The operating profit for the energy business of NOK 7,165 million is NOK 4,858 million lower than in 2022. There are no significant one-time items in 2023.

The Group's annual result is characterised by lower power prices in 2023 compared with extreme prices the previous year, somewhat subdued by higher power production. The average spot price for the year (NO2) was 90.41 øre/kWh for 2023, compared with 212.77 øre/kWh in 2022. The actual average achieved power price (including hedging) in 2023 was 95.9 øre/kWh, compared to 180 øre/kWh in 2022.

Hydropower production ended in 2023 at 8.6 TWh (billion kilowatt hours), compared with 8 TWh in 2022. At the beginning of the year, reservoir water levels were somewhat lower than normal. Almost normal snow and precipitation levels in combination with prudent management of the reservoirs resulted in a normalised reservoir filling at the end of the year and somewhat higher production throughout the year. The average production in the Group is 9.7 TWh, of which 7.1 TWh is Lyse's share. The remaining share belongs mainly to Norsk Hydro.

The areas of gas/biogas and district heating/cooling delivered an operating profit of NOK 22 million in 2023, compared with an operating loss of NOK -164 million in 2022. Lower gas prices in 2023 led to lower costs of goods, which positively impacted the gas/biogas result. In addition, a write-down of the gas onshore grid in Lyse Neo of NOK 98 million was made in 2022, which negatively impacted the result compared to 2023.
The area of electricity sales significantly improved its operating profit compared to 2022 where significant losses on fixed-price contracts were recognised. Overall, power sales achieved a positive operating profit for 2023.

The telecommunications business continues to grow and has strengthened its market position during 2023. On the fibre side through organic customer growth and some minor acquisitions, in addition to the fact that Lyse has now been established as a full-fledged telecom operator with the acquisition of the mobile operator Ice. At year-end, the business had 868,231 broadband customers (on own and partners' fibre), and 882,075 mobile customers, as well as 50,907 mobile broadband customers.

The operating profit for the telecommunications business in 2023 was NOK 326 million compared to NOK 758 million in 2022, a reduction of NOK 432 million. The decline in operating profit is primarily due to large investments in new 5G networks that have increased depreciation.

Operating profit for the grid business in 2023 was NOK 665 million, an improvement of NOK 444 million from 2022. Reduced power prices compared to 2022 also resulted in reduced costs for grid losses and feed-ins. In addition, Lnett received a share of bottleneck revenues from Statnett at the end of the year, which partly compensated for the increased costs. The operating situation was stable in 2023, and interruption costs amounted to a modest NOK 22 million. This is a reduction from 2022 when the corresponding amount was NOK 26 million.

Other activities include support functions in Lyse AS, Lyse Dialog, Lyse Marked, Lyse Elkon, Lyse Vekst and Lyse's property companies. Lyse AS also had a negative operating profit in 2023, but an improvement of NOK 29 million compared with 2022. This is due to the reorganisation of support functions and increased investment in support systems. Lyse Vekst and Lyse's property companies have stable results.

The Group's operations in 2023 generated a return of 21.4% measured by operating profit relative to average capital employed. Return on book equity was 11.4%.

For Lyse AS, the group's parent company, the net profit was NOK -8 million, compared to NOK 265 million in 2022.

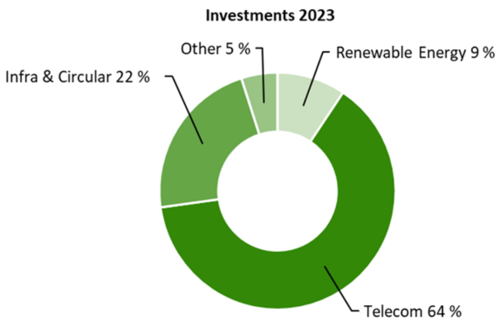
The Board confirms that the going concern assumption is present pursuant to Section 3-3a of the Norwegian Accounting Act, and that the consolidated financial statements and company accounts for Lyse AS have been prepared in accordance with this.

BUSINESS AREAS

Lyse is organised into three business areas and four staff areas. Business areas are Renewable Energy, Telecom and Infrastructure and Circular Energy. All areas have a responsible executive vice president. The Managing director and Group CEO and the Executive Vice Presidents constitute the Group Executive Management. The operating profit per business area breaks down as follows:

(Figures in NOK millions)	2023	2022
Renewable Energy	7 165	12 023
Telecom	326	758
Infra & Circular	695	62
Other and eliminations	-291	-348
Operating profit	**7 895**	**12 495**

The investments are distributed as follows between the business areas:



(Figures in NOK millions)	**2023**	**2022**
Renewable energy	455	313
Telecom	3 081	5 277
Infra & Circular	1 081	1,077
Other	240	154
Total investments*	**4 857**	**6 820**

* Investments in shares, operating assets, intangible assets excluding right of use, customer acquisition cost and licenses

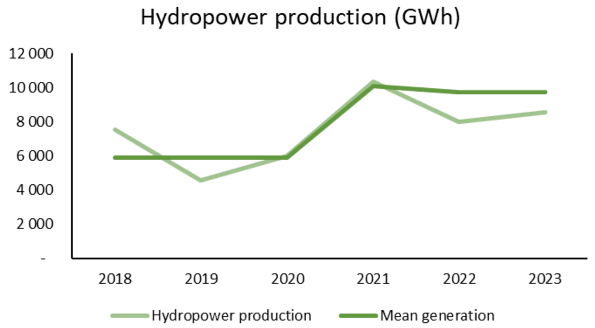
Renewable Energy business area

Renewable Energy consists of the businesses in the wholly owned companies Lyse Energi AS, Lyse Strøm AS, Lyse Lading AS and Lyse Produksjon AS. In addition, the business area owns 74.4% of Lyse Kraft DA, where Hydro Energi owns the remaining 25.6% of the company. Lyse Kraft DA owns 95.21% of RSK DA. In addition, the ownership interest in Jørpeland Kraft AS is 66.67%.

Lyse Kraft DA takes care of the ownership role for a power plant portfolio of approximately 10 TWh located in the area from Haukeli in the north to Åna-Sira in the south. Through an operator agreement, Norsk Hydro is responsible for daily operation and maintenance of the power plant portfolio, with the exception of its ownership interests in the Sira-Kvina and Ulla-Førre plants.

Lyse carries out water management and all physical power trading on behalf of Lyse Kraft DA and manages a total power volume of 10 TWh in the market. With an increased management volume and a changing power market, Lyse has strengthened its expertise and use of resources in power management.

Renewable Energy (Figures in NOK millions)	**2023**	**2022**
Hydroelectric power production	7,425	12,007
Retail market	-23	-188
Eliminations	-236	205
Operating profit Renewable Energy segment	**7 165**	**12 023**

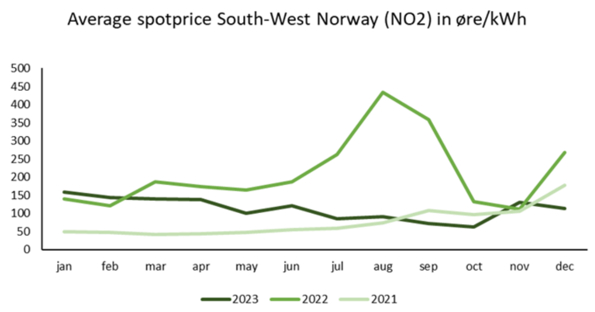


Power production and market prices for power are decisive for the business area's profit development, and this year's power production was 8.6 TWh. By comparison, the previous year's power production was 8.0 TWh.

2022 was marked by the geopolitical situation that led to extreme gas and coal prices in Europe and fears of energy shortages. Combined with low reservoir water levels in South Norway, this resulted in a market situation where price levels and volatility on the continent determined power prices in South Norway.

The supply situation improved significantly in the first half of 2023. A mild winter on the continent in combination with increased gas deliveries from producing countries other than Russia and reduced power consumption stabilised the power market. Gas stocks on the continent have been at historically high levels throughout the year, while the reduction in power consumption continues. The EU has adopted a target of a 15% reduction in gas consumption compared to the pre-crisis period, and most EU countries have achieved this target. The market price of coal, gas and CO_2 allowances has weakened significantly during the year, which means that the marginal cost of continental thermal power production has also been significantly reduced.

The marginal cost of power generation based on gas is lower at the end of 2023 than the corresponding production cost of using coal. Falling continental power prices combined with stronger hydrology in southern Norway have resulted in falling spot prices throughout the year. In summer and early autumn, price area NO2 (South-West Norway) occasionally received negative prices driven by imported solar and wind power from Germany and the Netherlands, where unregulated renewable production periodically exceeded power consumption. At the same time, power consumption in southern Norway was low, and melting snow and periods rich in precipitation led to forced hydropower production.



The more normalised market situation in 2023 compared to last year resulted in power prices in NO2 weakening and approaching more normalised price levels considered from a historical perspective.
At the same time, short-term day-to-day price volatility has increased, with price spikes in periods when unregulated power production is low and power consumption high.

In price area NO2 where Lyse sells its power production, the area price was EUR 79.45 per MWh for 2023. This is EUR 131.8 per MWh lower than the year before. The market price in price area NO2 was still higher than the system price in 2023, but compared to last year, the price difference has narrowed from 75.4 euros to 23 euros. For confidence and efficiency in the power system, large price differences between price areas are unfortunate.

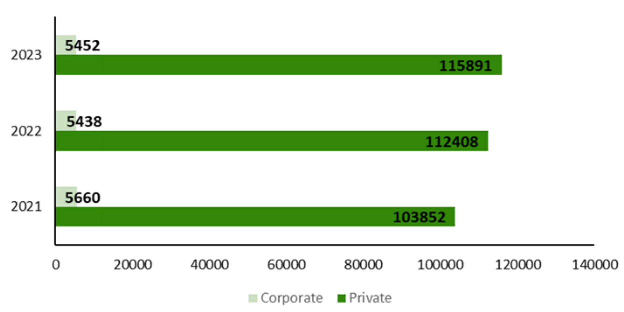
On 28 September 2022, the government introduced a high-price contribution as a gross tax on electricity prices above 70 øre. The tax rate on power generation after this became 67% for market prices up to 70 øre and for 90% for prices above. The high price contribution meant that investments in new power plants were not profitable. The company is therefore satisfied that the high price contribution was removed with effect from 1 October 2023.

A condition revision in Røldal-Suldal Kraft was formally opened in 2022. As part of the work on this, various upgrade and expansion alternatives have been assessed in order to increase both installed capacity and energy produced. In late 2023, a licence to upgrade Røldal-Suldal Kraft was applied for. This involves a plan to establish five new power plants, including three new pumped storage power plants. If the development plan on which the licence application is based is realised, the installed capacity will increase from 630 MW to 1280 MW. The power plants in Røldal-Suldal Kraft will then be able to supply more energy during the hours of high demand and low unregulated power production.

In Maudal, construction of two new power plants is underway, with the first power plant commissioned in autumn 2023. The next power plant is expected to be completed in spring 2025. The power plants replace the original power plant from 1930, which is being renovated.

The international interconnector NorthConnect applied for a licence in June 2017. After nearly six years of consideration, NorthConnect received a rejection of the licence application from the Ministry of Energy on 16 March 2023. In total, Lyse has invested NOK 77 million in the development of NorthConnect.
The consumer market has continued to be characterised by historically high power prices and greater volatility than previously.

The uncertainty in the market, combined with the long-term perspective represented by Lyse as a power producer, has resulted in growth in the number of customers and a low number of supplier changes among our private customers. Lyse strives to offer simple products that create predictability and overview in a difficult and volatile power market and was therefore among the first to offer fixed-price contracts to business customers under the temporary arrangement established by the Government with effect from 1 January 2023. The reception has been good, and a number of companies in the price areas NO2 and NO1 have purchased fixed-price contracts for a share of expected electricity consumption for their own operations with a duration of between 3 and 7 years. Lyse is working to ensure that there are products available that allow for predictability of electricity costs and will work to ensure that the fixed-price contract scheme is continued.



Continuing into 2023, the company's annual result is characterised by Lyse having low margins in the consumer market and delivering fixed-price products resulting in savings for consumers. By the end of the year, Lyse had sold charging services for 15 200 parking spaces to housing associations and businesses, and more than 10 600 contacts related to energy services. Furthermore, an agreement has been entered into for the acquisition of Eviny's energy service business. This means that Lyse will have more than 25,000 customers on this service in early 2024. The development of infrastructure for fast charging to the private and commercial markets continues, and 46 fast chargers were established at the end of the year.

Investments – Renewable Energy (Total million NOK)	2023	2022
Hydroelectric power production	406	260
Retail market	49	53
Total investments*	**455**	**313**

* Investments in shares, operating assets, intangible assets excluding right of use, customer acquisition cost and licenses

The NOK 406 million investment in hydropower activities mainly relates to the rehabilitation and reinforcement of dams in wholly owned and partly owned power plants.

Telecom business area

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 fibre companies throughout Norway and mobile operations through Ice Communication Norway AS. Altibox provides internet and digital entertainment and utility services to households and businesses in Norway and Denmark, primarily delivered over fibre networks through regional partner companies.

According to Nkom statistics as of 30 June 2023, Altibox has a market share based on fixed broadband revenue in Norway of 30.5%, compared to 30.7% as of June 30, 2022.

The Altibox partnership gained 39,440 new customers in 2023, a growth of 4.8%. In total, there were 868,321 customers in the Altibox partnership at the end of the year, compared to 828,881 at the beginning of the year. Of these, Lyse has 480 210 customers in Norway through wholly and partly owned companies at the end of 2023. Altibox Denmark had 56,156 customers at the end of the year, which is an increase of 2,905 from last year.

The fibre companies that distribute Altibox services are often referred to as the Altibox partnership. Lyse has full or partial ownership of approximately 62% of its customer portfolio.

Lyse's fibre ownership is concentrated in the company Lyse Fiberinvest AS. Lyse Fiberinvest owns Lyse Fiber AS (100%), Viken Fiber Holding AS (65%), Signal Bredbånd AS (100%), Bergen Fiber AS (37%), Istad Fiber AS (50%), Nordvest Fiber Holding 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 Ice and NiceMobil brands. Ice manages the frequency portfolio in Lyse, and together Ice and Altibox possess a very modern and nationwide digital infrastructure. Ice has 882,075 mobile customers and 50,907 mobile broadband customers as of 31 December 2023 against 757,305 mobile customers and 57,453 mobile broadband customers, respectively, at the end of 2022.

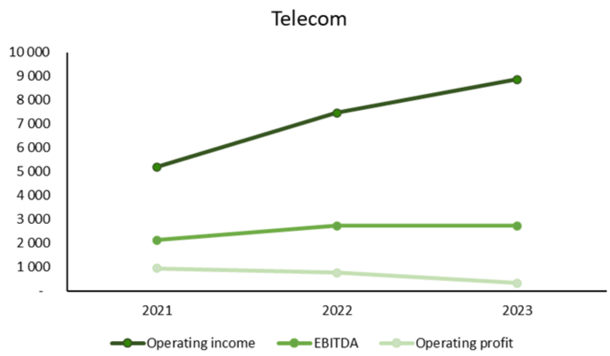
According to Nkom statistics as of June 30, 2023, Ice has a market share based on mobile revenue in Norway of 9.5% versus 9.1% at the end of 2022.

In 2023, Lyse has continued further investments in development of a national 5G network. The development involves both upgrading existing base stations and rolling out new ones.

Altibox has business both in the consumer and professional markets. Altibox's professional business are delivered under the brand Altibox Bedrift and has 26 039 customers at the end of 2023, compared to 23 789 at the end of 2022. In addition, Altibox has deliveries in the professional market through the company Altibox Carrier AS.
Altibox Carrier provides international communication services to data centre operations, telecom operators and corporate markets. Altibox Carrier has established a comprehensive European network structure that connects Norway with the central data transport hubs on the continent.

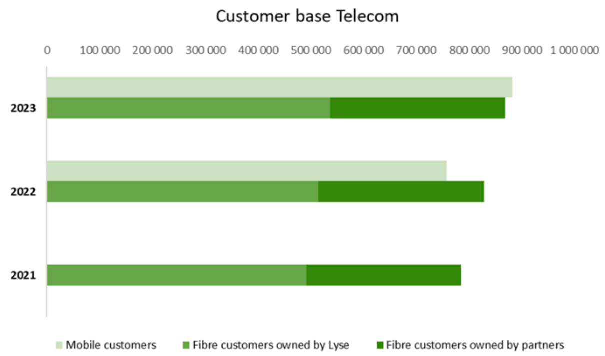
Altibox Carrier AS also manages the ownership of NO-UK Com Holding AS (38.3%), which owns a subsea fibre connection between Norway and the UK.

In 2023, Altibox Carrier completed work on a new main fibre connection between eastern and western Norway, through a powerful fibre cable from Stavanger to Oslo. In addition to a backbone network throughout the country, a fine-mesh fibre network in all regions of the Norway, and significant investments in international subsea fibre cables, the Altibox partnership contributes even more to the overall digital infrastructure in Norway.



Lyse's telecommunications business had a turnover of NOK 8 867 million in 2023, compared with NOK 7 461 million the previous year, a growth of 18.8%. The growth is mainly due to the full-year effect of the acquisition of Ice, general customer growth and high demand for high-speed internet and digital entertainment services.

The business achieved a positive operating profit before depreciation (EBITDA) of NOK 2 732 million, compared with NOK 2 728 million the year before. Operating profit was NOK 326 million in 2023, which is NOK 432 million lower than in 2022. The reduction is due to the full-year effect of the acquisition of Ice, which is still in a phase of strong investments in growth and therefore not yet delivering positive results. This is in line with expectations.
Depreciation and amortisation totalled NOK 2 405 million as a result of a continued high investment level.



In 2023, Lyse still has high investments in infrastructure critical to society. Telecom investments accounted for NOK 2 931 million in 2023, compared with NOK 2 275 million in 2022. The increase is mainly due to the development of mobile infrastructure in addition to a continued high level of investment in fibre-optic infrastructure.

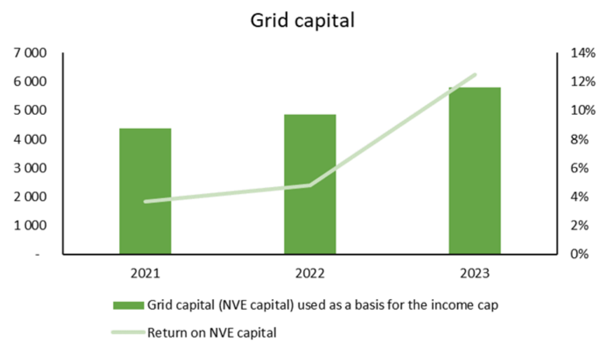
Infrastructure and Circular Energy business area

Lnett's main task is to ensure our customers a stable and secure power supply, combined with efficient operation and expansion of the power grid in the company's concession area, which includes nine municipalities in South-Rogaland.

Lnett owns the power grid in both the regional and distribution grids. The company operates and maintains plants from low voltage, 230/400V, up to and including 132 kV. The grid consists of 57 substations, 4,044 grid stations and 13,850 km of lines and cables.

Lnett AS is a monopoly enterprise subject to special regulatory control by the Norwegian Water Resources and Energy Directorate (NVE), which sets limits for grid activities, including permitted revenue.

Energy delivered in 2023 was 4 806 GWh. The corresponding figure in 2022 was 4 699 GWh. Much of the increase can be explained by a colder winter. The regularity, or uptime, of Lnett in 2023 was 99.99%. This is the same as in the previous year. The Board is satisfied with the delivery reliability the company has achieved in recent years.



The grid business had a turnover of NOK 1 723 million in 2023, which is an increase from NOK 1 637 million in 2022. External transmission revenues and energy turnover will increase by NOK 89 million, with increased tariffs from July 2023 combined with increased consumption offsetting the decline in bottleneck revenue payments going from NOK 365 million to NOK 169 million. The reversal of bottleneck revenues has contributed to keeping grid tariff increases lower than without this scheme introduced by the Ministry of Energy in the period with very high prices in price area NO2. Revenues from other activities have increased by NOK 6 million due to higher activity. Cost of goods sold has been reduced by NOK 416 million compared to 2022. Lower power prices in 2023 than in 2022 have resulted in lower costs for purchasing grid losses, while costs to the overhead grid (Statnett) have been stable compared with the previous year.

Total salary costs are NOK 208 million, which is NOK 11 million higher than in 2022. Other operating expenses of NOK 218 million are increased by NOK 5 million compared with the previous year. The reason for higher operating costs is a high activity level, price and wage increases as well as a boost in IT systems. Depreciation and amortisation for 2023 are NOK 295 million, an increase of NOK 42 million from last year.

Operating profit totalled NOK 665 million in 2023, which is an increase of NOK 444 million from the previous year. The business achieved a return on net capital of 12.5% in 2023 compared to 4.8% a year earlier. Return on net capital according to RME reporting is estimated at 9.0% in 2023 versus 7.7% in 2022. The reason for the increase in return is an improved operating profit measured against 2022.

At the start of the year, Lnett had a net lower revenue of NOK 298 million. At the end of the year, the lower revenue was reduced to NOK 181 million. The reason for the reduction is mainly an increase in tariff revenues as well as lower costs for the purchase of net loss. Over time, lower revenue will be steered towards zero.

This year's interruption costs (KILE costs) amounted to NOK 22 million, of which NOK 6.3 million was planned and 15.7 million unplanned outages. The corresponding figure for 2022 was NOK 26 million.

In 2023, investments totalled NOK 997 million, compared to NOK 1 011 million in 2022. 2023 has been characterised by a high level of activity. Investments in the regional grid are increasing, and 3 new substations have been put into operation at a higher voltage level with associated connections at Bryne (Håland - new), Veland and Hjelmeland. In addition, Lnett, in cooperation with Statnett, has expanded and strengthened the supply via Fagrafjell. Voltage upgrades and reinvestment are also taking place in the distribution grid, as well as new industrial and residential facilities. Public infrastructure projects in the region also entail a need for increased investments in the grid.

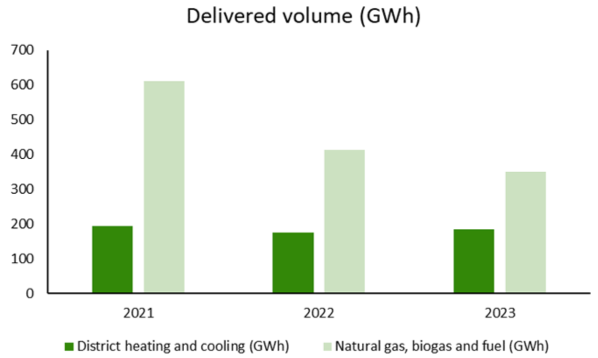
At the end of the year, the business had 164,227 network customers, compared with 162,300 customers the year before. The increase in the number of customers is due to growth in the region.

Operating profit from gas,heating and cooling activities was positive by NOK 22 million, an increase of NOK 187 million from 2022. The reason for significant improvement from 2022 is a more stable price market for energy in 2023. Customers of district heating and local heating have a price cap that makes the products attractive, but the profit potential limited, even though energy prices are high. A total of 185 GWh of heating and cooling was delivered in 2023, which is an increase of 10 GWh.

Furthermore, an increase in the special Norwegian incineration tax adopted in national budget for 2024 challenges the profitability of local waste incineration. This puts district heating under pressure as a result of the reduction in available waste heat when industrial waste is exported abroad to a greater extent. In February, the Storting urged the Government to study the competitive disadvantages of the special Norwegian tax and implement measures no later than in Budget 2025 that harmonise competition for cross-border waste. Lyse supports harmonisation of competition conditions across national borders. Local waste management will have the lowest possible climate footprint by minimising transport, and it will provide better predictability for the forecast volume for waste in the ongoing pre-project for carbon capture on waste incineration at Forus/Bærheim.

District heating deliveries from the incineration plant at Forus are climate neutral. The company's goal is to utilise local resources in circular value chains that also reduce greenhouse gas emissions and relieve pressure on the power grid in the years to come. In order to succeed with the green energy transition and business development, it is essential that the region strives for maximum utilisation of the energy system, including utilising the mix between electricity, district heating and biogas.

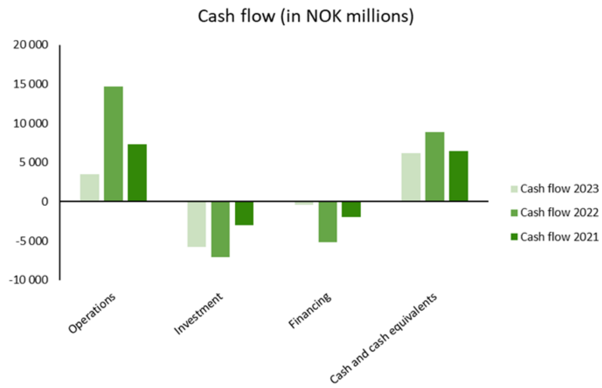
In 2023, the company delivered approximately 350 GWh of gas, of which the share of biogas amounted to 41 GWh. This is a decrease of a total of 62 GWh from 2022, of which 59 GWh relates to natural gas.



Other areas

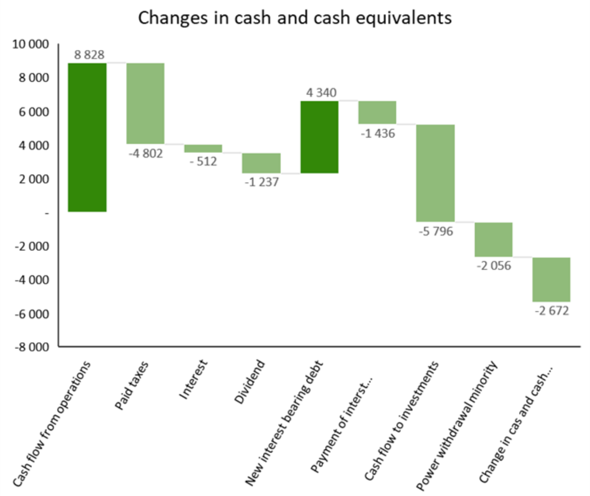
Other areas include support functions, which in addition to Lyse AS also include Lyse Dialog AS and Lyse Marked AS. In addition, Lyse Elkon AS, Lyse Vekst AS and the property companies Lyse Eiendom Mariero AS, Lyse Eiendom Ullandhaug AS and Lyse Eiendom Tronsholen AS are included in the segment, along with some smaller companies without operational activity.

CASH FLOW



The Group's operations generated a cash flow of NOK 3 514 million in 2023 against NOK 14 654 million in 2022. The reduction is primarily due to reduced contributions from hydropower activities and an increase in taxes paid.

Lyse's net cash flow from investing activities was NOK -5 796 million in 2023, compared with -7 086 million in 2022. The reduction is largely due to the acquisition of Ice in 2022 and higher investments in infrastructure. The net liquidity change from financing was NOK -389 million in 2023 against NOK -5 171 million in 2022. The change is mainly explained by the Ice acquisition and subsequent refinancing as well as increased power withdrawal to minority shareholders in 2022.



At the end of the year, net interest-bearing liabilities, including financial leases, amounted to NOK 19 035 million. This is NOK 6 241 million higher than at the end of 2022. Subordinated loans from the owners of Lyse AS amount to NOK 1 900 million. Total borrowing of new interest-bearing debt was NOK 4 340 million in 2023. Repayments, including financial leases, amounted to NOK 1 436 million.

Lyse's financial strategy aims for a capital structure that secures the Group long-term financing and strong credit quality, while maintaining growth potential. The strategy will provide financial flexibility and ensure a steady repayment profile on the loan portfolio. New borrowings are adapted to the maturity profile of the existing loan portfolio and planned investments. The loan portfolio is sought to be diversified across different loan sources. The average remaining maturity of the Group's external loan portfolio (including subordinated loans) as of 31 December 2023 is 4.9 years, compared to 5.0 years as of 31 December 2022.

Liquid assets at year-end amounted to NOK 6 190 million, a reduction of NOK 2 672 million from 2022. In addition, the Group has available drawing rights and overdrafts totalling NOK 3 549 million. The Group's total liquidity reserve, minus restricted funds, amounted to NOK 9 387 million at the end of the year. Restricted funds amounted to NOK 353 million, mainly related to the provision of collateral for settlement of power trading. Drawing rights established with a syndicate of Nordic banks were expanded in 2022 from NOK 1 500 million to NOK 3 000 million and extended by one year.
These are now due in 2025. Distributable liquid assets shall, in accordance with the Group's financial strategy, secure financing for a minimum of six months' operation, including investments and loan maturities. The Group's liquidity situation is considered to be good.

At year-end 2023, the Group had a book equity of NOK 20.97 billion, of which NOK 15.9 billion is allocated to the company's shareholders. The corresponding figures at the beginning of the year were NOK 21.0 billion and NOK 15.88 billion. The equity ratio is 30.1% of total capital. In total, equity and subordinated loans account for 32.9% of total capital.

FINANCIAL ITEMS

Net financial expenses amounted to NOK 792 million in 2023, an increase of NOK 125 million compared to 2022. The increase is largely due to an increase in net interest-bearing debt, as well as an increase in net interest expenses from rising market interest rates from 2022 to 2023. Interest on subordinated loans to Lyse's owners was NOK 120 million, compared with NOK 74 million in 2022.

Interest expenses on the Group's external interest-bearing debt (including subordinated loans) amounted to NOK 1 074 million in 2023, an increase of NOK 439 million from 2022. The increase is mainly due to higher market interest rates through 2023, as well as an increase in interest-bearing debt.

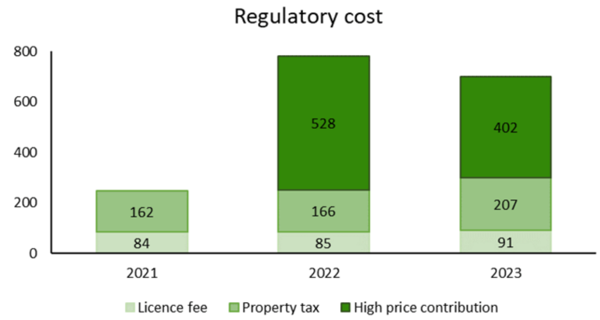
Short-term market rates, such as 3-month NIBOR, rose from an average level of 2.07% in 2022 to 4.16% in 2023. In line with the Group's financial strategy, changes in the market interest rate in the short and medium term have limited impact on the Group's annual results. Of the Group's net interest-bearing debt (excluding financial leasing debt) of NOK 17 045 million, NOK 11 863 million is hedged through interest rate swaps or fixed-rate loans. In addition, the Group's interest rate exposure has been reduced through inherent interest rate hedges in the grid operations and resource rent tax.

A total of NOK 3 550 million was issued in the bond market in 2023. This was an increase from 2022 when the group issued NOK 2 000 million. In December 2020, Lyse's green financing framework was updated, with an overall classification of dark green from Cicero. During 2023, Lyse issued NOK 600 million under the framework, bringing the total outstanding green bonds to NOK 3 450 million at the end of 2023.

TAX AND REGULATORY COSTS

Income tax expense was reduced by NOK 4 695 million from 2022 and amounted to NOK 4 708 million. Tax payable amounts to NOK 2 599 million for 2023, against NOK 4 755 million in 2022.

Power production resulted in a resource rent tax cost of NOK 3 043 million in 2023. This is 64% of the group's tax cost. The corresponding amount in 2022 was NOK 6 672 million and 71% of the tax expense. Resource rent tax payable is NOK 1 975 million in 2023, against NOK 3 933 million in 2022. The reduction is primarily caused by reduced power prices compared to 2022, offset by somewhat higher production.



Effective from 1 October 2023, the high price contribution for hydro and wind power plants was discontinued. The tax amounted to 23% of the electricity price exceeding 70 øre per kWh. The contribution constituted a special tax to the state, and the tax basis was limited to sales from power production.

The high price contribution meant that hydropower plants that paid high-price contributions and resource rent tax paid a total marginal tax of 90%.

RISK AND INTERNAL CONTROL

The most important risks for the Lyse group are related to market operations, financial management, project activities, operating 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 areas through procedures for risk monitoring against targets and risk limits set by the board.

Lyse is exposed to changes in both the physical aspects and financial power market, foreign exchange, interest rate and financing markets. The Board reviews the limits for risk exposure annually. Internal authorisations and frameworks have been established for power trading, foreign exchange trading and financial management.

In the parent company Lyse AS, an investment committee has been established to assess the profitability and risk of major individual investments in the group before an investment decision is made at company level.

For Lyse, there is considerable volume and price risk associated with power generation and trading. In the Nordic power market precipitation conditions, demand and market prices for coal, gas, oil and CO2 quotas have an impact on the market price of power. In the power market, the Group applies active risk management adapted to the current market situation. The goal is to achieve maximum risk-adjusted return. All physical power trading on Nord Pool Spot and financial trading on the NASDAQ are traded in euros. Future revenues in euros are currency hedged over a stipulated period, so that the hedging ratio is increased up to the time of delivery.

A central finance function in the parent company coordinates and safeguards the risk associated with interest rates, foreign exchange and liquidity, including refinancing and new borrowing.

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

Lyse's limits on interest rate risk are intended to stabilise the Group's net profit after tax. Interest rate risk is managed by ensuring that the profit for the year after tax shall not be weakened beyond the stipulated risk limits in the event of a change in the market interest rate of 1 percentage point. Exposures are monitored against approved limits in the financial strategy and reported regularly to Group management and the Board.

Lyse has counterparty risk through power trading and investment of surplus liquidity. Prior to entering into contracts, the creditworthiness of counterparties is assessed, and credit risk vis-à-vis individual counterparties is limited through the financial strategy by risk limits based on financial strength and credit quality.

The processes in the Group's various value chains are exposed to operational risk. Operations and project execution are exposed to operational risk in the form of personal injury, damage to the environment, loss of reputation and financial loss. Systematic and risk-driven efforts are being made to manage operational risk in the Group. On a day-to-day basis, risks are managed by means of procedures, routines for deviation reporting, contingency plans and insurance coverage.

Lyse has a system for internal control that is intended to contribute to reliable financial reporting and non-financial reporting. Internal control in financial reporting is continuously followed up through the work of the audit committee.

Lyse has also established an internal audit scheme. Based on a risk assessment and review, the annual topic for internal auditing is selected and conducted by external parties. Internal audits are reported directly to the Board of Directors.

Climate change and adaptation to climate change represent both opportunities and threats for Lyse. A more mild and wet climate will give hydropower an increasingly important role through the ability to delay and redistribute flooding, which will place increasing demands on our facilities. In addition, hydropower's ability to regulate production will become more important when a larger share of power production will stem from sources such as solar energy and wind power. Climate risk is an important part of the decision basis for new investments and does not only apply to the power-producing part of Lyse. For example, Lnett actively takes expected sea level into account when placing facilities and has decided to switch to composite pylons that can withstand more precipitation and extreme weather.

DEVELOPMENT AND INNOVATION

Lyse's development and innovation focus mainly 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. In addition to innovation in its core areas, the Group seeks new opportunities at the intersection of energy and telecommunications. In 2023, work has been carried out to assess and develop concepts, for example within private 5G networks, energy and power management, solar, new energy sources such as biogas, reuse of heating and cooling, as well as emission-free construction sites.

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-phase companies and funds within technology and renewable energy. We offer companies valuable expertise and experience and want to help develop companies and good ideas. We see carefully selected early-phase investments within our business areas as an opportunity to help create new services, businesses and jobs, while also creating value for our owners.

SOCIAL RESPONSIBILITY AND SUSTAINABILITY

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 being a regional development player. The company is committed to ensuring that its operations benefit future generations. This is ensured by building long-term and forward-looking infrastructure solutions, striving for sustainable business operations and by distributing value creation so that it benefits the owners as a contribution to welfare production. Corporate social responsibility is embedded in Lyse's mission, and the Group reports on sustainability as an integrated part of the annual report. The report has been prepared in accordance with international standards for sustainable reporting; GRI – Global Reporting Initiative. For more details about sustainability, see the chapter "Sustainability in Lyse".

Organisation, health, safety and environment

Lyse shall be an attractive, fair and good workplace that retains and attracts the most committed and best qualified expertise.

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 has continued the management programme for managers with responsibility for personnel, which started in January 2022. The programme aims to contribute to a Lyse culture characterised by learning and performance, establish joint leadership, strengthen interaction and exchange of experience. The participants are divided into learning groups of eight across the Group and work together throughout the programme, digitally and physically. The management programme 2023 encompassed the "Employee journey", and there has been a focus on how we at Lyse will receive new employees in the best possible way, employee follow-up and development. 233 leaders have participated in the leadership program in 2023.

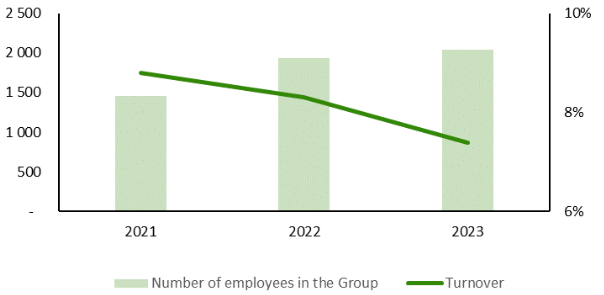
Career and competence development shall be part of the appraisal interview for all employees at Lyse. Internal mobility is an important tool for ensuring Lyse the right expertise and at the same time providing employees with career opportunities. All positions at Lyse are first advertised internally, and around 40% of all positions are recruited internally.
Lyse's goal is that permanent tasks should, as far as possible, be carried out by permanent employees. Internal resources reduce the competence risk and contributes to a sustainable working life. In order to achieve this strategy, and at the same time ensure that Lyse acts in accordance with the new hiring regulations, the focus is on permanent hiring and consultants. The scope for permanent/temporary tasks has been mapped, and processes have been developed for conversion to permanent positions. The survey shows that hiring conditions in Lyse are essentially in accordance with new statutory regulations, and agreements have been entered into with employee representatives where necessary pursuant to the Working Environment Act. There is a close and good collaboration with employee representatives on expertise and permanent hiring/consults in Lyse.

In cooperation with the trade unions, the Hay job assessment system has been introduced in the Lyse Group. The system is an important tool for determining 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 with external pay levels. This is an instrument for implementing Lyse's wage policy of being competitive without being a wage leader.

Annual employee surveys are carried out in the Group per company. In general, the surveys show that Lyse's employees are very satisfied with Lyse as an employer.

Regular performance appraisals are conducted between manager and employee.

Lyse has a graduate programme, talent programme and trainee programme. There were 45 students employed in summer jobs during 2023.

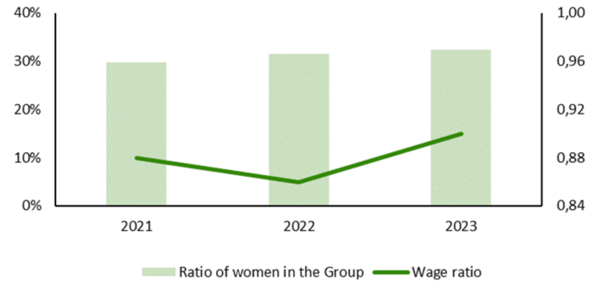


There were 26 apprentices in electrical engineering and sales trades in 2023. Lyse is continuously working on opportunities for recruiting more apprentices in relevant subject areas.
Turnover in the Lyse Group in 2023 was 7.4% compared to 8.3% in 2022.

As of 31 December 2023, there were 2 030 permanent employees in the Lyse Group, amounting to 2 014 full-time equivalents. At the same time in 2022, there were 1,897 permanent employees, accounting for 1 877 full-time equivalents.

Of the total number of employees, 32.5% are women, compared to 31.5% the year before. In management positions, the proportion of women is 29.6%, compared with 33.6% the year before.

A total of 340 new employees have been hired in 2023, compared with 480 the year before. Of new hires in 2023, 35.3% were women.



In Lyse, there are 105 part-time positions as of 31 December 2023, divided by 41.9% women and 58.1% men. Anonymous mapping of involuntary part-time work was conducted through a questionnaire. Four have reported having an involuntary part-time position. As of March 31, 2023 there were 16 temporary employees, 31.3% women and 68.7% men.

There is an equal proportion of women and men on both the Board of Directors and the Group Executive Management.

The Lyse Group is committed to ensuring equal pay. The average salary for women relative to the average salary for men (salary ratio) is 0.91 for all employees. In 2022, the salary ratio among all employees and managers was 0.86. In wage settlements, regular reports are made on pay increases for women vs. men. The framework for the 2023 wage settlement was 5.5% compared to 4.2% in 2022.

In order to achieve the goal 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 gender equality in the Lyse group has been mapped within recruitment, pay and working conditions, promotion and development opportunities, facilitation of inclusive working life and the opportunity to combine work and family life. Possible causes have been identified, assessments have been made of whether current guidelines are satisfactory, measures have been established and KPIs for goal attainment have been established. Guidelines in the Leadership Handbook have been revised. A report on the activity and reporting obligation will be published on the Group's website by the deadline of 30 June. For more information see lysekonsern.no.

In 2023, women had an average of 16.9 weeks of parental leave and men 11.9 weeks. In 2022, women had 18.7 weeks of parental leave and men 10.2 weeks.

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

Sick leave in the Group in 2023 was 4.04% compared to 4.20% in 2022. Sick leave does not include absence due to sick children. The Lyse Group has a target of less than 3.5% sickness absence. In 2023, there were 13 injuries related to workplace accidents resulting in 86 days of sick leave. In 2022, there were 9 personal injuries resulting in 18 days of sick leave.

In the Lyse Group, no task or activity shall take priority over health, safety and the environment. There is always compliance with statutory HSE requirements for the various businesses. Lyse has implemented procedures for secure job analyses related to the internal performance of operational tasks or in interaction with other partners and suppliers.

The union rate in Lyse in 2023 is 42.2% compared to 31.7% in 2022. This has gone up in 2023, which Lyse sees as a positive development. Lyse as an employer encourages employees to unionise. The change from 2022 is probably due to good cooperation with employee organisations to increase the degree of organisation and increased focus on the tripartite cooperation, as well as a more accurate measurement in 2023.

Business ethics

Lyse's ethical guidelines are reviewed annually and revised as necessary. Annual e-learning courses for all employees contribute to knowledge and compliance with the guidelines.
The Lyse Group works actively to safeguard the privacy of both customers and employees. Lyse has an overarching guideline for the processing of personal data that describes the Group's guidelines and objectives for its data protection work, as well as roles and responsibilities. The Group has appointed its own Data Protection Officer. In addition, each company has a data protection officer who handles day-to-day, operational responsibilities together with the company's management. Each company is responsible for compliance but is supported by groups including the Data Protection Officer, the Legal Department and the Head of Information Security (CISO). In connection with the introduction of the EU's General Data Protection Regulation, GDPR, processes and technical support were also established 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 their position, subject area and area of responsibility where relevant.

Privacy statements have been prepared and published describing how companies process personal data. This shall be done 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 personal data breaches.

In 2023, there have been three breaches of personal data security in the Group (2022: 6) that have been of such a nature that they have been reported to the Norwegian Data Protection Authority. No audits have been carried out by the Norwegian Data Protection Authority during the period.

In addition to the reported non-conformities, the companies in the Group work continuously to identify minor non-conformities and possible improvements to ensure correct processing of personal data and prevent future non-conformities. The companies in the Group and the Data Protection Officer also respond to inquiries from customers related to privacy.

In 2023, there have been no reports or uncovered cases of corruption or violations of laws and regulations in general.

Lyse's account of due diligence assessments required by law under the Transparency Act is included in the Sustainability Report in this annual report under section Responsible supply chain.

Environmental impact

Lyse delivers renewable energy, infrastructure and innovative services that enable our customers to reduce greenhouse gas emissions. Electrification and digitalisation are crucial for achieving local as well as global climate goals, and the group's breadth 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. For more details about our sustainability work and goals, see the separate chapter "Sustainability in Lyse".

In 2023, Lyse conducted a double materiality analysis to update the Group's materiality assessment and sustainability strategy. This is the first step in the process to be in line with the forthcoming CSRD regulation from the EU. The purpose of this survey is to identify the important areas where Lyse has an influence and which form the basis for what Lyse's sustainability work will focus on in the years ahead.

Lyse's perhaps most important climate goal is to be an engine for green restructuring and contribute to emission cuts in the owner municipalities. Together with IVAR, a study has been initiated of carbon capture from the region's largest emission point, Forus Energigjenvinning, and cooperation has begun with IVAR and Felleskjøpet RA on reducing emissions from agriculture through biogas production from manure.

No regulatory violations or significant undesirable incidents related to environmental impact have been registered.

OWNERSHIP – CORPORATE GOVERNANCE

In our business operations, Lyse is dependent on trust and acceptance from customers, owners and society at large. A means for achieving and maintaining trust is clear and good corporate governance. The Group complies with 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 thus mainly related to the transferability of shares, issues and capital increases, as well as principles to be followed if offers are made for the business. The Group's guidelines for corporate governance are available on 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 of Directors) consists of eight members with personal deputies. The Board of Directors, including the chair and deputy chair, is appointed by the Corporate Assembly. Two of the board members are appointed by and from among the company's employees. The members of the board are appointed for two-year terms. The board carries out an annual self-evaluation of working methods, competence and cooperation with management. The Board of Directors has appointed the sub-committees, the Compensation Committee and the Audit Committee.

A board of directors and management liability insurance have been subscribed. This applies to board members, the general manager, members of the group management etc. and covers liability for damage to a third party's person, property or property damage.

DIVIDENDS AND PROFIT ALLOCATION

The Board of Directors will propose to the Annual General Meeting on 24 April 2024 that an ordinary dividend of NOK 738.37 per share be distributed for the financial year 2023, totalling NOK 745 million. The Board also proposes that the profit for the year after tax of NOK -8 million (company accounts) be covered by other equity, and that the proposed dividend of NOK 745 million be transferred from other equity in Lyse AS.

Underlying operating profit

The net profit including minority interest after tax in 2023 was NOK 2 394 million, compared with 2 448 in 2022. Profit from underlying operations is operating profit adjusted for unrealised changes in the value of financial instruments and significant non-recurring items. Significant non-recurring items that have been adjusted for when calculating underlying operating profit represent a profit effect of NOK 409 million and consist of unrealised changes in the value of financial instruments.

Underlying profit for the majority adjusted for unrealised changes in the value of financial instruments and significant non-recurring items was NOK 1 264 million, compared with NOK 2 089 million in 2022.

The calculation of the underlying profit for the year is also presented under alternative performance measures (APM) in the annual report.

(Figures in NOK millions)	2023	2022
Net profit including minority interest (IFRS) after tax	**2 394**	**2 448**
Unrealised changes in value financial instruments (income +) after tax	-409	108
Significant non-recurring items (income +)	0	76
One-time items in relation to change in tax rate of economic rent on added value previous acquisitions	0	740
Profit for the year adjusted for unrealised changes in value, non-recurring items incl. minority interest after tax	**1 985**	**3 372**
Minority interest	721	1 283
Annual result for the majority adjusted for unrealised changes in value and one-off items after tax	**1 264**	**2 089**

FUTURE PROSPECTS

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

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

Through 2023, growth in the telecommunications business has continued. Growth is naturally levelling off somewhat on fibre as a large part of the customer base has now received fibre, while the mobile business is growing significantly. This is a development the board believes will continue in 2024 and beyond. The Lyse Group is now established as a significant and complete challenger in the telecommunications market in Norway, in order to further strengthen growth and increase the efficiency of the overall business, the Board of Directors decided in 2023 to merge most of the telecommunications companies in the group into one new company; Lyse Tele AS. The product brands Altibox, Ice and NiceMobil will remain. The Board considers this an important and proactive step to strengthen both customer orientation and product development, as well as increase efficiency and profitability. The Altibox partnership will continue to be strong for the Group, and the Board believes that the consolidation within Lyse will also strengthen the partnership.

The board expects improved results from the telecommunications business in the years to come, but 2024 will continue to be a restructuring year.

Through Altibox Carrier, Lyse has facilitated strong fibre-optic connections both domestically and abroad. This has greatly facilitated the establishment of data centres throughout Norway. The Board expects that 2024 could represent a breakthrough for the establishment of a new data centre industry in Norway, which will result in increased use of the digital national and international infrastructure Lyse has built up in recent years. The Board expects the financial contributions from this part of the business to be strengthened in the next few years.

In 2023, the Norwegian Communications Authority (Nkom) published a new analysis of the mobile market (market 15). The analysis has laid the foundation for continued national regulation, with a focus on ensuring sustainable competition through the establishment of a third mobile network (Lyses). Among other things, Telenor is obliged to offer national roaming, and the regulations for co-location in towers will be retained. The board expects the regulation to be adopted by Nkom in the second quarter of 2024 and to apply for three years. According to Nkom, it is a goal that this should be the last period of regulation of market 15.

In 2023, Nkom published a new analysis of the broadband market (Markets 3a and 3b) and presented proposals for new regulation. This entails a transition from national regulation of Telenor to regional regulation in line with new guidelines from the EU, with the division of the country into 22 regions, and the designation of players with a strong market position (SMP) in 10 of these. Lyse Fiber is among the designated SMPs, in addition to Altibox partners Eidsiva, Haugaland Kraft and NTE, as well as Enivest, Neas, Tussa, Tafjord and Telenor. The proposed partial opening of the fibre networks for wholesale access presents new potential opportunities and challenges for the Group.

It is important that policies and framework conditions for telecommunications promote the establishment of sustainable competition, security, preparedness and at the same time ensure investment capacity to be able to offer good broadband services throughout the country. We expect a continued good dialogue with the authorities to ensure that the framework conditions enable Lyse as an important challenger to meet both today's and tomorrow's needs.

Investments in renewal and increased transmission capacity in the power grid continue, and investments of the order of NOK 1.2 billion per year are expected in the years ahead. Increased capacity in the power grid facilitates green restructuring and new business development in southern Rogaland. In 2023, the board has established "Infrastructure and Circular Energy" as a new business area. With this move, the board wishes to strengthen management and development of the overall energy system in the region, by ensuring better utilisation of the individual infrastructures for electricity, district heating and biogas. There is higher demand for capacity in the power grid than Lnett and Statnett are able to deliver. All energy from the power grid that can be offloaded onto district heating or biogas increases in total the number of customers and the amount of energy that can be moved from fossil to renewable energy. The Board asks the authorities to ensure to a greater extent that framework conditions and regulations facilitate such coordination.
A steady increase in results from the business area is expected in line with the return on the substantial investments.

Within Renewable Energy, the Group will continue the significant digitalisation in the operation of our power stations and in the trading of power. This work will intensify in the future, in line with the general development of market mechanisms and increasing volatility in all elements that influence power and energy prices.

In 2023, the Group submitted a licence application for upgrading the power plants in Røldal and Suldal. The upgrade will mainly increase the power capacity of the plant. This is in line with the Group's strategy to increase flexibility in the Group's hydropower plants in a future with ever-increasing fluctuations in power prices. It is assumed that a licence can be granted within 2-3 years.

Power prices have shown a declining trend through 2023. The main reason is falling gas prices in Europe. However, prices will continue to fluctuate, and the Board expects results for the area to vary in line with price levels.
The Board would like to point out that it is crucial that climate, energy and tax policy are linked. Without such coherence, it will be difficult to achieve society's climate policy goals.

The board commends the authorities for quickly removing the so-called "High Price Contribution", which was an extra tax on electricity prices above 70 øre/kWh, and which prevented the development of power upgrades. The Board is of the opinion that the increase in the economic rent on hydropower from 37 to 45% should also be reversed. This is justified both by the need for investment capital in the companies that will make an important contribution to the green shift, while large and abrupt changes in economic rent entail a substantial transfer of value from our owners, the municipalities, to the state.
The board also asks the authorities to continue the tax scheme that makes it possible to sell fixed prices to businesses. Lyse has been a market leader in fixed prices and has a considerable number of customers for this product, which ensures predictability for the companies. The board also asks the authorities to consider whether this can be extended to the private market when the current electricity support scheme is discontinued.

This translation from Norwegian has been prepared for information purposes only.

Stavanger, 20 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

Sustainability Report

Sustainability at Lyse

Norway have set ambitious targets for reducing greenhouse gas emissions, which are crucial for mitigating climate change. Achieving these goals requires an increase in access to renewable energy. Lyse plays an important role in the transition to a low emissions society and has set ambitious goals in order to contribute significantly. Lyse aims to shape a greener society and create digital opportunities, this is Lyse's mission and purpose that is reflected in our sustainability work. This is our mission for the society and is reflected in our work we across our three business areas.

WE WILL SHAPE A GREENER SOCIETY

The 2050 Climate Change Committee, which submitted its report in the autumn of 2023, confirms that the world will not reach its climate goals without energy transition. The Commission points out that power is a scarce resource, where there is an increased demand for renewable energy in the establishment of new green industry. Lyse will contribute as we are a part of the solution for reaching our goals set in the Paris Agreement. Lyse shall drive change and business development in our region, which is one of the main focus areas in Lyse's group strategy towards 2030.

The Lyse Group delivers energy, infrastructure and services that enables digitalisation and a green transition for our customers and owners. Although our main contribution lies in avoided emissions from others, our green services shall not be a restraint for measures in our own operations.

By 2030, Lyse will be climate neutral within its own operations. The target implies that emissions in Scope 1 will be phased out through restructuring of energy consumption in several of our business areas. Emissions in Scope 2 will be covered through guarantees of origin. Scope 1 and 2 emissions that cannot be avoided shall be compensated through financial mechanisms, such as carbon credits. The Group's largest direct contributions to Scope 1 greenhouse gas emissions are the use of natural gas in our district heating plants, SF6 emissions from transformer stations, and emissions from the vehicle fleet. The emission target in Scope 2 is already well on its way through climate-neutral district heating from Lyse Neo and guarantees of origin for large parts of the Group's electricity consumption.

In addition, emissions in Scope 3 will be reduced through changes in the value chain. For Scope 3, extensive mapping is required to identify significant emission areas. We have started a materiality assessment of the 15 categories in Scope 3, which will give us a basis for setting specific targets on how emissions can be phased out through requirements and changes our value chain. Based on the materiality assessment, a budget and accounting will be prepared for Scope 3.

The targets will be incorporated into the framework of the Science Based Targets initiative (SBTi) during 2024.

In addition to targets in our own operation, the Group is part of the facility in order to reach climate targets in our region. We are building power generation and infrastructure for the future, we are leading the work on carbon capture in the region's largest point emitter Forus Energjenvinning, and we are working to reduce greenhouse gas emissions from the agricultural sector through our biogas initiatives.

Our most important climate contributions:

1. Increase renewable energy production and power deliveries: Double the power supply from the RSK plants from 630 to 1280 MW, for adaptation and interaction with increased unregulated power from wind and solar.

2. Power grid for green transition: Continue upgrading the distribution grid in Lnett from 50 kV to 132 kV, enabling transmission of more green power to new and existing customers.

3. Increase the use and scope of collective circular energy sources: Further develop district heating from
Surplus heat and free cooling from the fjords, climate-neutral products that relieve pressure on the power grid.

4. Carbon capture from the region's largest point emissions: Work towards realisation of carbon capture plants at Forus Energigjenvinning, with associated value chain for use and storage of CO2.

5. Regional transition from natural gas to biogas: Work to significantly increase biogas production, in order to offer all natural gas customers a climate-neutral alternative.

6. Biogas from the agricultural sector: Contribute to emission reductions from the region's food baskets through the production of biogas from animal manure.

7. Digital infrastructure: Further develop broad digital infrastructure that enables automation and efficiency improvements for new and existing customers.

8. Reduce own greenhouse gas footprint: Continue the work on greenhouse gas reductions in our own activities through science-based goals (SBTi).

GOVERNANCE SUSTAINABILITY

Organization

For Lyse, sustainable development is about creating long-term value for our stakeholders by integrating economic, environmental and social risks and opportunities into our business model and strategy. Sustainability is anchored in our corporate strategy. At the same time as we now are expanding our focus and strategy mandate within sustainability in 2024 in line with the Corporate Sustainability Reporting Directive (CSRD).

Lyse has a dedicated sustainability specialist in the group, who is responsible for coordinating sustainability work and reporting in Lyse. A team has been established across the Group's strategy, compliance and reporting functions to ensure that we ensure good sustainability management in the Group going forward. This team will further develop the work that has already started, across the entire spectrum of the Group, and will ensure that we work more systematically with sustainability in practice and in reporting.

According to our Group guidelines, work on sustainability shall be regularly endorsed by the Board. Within guiding and principles issued by the Board, Group management sets overall goals and frameworks for sustainability work at group level. Furthermore, company management adopts action plans and KPIs for its own activities based on the framework provided by Group management.

Lyse has its own compliance manager who is responsible for ensuring that reporting mechanisms are in place for reporting undesirable incidents in the Group. Our security department receives concerns related to the safety of the Group.

The role of the board

The Group Board is Lyse's highest governing body and has overall responsibility for Lyse's sustainability work and reporting. Sustainability is an integral part of the board's strategy, management and supervisory tasks and is laid down in the "Instructions for the Group Board of Directors", which was last revised in February 2024. The audit committee, which is a sub-committee of the board, shall ensure the quality and integrity of sustainability reporting and maintain ongoing contact with the auditor, also related to sustainability matters. The board shall at all times have members with the necessary expertise in sustainability.

The Board of Directors and the audit committee receive continuous updates on sustainability work in Lyse. It is the board that approves Lyse's sustainability reporting and is responsible for ensuring that it complies with applicable legal requirements. In connection with the preparations for reporting pursuant to the CSRD regulations, the Board has approved Lyse's double materiality analysis and will be continuously informed of further progress in work on the various reporting standards that Lyse will report on for the 2024 financial statements.

The annual report, including Lyse's sustainability report, which covers our important topics, has been approved by the board.

During 2023, Lyse has conducted detailed reviews with the board of specific sustainability topics, including important trends, new regulations and further measures related to the company's sustainability reporting.

The role of management

The Board has delegated responsibility for sustainability to Group management, which has shared responsibility for the Group's impact on environmental, social and governance issues. The work is led by Chief Financial Officer. Group management sets the overall sustainability goals, guidelines and KPIs according to which Lyse reports. In 2024, Lyse will update sustainability goals, KPIs and guidelines to comply with the CSRD regulations, where group management is directly involved in the work. Group management delegates areas of responsibility within the various topics to the companies' daily management, which has operational employees where sustainability is part of their duties. Lyse wishes to anchor sustainability at an operational level to ensure a better impact in the organisation, and in this way achieve rapid implementation in the areas we consider to be important. Should an incident occur that affects people, the environment or financially, this will be reported in the normal reporting line for the Group. In addition, separate whistleblowing mechanisms have been set up where employees can report concerns to the compliance manager in the Group. Lyse has many dedicated employees who see our social mission and the work on green transition as a motivating factor for working at Lyse. The sustainability specialist has operational responsibility and ensures coordination of the work in the organisation.

ABOUT THE SUSTAINABILITY REPORT

Lyse works to ensure transparent reporting on environmental, social and governance issues in line with our stakeholders' expectations and applicable reporting requirements. During the year, Lyse has had a strong focus on improving the sustainability report, and at the same time preparing for the introduction of the EU's new sustainability directive, CSRD, which will affect the Group reporting for the financial year 2024.

Lyse's annual report integrates financial and non-financial reporting. This is a measure to highlight the connection between Lyse's strategy, our primary activities and our ability to create value over time.

The sustainability report is applicable for to the 2023 reporting year. Our annual sustainability report is part of the Lyse Group's Annual financial report and it is based on the Global Reporting Initiative (GRI) Standards. The topics in the report are selected based on a double materiality analysis conducted in the autumn of 2023. Lyse's ambition with the report is to be transparent and share our approach, goals and progress within significant sustainability issues.

Lyse supports the UN Sustainable Development Goals and is a member of the UN Global Compact. For several years, we have linked the UN Sustainable Development Goals to our priority areas, more on this under double materiality.

Developments in reporting

Going forward, sustainability reporting will be expanded to a greater extent than previous reporting years. Lyse has therefore decided to separate sustainability reporting into a separate section in the annual report. The expansion of the annual report for 2023 is a step of the preparation for the extended reporting for 2024.

In 2023, Lyse conducted a double materiality analysis based on the principles of the forthcoming EU directive (CSRD). The analysis provides a thorough understanding of the Group's positive and negative impact on people and the environment, as well as the sustainability risks and opportunities that exist for Lyse. See section 'Double materiality analysis' for a further description of the materiality analysis and the important topics selected by Lyse as part of its work.

Scope

The sustainability report includes all companies that are consolidated in the consolidated financial statements. For a complete list of the companies included in the report, see Note 34 to the consolidated financial statement.

There is no external verification of the 2023 sustainability report.

Further work

In 2024, Lyse will continue its efforts to specify strategy and sustainability goals and targets, as one example through further mapping of scope 3 and the forthcoming CSRD framework.

Through the double materiality analysis, we have started the work of shaping, defining and setting a structure for reporting for each of the key sustainability topics. By doing the assessment, we determine where we work well, where we have improvements and which decisions contribute most to a sustainable direction. This work will continue with full magnitude in 2024.

STAKEHOLDER INVOLVEMENT

In order to succeed with our social mission, it is important to have a good dialogue with our stakeholders. In connection with the sustainability reporting for 2023, an updated survey of the Group's most important stakeholders has been carried out. Lyse defines a stakeholder as a person or group that is influenced by, or who can influence the Group's activities. Each of the companies defines its most important stakeholders in its business plan, and the Group's most important stakeholders are those whom the companies collectively have identified as important.

It is important for Lyse to maintain an open and honest dialogue with stakeholders. This dialogue gives us valuable feedback and allows us to improve, build trust and strengthen our relationships. Cooperation with stakeholders is therefore very important to Lyse, the group has regular communication with its stakeholders through various channels. Representatives from the various stakeholder groups have also been an important contributor to the design of the double materiality analysis.

Lyse's most important stakeholder groups and the Lyse’s communication with these groups are summarized below.

Employees

The employees are the most important factor in whether Lyse succeeds in its assignment. Therefore, we are very keen to inform and listen to our employees and make full use of the expertise we have in the company. We believe in trust and flexibility for our employees and facilitate a good work-life balance.

Lyse conducts annual performance conversations, general meetings are held at both group and company level. We have four employees represented in the Group Board and we are in dialogue with the employees' unions. A working environment survey is conducted among the Group's employees every year. The employee representatives and management of Lyse have several formal and informal meeting areas for dialogue on both strategic and operational matters. EL and IT Federation, Tekna, NITO and Negotia are all represented by its own representative. Several meeting points have been established between the employee representatives, the management of the Group and the management of the subsidiaries. Among the most important are corporate committees, group meetings, working environment committees and corporate committees.

The fact that Lyse wants to be more than a company is valued by the employees. A safe workplace with development opportunitites and diversity, are important issues that Lyses employees wants Lyse to offer.

Customers

Involving customers and citizens is essential for the development of our products and services to be as good as possible. By listening to the needs of the user, we are confident that the development is going in the right direction. We have good experience with this. In order to succeed with customer communication, we need to put ourselves in the customer's shoes and see the world from his or her point of view. For this reason, we try to involve customers as much as possible – and as early as possible. We believe this is absolutely essential for success.

The largest corporate customers are involved quarterly with one-to-one follow-up, where we actively go out and talk to customers to tailor solutions to meet their needs. For small and medium-sized businesses, we conduct surveys and are often in dialogue with customers by phone. Overall, this gives us good insight into what is important to customers in each segment.

Owners

Lyse is owned by 14 municipalities in Sør-Rogaland who wish to be informed at all times about Lyse's operations and future plans. Therefore, we have both annual owner meetings and more informal meetings with the mayor, deputy mayor or municipal director in each of the owner municipalities. In addition, the owners participate in both the corporate assembly and general meeting, and the municipalities are represented on the corporate board. All of these meetings exist to mutually share information and concerns. In the event of special events or changes that Lyse wishes to inform about, Lyse calls the owners to information meetings. It is important to Lyse that the owners are up to date and have the opportunity to ask questions and make suggestions.

The municipalities themselves have set ambitious climate targets and are focused on that Lyse contributes to achieving these targets through the production of renewable energy, and not least through electrification and infrastructure. Creating safe and good jobs, a good local community and increased growth and profitability are also very important to our owners.

Local community

Being more than a company means that Lyse will make a difference in the society in which we operate. This requires good communication with the local community so that we can contribute where it is needed and where we have the greatest opportunities to contribute. In addition to the owners, employees and customers being part of the local community, we also involve the media, the university, the business community and neighbors. For the local community, it is important that we facilitate digitalization, the emergence of new industries, good jobs, secure and stable critical infrastructure, and help create a safe place to live. All this through good ethical business practices. As society evolves with ever more infrastructure, it is important to take care of the local community. It is therefore important to reduce our footprint and avoid unnecessary emissions.

Vendors

Lyse wants an open and transparent relationship with suppliers and partners. In order to achieve our climate targets for cutting emissions and by ensuring good working conditions in our supply chain, we need to have a continuous dialogue with our suppliers on a number of topics that are just as important to our suppliers as they are to us. Lyse expects suppliers to comply with Lyse's ethical guidelines and values, including our standards for health and safety, human rights and the Working Environment Act.

Financial institutions

Investors make it possible for Lyse to grow further within our business so that we can contribute to a more sustainable future. In addition to financing, banks provide services that support ongoing operations and reduce the risk burden on owners and investors. Lyse wants to have a good dialogue with investors and financial institutions and disseminate relevant information related to sustainability.

Collaboration and organizations

Extensive changes in the energy industry requires great demands on knowledge that makes it possible to position for the future. These are among the reasons why the Group is involved in a number of regional, national and international collaborations, councils and committees working with the industry's framework conditions. This applies to both professional and business policy organizations.

Among the most prominent are ICT Norway and Renewable Norway as well as the Norwegian network of the UN Global Compact of which we are a member. We also support Energy and Climate, which covers important issues in the climate and energy fields.

DOUBLE MATERIALITY ANALYSIS

In 2023, Lyse carried out a double materiality analysis to update the Group's existing materiality analysis and sustainability strategy. This is the first step in the process to be in line with the forthcoming CSRD regulation from the EU. The purpose of this analysis is to identify the important areas where Lyse has an influence and which form the basis for what Lyse's sustainability work will focus on in the years ahead.

The analysis provides a thorough understanding of the Group's positive and negative impact on people and the environment, as well as the sustainability risks and opportunities that exist for Lyse. The analysis has been carried out with a dual perspective where it is mapped what impacts Lyse has on the surroundings (impact materiality), as well as the effect of climate change on Lyse (financial materiality). The mapping has consisted of identifying impacts, risks and opportunities for Lyse. This has been mapped in each of the business areas renewable energy, telecommunications and infrastructure and circular energy.

The process has been a stepwise process where a mapping of the value chain, has been conducted followed by mapping of internal and external stakeholders. Conversations and workshops have been held with external and internal stakeholders across the various identified stakeholder categories and business areas. The topics have been consolidated and materiality assessed into 18 topics that are material to Lyse. The topics are within climate, social conditions and responsible business operations and are linked to the ESRS standards in the CSRD regulations.

The double materiality analysis has been reviewed and approved by the Group Executive Management, the Audit Committee and the Group Board of Directors. In 2024, we will continue to work on specific measures and goals for the 18 material sustainability topics, and align these with the existing work carried out in the Group. Thus, part of the work will be to harmonize existing work with new requirements in accordance with CRSD, and form a structure that is in line with the new reporting regime. In addition, we will increase expertise internally and externally within our essential topics. This will be a focus over several years, as developments in the field are constantly evolving.

Significant topics

Lyse has identified 18 material topics – areas within sustainability that the Group will emphasize in the years ahead. An overview of the various identified topics is provided in the table below:

Climate and environment	
1	Driving the green energy transition
2	Deliver renewable energy and power production
3	Build and further develop critical infrastructure
4	Greenhouse gas emissions
5	Biodiversity and impact on nature
6	Circular economy and waste management
7	Climate risk
Social conditions	
8	Diversity, inclusion and equality
9	Attractive and developing workplace
10	Health & Safety
11	Responsible supply chain
12	Local value creation and social contribution
13	Digital inclusion and information security
14	Securing supply
15	Energy transition for end users
Responsible Business Conduct	
16	Data protetction
17	Business ethics and anti-corruption
18	Security

Some of the significant topics are described below. As mentioned, this is preliminary work, and in 2024 we will continue our work to update sustainability goals, KPIs and guidelines to be in line with the CSRD regulations.

CLIMATE AND ENVIRONMENT

Our work on climate is linked to the following of the UN Sustainable Development Goals:

Driving the green energy transition

Lyse's perhaps most important climate goal is to be an engine for the green transition and contribute to emission cuts in the region. Lyse delivers renewable energy, infrastructure and innovative services that enable our customers to reduce greenhouse gas emissions. Electrification and digitalization are crucial for achieving local as well as global climate goals. The group's wide portofolio makes Lyse well positioned to contribute and create profitable growth in the green transition.

We will work to build more energy and power production. This is one of our most important social missions that will continue to be in focus in the years to come. At the same time, we will contribute to the green transition by being a driving force for the energy transition in the region. By using surplus heat from the incineration plant at Forus, the district heating route helps to cut emissions, release electricity that can be used for electrification and relieves pressure on the power grid in the region.

Together with IVAR, a study has been initiated of carbon capture from the region's largest emission point, Forus Energigjenvinning. In addition, several projects and investments in biogas are ongoing, including through the production of biogas from manure. The goal is to offer natural gas customers a climate-neutral alternative.

With this, we will contribute with a positive impact on our surroundings and contribute to the transition of our society to a low-emission society.

Deliver renewable energy and power production

One of our most important climate contributions is to supply renewable energy and power production. In December 2023, we applied for a license to upgrade the 60-year-old power plants in Røldal-Suldal with five new hydropower plants. Upgrading and expanding the current facility could more than double the current capacity, and could be done with limited environmental impact. The expansion will enable hydropower to be utilized more flexibly. With increased power production from renewable sources such as wind and solar, this flexibility becomes even more essential. New and upgraded hydropower plants in Røldal-Suldal will be important to ensure a more robust power system that benefits industry, climate and society.

Build and further develop critical infrastructure

Lyse will make a difference by building and further developing infrastructure critical to society, including power grids, 5G networks and fibre-optic connections. Through Lyse, the grid company Lnett's strategy is to build with excess capacity in areas with expected growth, and thus proactively facilitate the transition to electrification. This is very important in order to have enough capacity to meet future electricity needs, which include power-intensive industries. Major investments are therefore being made in the development and upgrading of the distribution and regional grid. During 2023, Lnett has put into operation four new substations: Håland, Veland, Hjelmeland and Fagrafjell. In addition, voltage has been installed on two power lines in the regional grid, at Jæren and in Strand municipality respectively.

Greenhouse gas emissions

By 2030, Lyse will be climate neutral within its own operations, and at the same time be a significant contributor to regional emission cuts. This is done both through targeted mapping and implementation of measures in the Group, and through active collaboration with the Group's many suppliers.

The largest direct contributions to greenhouse gas emissions in the Group are the use of natural gas in local heating plants, emissions of SF6 from substations, and emissions from the Group's vehicle fleet. In order to achieve climate neutrality, emissions in Scope 1 will be phased out through restructuring of own operations. Among other things, work is underway to restructure several local heating plants and the Group's vehicle fleet. Group is also actively working on phasing out SF6 gas. Substations are currently designed and budgeted for the SF6 free plant. For the regional grid (132kV), SF6 free solutions are available on the market. In substations, on the other hand, SF6 is most commonly used for the distribution grid. The plan is to transition to SF6-free plants in line with the ongoing development of more compact SF6-free plants in the distribution grid.

Climate neutrality in our own operations also includes internal use of electricity and district heating (Scope 2). The emission target in Scope 2 is already well on its way through climate-neutral district heating from Lyse Neo and guarantees of origin for large parts of the Group's power consumption. Today, it is mainly the network loss and some of the power consumption of the mobile network that is not covered by guarantees of origin.

Efforts are also being made to reduce the company's indirect emissions (Scope 3). This includes upstream emissions, including treatment of goods and services purchased by Lyse, and downstream emissions, such as the use and treatment of goods and services offered to customers by Lyse. For Scope 3, extensive mapping is required to locate significant emission areas. We have started a materiality assessment of the 15 categories in Scope 3, which will focus on areas where measures provide the greatest benefits. Based on the materiality analysis, a budget and accounts will be prepared for Scope 3.

Biodiversity and encroachment on nature

Infrastructure and our power plants affect the environment and biodiversity in the areas where we operate, and represent a risk of negative impact. We need infrastructure and renewable energy to contribute to the green transition, at the same time as this affects our surroundings. Hydropower and the development of the power grid are impact assessments where biodiversity is part of the assessment of our developments. For example, we have our own action plans to follow up the biodiversity in water bodies affected by Lyse's power production. We have chosen to report on spawning stock biomass in some of our watercourses in order to focus on the biodiversity in our water bodies.

Lyse focuses on safeguarding and improving biodiversity in the areas in which we operate. We expect more regulation and focus on this in connection with the Nature Risk Commission's report, and that the CSRD regulations set stricter reporting requirements. We are therefore working to systematize this work to a greater extent and set good goals that we will work towards in the years ahead.

We use spawning stock biomass targets (GBM) for salmon as an indicator of the status of salmon stocks affected by our hydropower regulation. Each watercourse is given a unique measure of the amount of female salmon required by the Scientific Council for Salmon Management in order for the river system to exploit the potential of the river fully. GBM achievement is a minimum goal where 100% goal attainment means that the goal has been reached. Achievement of the goal depends on survival in both river and sea. The objective is therefore somewhat imprecise as sea survival is not affected by our activity. Below is an overview of spawning population targets for 2023. The overview shows good goal achievement for the year.

	% of GBM	31.12.23	31.12.22
Spawning Population Target (GBM)			
Årdalselva in Hjelmeland	% of GBM	266	236
Lyseelva in Sandnes	% of GBM	335	240
Jørpelandselva in Strand	% of GBM	418	469
Espedalselva in Sandnes	% of GBM	517	449
Frafjordelva in Gjesdal/Forsand	% of GBM	660	1 118

No violations of laws and regulations related to serious environmental incidents have been recorded in 2023. A serious environmental incident is defined as an incident that causes a serious or irreversible environmental impact.

Circular economy and waste management

The construction of infrastructure, power generation and the sale of mobile phones and routers require resources from nature. In the future, resource scarcity will be an increasing risk for all enterprises that use raw materials that are limited in nature. The circular economy and circular energy, which is part of Lyse's main business areas, are also part of the solution and creates new business opportunities for both Lyse and other stakeholders. We will help further develop existing business areas within circular energy, while at the same time being a driving force for new solutions.

As a major purchaser, Lyse has the responsibility to set requirements and expectations for circular economy and waste management throughout the value chain. Sustainability is part of our procurement routines, but in the years to come we will increase our knowledge, sharpen our routines and measure ourselves so that we can see a change in the potential negative impact of consuming resources. We will also look into material use, and reuse of equipment and materials throughout our value chain.

In 2023, Ice launched "PentBrukt" where nicely used mobiles are offered to customers. The offer is a measure to help reduce consumption in society, and increased environmental awareness among the population shows that this is a product that customers want. Ice also focuses on ensuring that all phones returned as a result of the cancellation deadline will be reused. In 2023, 100% of the phones returned were reused.

SOCIAL CONDITIONS

Our work within social sustainability is linked to the following areas of the UN Sustainable Development Goals:

Lyse aims to be an attractive, fair and good employer, and wishes to retain and attract the best and most qualified expertise also in the future.

In order for Lyse to succeed with its social mission today, and for the future, we are completely dependent on having employees who have the right expertise, and at the same time feel confident in a responsible and good working environment. Towards 2030, Lyse will carry out a significant competence and career boost for employees in the Group. This is one of our 5 main goals for our strategy towards 2030.

Diversity, inclusion and equality

Lyse has about 2 000 employees in a number of disciplines. We shall ensure equal opportunities for employees through fair processes for; recruitment, salary and working conditions, development opportunities and protection against harassment. Lyse aims to be a workplace where there is no discrimination.

Lyse has traditionally been a workplace with a high proportion of men, and achieving a better gender balance has been a priority in recruitment, also in management positions. 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.

Among all employees in the Group, 32.5% are women, compared with 31.5% the year before. In management positions, the proportion of women is 29.6%, compared with 33.9% the year before. The definition of a manager has been updated in 2023, and all employees with personnel responsibilities are now defined as a manager. Comparative figures have not been reworked. A total of 340 new employees have been hired in 2023, compared with 480 the year before. Of new hires in 2023, 35.3% are women. Furthermore, there is an equal proportion of women and men in both the Board of Directors and the Executive Committee. The Lyse Group is committed to ensuring equal pay for equal work. In cooperation with the trade unions, the Hay job assessment system has been introduced 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. In wage settlements, regular reports are made on pay increases women vs. men.

The average fixed salary for women relative to the average fixed salary for men (salary ratio) is 0.93 for all employees in 2023. The ratio was the same in 2022. The salary ratio for fixed salaries for managers is 0.95 in 2023. In 2022, the salary ratio among managers was 0.89. The change is partly due to the fact that the definition of a manager has been changed in 2023, and more employees are now falling under the definition of a manager. Comparative figures have not been reworked.

Attractive and stimulating workplace

Targeted efforts are made to ensure competence development for our employees. A plan has been drawn up for mapping competence needs in the Group, and measures to cover competence gaps. In addition, individual competence and development plans are drawn up to retain and develop own employees and ensure internal mobility.

Lyse has continued the management programme for managers with personel responsibility, which started in January 2022. The program aims to contribute to a Lyse culture characterized by learning and achieving, establishing a joint leadership, enhancing interaction and experience exchange. The management program in 2023 encompassed the "Employee journey", with focus on how Lyse will receive new employees in the best possible way, employee follow-up and development. 233 leaders have participated in the leadership program in 2023.

Career and competence development shall be part of performance appraisals for all employees at Lyse. Internal mobility is an important tool for ensuring Lyse the right expertise and at the same time providing employees with career opportunities. All of Lyse's positions are first advertised internally, and around 40% of all positions are recruited internally.

Annual employee surveys are carried out in the Group by each company. In general, the surveys show that Lyse's employees are very satisfied with Lyse as an employer. Regular performance appraisals are conducted between manager and employee.

Health & Safety

At Lyse, no task or activity shall be prioritised over health, safety and the environment. There is always compliance with statutory HSE requirements for the various businesses. Lyse has implemented procedures for safe job analysis related to the internal performance of operational tasks or in interaction with other partners and suppliers.

There were 13 personal injuries in 2023, 6 of which resulted in sick leave, for a total of 86 days of sick leave. In 2022, there were 9 personal injuries, of which 5 of the injuries resulted in an 18-day sick leave. Sickness absence in the Group in 2023 was 4.0% compared to 4.2% in 2022. Lyse has a target of less than 3.5% sickness absence.

Responsible supply chain

Lyse is subject to the reporting obligation pursuant to the Transparency Act. For 2023, Lyse has prepared a report that is in line with the regulations for the Transparency Act. This report, which has been prepared in accordance with Section 5 of the Transparency Act, also includes those of our subsidiaries that do not have an independent reporting obligation pursuant to the Transparency Act. The companies in the group that are directly subject to the Transparency Act have prepared their own reports.

Lyse aims to be "more than a company", and we work continuously to ensure responsible business practices in our own operations and in our value chains. A well-functioning business sector that also creates jobs and economic growth is an important contribution to achieving the UN Sustainable Development Goals, and Lyse will use its role as a business actor to ensure long-term value creation.

The purpose of the Transparency Act to promote respect for fundamental human rights and decent working conditions in connection with the production of goods and services coincide with Lyse's values of taking social responsibility and having sustainable business operations that respect human and labor rights, society and the environment. Lyse has been a member of the UN Global Compact since April 2021. The Transparency Act is closely linked to SDG 8 on decent work and economic growth, and No. 12 on responsible consumption and production.

Lyse has overall responsibility for compliance with the Transparency Act, and Group Procurement has overall responsibility for supplier follow-up. Lyse AS conducts due diligence assessments on behalf of the entire Group and prioritizes follow-up of suppliers in areas where there is a significant risk of human rights violations and decent working conditions.

Lyse shall operate its business responsibly by safeguarding human and labour rights, society and the environment. This is anchored in our "Guidelines for Corporate Governance and Ownership Governance", which has been adopted by the Group Board of Directors. Our ethical guidelines, which apply to everyone who works for Lyse, also convey clear requirements and expectations for personal behavior and for the work being carried out in an ethical manner. This entails, a duty to conduct our business in a way that promotes respect for fundamental human rights and decent working conditions in our own operations, as well as our suppliers and business partners. All employees are also obliged to notify Group Procurements of suspected non-conformities, related to human rights and decent working conditions at our suppliers and business relations. In connection with the revision of our Code of Conduct in February 2023, a mandatory e-learning course has been conducted for all employees within the Group to ensure communication and compliance with these. This is a course that all employees must complete every year.

Suppliers to Lyse must confirm and sign our Supplier Declaration, which among other things includes requirements relating to health, safety, environment, climate and human rights, labor rights and business ethics. The Supplier Declaration also imposes a duty on our suppliers to notify if they become aware of negative impact on fundamental human rights and decent working conditions in relation to the goods or services supplied to the Group. The Group also has contractual terms which, in addition to requiring compliance with fundamental human rights and decent working conditions, also allow us to receive information from our suppliers on supply chains and production conditions.

Group procurement has carried out an overall mapping of the Group's suppliers and business contacts, and we have routines in place to ensure that this is updated when changes occur in our supplier portfolio. This information enables us to better identify potential risks for individual suppliers, as well as providing us with information about possible focus areas for further mapping. Our contract portfolio is large and complex, and we prioritise our follow-up work on the basis of severity, scope and likelihood of potential negative impact or damage.

In 2023, Group Procurement has worked further on the development and implementation of various routines and guidelines to promote fundamental human rights and decent working conditions at our suppliers and business associates. This also includes further development of criteria for selection and follow-up of suppliers. This is a complex work, which will continue in 2024. We have acquired EcoVadis, which is a system that will be used to conduct sustainability assessments of corporate social responsibility (CSR) based on international standards in the areas of:

- Environment
- Ethics
- Social responsibility
- Procurement

EcoVadis will provide insight into the risks that apply to the suppliers that have been mapped and assessed through the system, and will be an important contribution to our structured work with supplier follow-up. The system can also be used for assessment of new suppliers and partners. In the 4th quarter of 2023, work has also been conducted on the revision of criteria and a system for implementing counterparty control of Lyse's suppliers and partners. All employees in the Group must relate to this process in connection with, for example, procurement procedures, the entrance of cooperation agreements, the execution of transactions or changes of ownership at our suppliers. In this work, we use, among other things, the Dow Jones system, which checks various aspects of a supplier, including whether there are negative news stories within:

- Regulatory matters
- Competitive conditions
- Financial matters
- Environmental conditions
- Production conditions
- Employment law matters

Special investigations are also carried out in industries that are considered to have a particularly high risk in, for example, work-related crime.

For the qualification of suppliers in connection with procurements subject to the Supply Regulations, we mainly use the Achilles UNCE qualification system. Audits of selected suppliers are part of the qualification process and are carried out by Achilles UNCE. In 2023, Achilles UNCE audited 16 of our health, safety, environment and quality suppliers. For these 16 suppliers, the average fulfilment percentage was approximately 93% and non-performing suppliers will be followed up by Achilles UNCE.

In 2023, Group Procurement has continued to work to ensure understanding and management of the risk of negative impact on human rights and decent working conditions at our suppliers and business associates. We have not found that Lyse actually causes negative impacts on fundamental human rights and decent working conditions. Nor have we identified any actual negative consequences for fundamental human rights and decent working conditions in our own operations.

In our work, we have prioritized follow-up of suppliers in some of the procurement categories where there is the highest risk of breach and where a breach will be of greatest severity. Based on this we have in 2023 worked with due diligence assessments of suppliers in the following procurement categories:

- Electronic equipment/materials
- Telecommunications infrastructure and access

This follow-up work is an ongoing process, which means that there is limited information we can disclose as findings at this point. However, we have received information from a supplier which has uncovered negative impacts related to fundamental human rights and decent working conditions in their supply chain, for this instance recovery measures have been implemented. Responsible sourcing of conflict minerals is also a topic in the dialogue with the supplier, who has documented that audits are carried out in accordance with recognized standards in the area, such as the OECD standards.

Lyse has a large number of suppliers and business contacts, and based on an overall risk mapping, 1000 of our largest suppliers have been selected for further risk mapping through EcoVadis. The results of this survey show that none of these suppliers have an overall risk profile that is "high" or "very high", but some suppliers have an overall risk profile of "medium high". However, the majority of our suppliers have an overall risk profile that is "medium low" or lower. In the area of "procurement", which is one of the areas in which EcoVadis conducts sustainability assessments, some of our suppliers have a risk profile that is assessed as "very high" and "high". This may be due to various factors. For example that the suppliers have not submitted documentation requested by EcoVadis, or that they sell products that have been shown to be associated with risks in relation to fundamental human rights and decent working conditions.

We have also followed up some individual cases on the basis of tips and news reports, which led to replacement of a subcontractor. In another case, we have carried out investigations and had a dialogue with a supplier regarding issues relating to employment law matters. In the last mentioned case, there was no financial loss for the affected employees, but the work done led to concrete changes in the employment relationship with the supplier.

For our suppliers and business partners, our overall survey has shown that the following procurement categories have the highest probability of breaches or deviations, where the probability of serious consequences is highest within:

- Vehicle
- Warehousing and transportation services
- Internal operations – goods
- Telecommunications infrastructure and access
- Trenching and ground work
- Electronic equipment/materials
- Power and infrastructure

In 2023, we have also worked on the implementation of the Dow Jones and EcoVadis systems, as well as improving internal work processes, for use in, for example, conducting due diligence. Work and measures have been underway to revise the process for awarding and following up suppliers, and a system and guidelines have been established for the implementation of counterparty control. These measures are expected to help reduce the risk of negative impacts on human rights and decent working conditions.

In 2024, further work will be carried out to improve and further develop routines for due diligence where identified risk areas will be prioritized. We will also continue to work on improving existing measures and establishing new ones, if appropriate. This includes establishing a process for using EcoVadis, which we want to implement as an integral part of relevant work processes. We are also investigating potential partners who can help strengthen our work in this area.

Conducting due diligence assessments within priority risk categories will also be central to the work in 2024. We will continue to communicate to our suppliers, the importance of compliance with human rights and decent working conditions and the significance this has for Lyse. Our focus area is on our suppliers and business partners, as we consider the this as the greatest risk area. In 2024 we will also consider what measures should be taken, to prevent Lyse from contributing to negative impacts on fundamental human rights and decent working conditions through subsequent stages.

Lyse is currently evaluating existing whistleblowing systems, the purpose of which is to identify good measures to gain an overview of possible negative consequences related to fundamental human rights and decent working conditions. In this connection, it is relevant to consider whether a new system for external whistleblowing should be purchased.

Local value creation and social contribution

An important part of Lyse's purpose is to create value for society. Lyse delivers critical infrastructure regionally, nationally and internationally. This is infrastructure that most people in the local community depend on, to make everyday life go around. At the same time, we contribute with jobs and dividends to our 14 owner municipalities. In addition, we influence the local communities in which we operate, by making contributions to sports, culture and research. At the same time, we are aware that the development of infrastructure can have a potential negative impact on the local environment where the infrastructure is built.

In connection with the double materiality analysis conducted in autumn 2023, as well as other stakeholder involvements that have been conducted, we have received useful input on what affects our stakeholders. We will take this into account as we adjust our strategy in 2024 related to our impact on the local community.

Energy transition for end users

As a supplier of electricity and telecommunications services, we have a responsibility towards our customers, at the same time as we can help improve the everyday lives of our customers. Our goal is optimal customer experiences where we will be a credible supplier with relevant services and proximity to customers.

We have several initiatives aimed at end users in Lyse. Among other things, together with Stavanger Municipality, we have helped customers finance heat pump purchases via their electricity bills. Our energy overview is also an example of solutions for our customers to make wise power choices.

Digital inclusion and information security

Lyse aims to improve the customer experience and enable everyone to take part in the digital universe in a positive way. This entails, among other things, building digital skills through universal design of services that are adapted to the individual target groups. Building digital skills promotes digital inclusion over time.

Our brands Ice and Altibox have a special focus on digital inclusion among customers, and have several ongoing projects and initiatives that will be further developed in the future. The initiatives are aimed at those with special needs, such as blind, visually impaired, the elderly, and safe digital frameworks and network savvy for children. In 2024, we will coordinate our initiatives and set goals in line with the CSRD regulations.

RESPONSIBLE BUSINESS

Business ethics and anti-corruption

The Lyse Group works actively with ethics and anti-corruption and focuses on training and visibility related to whistleblowing channels, information and training in ethics and anti-corruption.

Lyse's employees shall be based on values that promote credibility, trust and respect towards our customers, owners, suppliers and between employees. This is part of our ethical guidelines, which are signed by all Lyse employees when onboarded. Lyse's ethical guidelines are reviewed annually and revised as necessary. Annual e-learning courses for all employees contribute to knowledge and compliance with the guidelines. The ethical guidelines shall also be followed by temporary employees, board members and persons or businesses hired to perform assignments for Lyse. The ethical guidelines can be found on www.lysekonsern.no.

Our Code of Conduct is a tool for influencing the Group's behavior and culture. The guidelines shall clarify Lyse's expectations of personal behavior and to ensuring that the work is carried out in an ethically responsible manner. The guidelines also describe where to contact, if you are in doubt on how the guidelines are to be understood, or have other practical issues you want to address.

As an employer, Lyse expects its employees to make decisions that are in line with the ethical guidelines. We consider this crucial for safeguarding our reputation and the trust that we wish to maintain among customers, partners, owners, the business community and the society at large.

Through annual compliance reporting, the companies in Lyse report among other things, compliance with ethical guidelines and other relevant regulations. It is also reported annually to Lyse's Board of Directors.

In 2023, there have been no reports or uncovered cases of corruption or violations of laws and regulations in general.

Lyse works actively to promote a culture characterized by openness and encourages employees to seek advice on all issues, including matters relating to responsible business practices.

Lyse has a whistleblowing routine which, among other things, specifies the employees' statutory right to report censurable conditions in the company, as well as the obligation to do so in certain cases. The practical procedure for reporting incidents and how the report is handled are also described in the routine. "Censurable conditions" means matters that are contrary to laws and regulations, Lyse's ethical guidelines or other ethical norms that are widely supported in society. This may, for example, be discrimination, danger to life or health, danger to the climate or environment, bullying and harassment, financial irregularities, an unacceptable working environment or other. Whistleblowing is one of the topics addressed in the annual e-learning course to be conducted by all employees.

All whistleblowing cases are taken seriously. There were 2 whistleblower cases of possible violations of Lyse's living rules in 2023. The number of whistleblowing cases is reported annually to Lyse's Board of Directors.

Privacy

Lyse works actively to safeguard the privacy of both customers and employees. Lyse has a superior guidelines for the processing of personal data, which describes the Group's guidelines and objectives with privacy work, as well as roles and responsibilities. The Group has appointed its own Data Protection Officer. In addition, each company has a data protection officer who handles day-to-day, operational responsibilities together with the company's management. Each company is responsible for compliance, but is supported by groups including the Data Protection Officer, the Legal Department and the Head of Information Security (CISO). According to GDPR, processes and technical support have also been established 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 their position, subject area and area of responsibility where relevant.

Privacy statements have been prepared and published describing how companies process personal data. This shall be done 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 personal data breaches.

In 2023, there have been three breaches of personal data security in the group that have been of such a nature that they have been reported to the Norwegian Data Protection Authority. This is a reduction from six violations in 2022. No audits have been carried out by the Norwegian Data Protection Authority during the reporting period.

In addition to the reported deviations, the companies in the Group work continuously to identify minor deviations and possible improvements to ensure correct processing of personal data and prevent future deviations. The companies in the Group and the Data Protection Officer also respond to inquiries from customers related to privacy.

Security

During the reporting year, Lyse has significantly invested and increased competence and awareness of safety in the Group, which includes a "Safety Month", where more than 1000 employees voluntarily attended various sessions on safety topics.

Lyse will continue on setting the spotlight on safety in 2024, through the establishment of KPIs for all companies in the Group and implementation of a safety roadmap. This is important to ensure that we adopt the correct security posture and enable our organisation for the future.

Lyse champions, drive and implement "safety-aware" approach in all our Lyse organisations. Using well founded processes, methodologies, frameworks and guidance, we start conversations with decision makers, provide sound advice about security and help our organisation to become more resilient.

We have a mission to ensure that Lyse is not only prepared for the current security risks we face, but also understands the threats of the future. We are proactive, hands-on and hold ourselves accountable for the important role we play in society.

Our clear objectives:

- We will ensure a secure and resilient organization, by protecting our people, economy, infrastructure, operations and assets from all major security risks that can affect us directly.
- We will shape a secure culture in our organisation, by acting in a consistent matter to reduce the likelihood of security risks affecting Lyse by applying our influence, support and mitigating controls to help create a secure business environment.

GREEN BONDS

Lyse issues green bonds on the Oslo Stock Exchange. The investments are made in accordance with Lyse's green financial framework ("Green Financing Framework"). The framework has been developed based on the International Capital Markets Association's (ICMA) Green Bond Principles and the Loan Market Association (LMA)'s "Green Loan Principle". Lyse publishes a separate Green Bond Report 2023, which is available at lysekonsern.no.

In January 2024, Lyse updated its green financial framework. The framework has been assessed by S&P Global Ratings where they have used Shades of green as the rating of Lyse's framework. Lyse has achieved "Dark green", which is the highest attainable green shade.

According to S&P Global, "dark green" is defined as: "Activities that correspond to the long-term vision of a low-carbon climate resilient future".

EU taxonomy

The EU taxonomy is a classification system that specifies criteria for which 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.

An economic activity qualifies as environmentally sustainable if it meets the following three criteria:

- Make a substantial contribution to at least one of the six environmental objectives.
- Do no significant harm to any of the other five environmental objectives.
- Comply with minimum safeguards standards.

DEVELOPMENTS IN REPORTING

During 2023, Lyse has assessed whether new economic activities and investments meet the requirements of the taxonomy. In addition, we have reviewed our previous assessments conducted in 2022. The review led to:

- District heating using surplus heat from waste incineration is now included as a sustainable activity under the economic activity "District heating and cooling distribution". Local heating and district cooling are also eligible activities. However, the local heating does not meet the criteria in the taxonomy, and fulfilment of the criteria has not yet been documented for district cooling.

- The Group's investments in charging operations for electric vehicles and express ferries are included in the following activities: "Infrastructure enabling low-carbon road transport and public transport", "Infrastructure enabling low-carbon water transport" and "Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)".

- The economic activity "Acquisition and ownership of buildings" is included.

The EU taxonomy is still a relatively new reporting framework. There are therefore few standards for how reporting should be carried out. The EU has published guidelines that we have used in our assessments, but there is still uncertainty as to how some of the requirements should be interpreted. As part of this work, Lyse has engaged in dialogue with other companies in the same industry on the interpretation of the requirements and implementation of the EU taxonomy. Lyse will closely monitor developments in the EU taxonomy and adapt to any specifications and clarifications. This may affect our assessment of alignment and reported KPIs in the years to come.

ELIGIBLE ACTIVITIES

Lyse has activities under the three business areas Renewable energy, Infrastructure and circular energy and Telecom. Lyse has assessed the extent to which the Group's economic activities meet the requirements of the EU taxonomy. We have identified seven economic activities that fall under the EU taxonomy definition as eligible for the climate change mitigation objective. The Group also provides IoT services that may be eligible in the taxonomy. In 2024, Lyse will continue its efforts to include these activities.

Electricity generation from hydropower

The Group is a national participant in the industry of renewable and regulated hydropower. This is an activity that fall under the taxonomy definition as eligible. Several investments are being made in hydropower activities related to the rehabilitation, renewal and reinforcement of dams and power plants in wholly owned and partly owned power plants. New improvement and expansion projects will ensure new renewable energy and effect for society.

Transmission and distribution of electricity

Lnett is responsible for building and operating the regional grid in Sør-Rogaland, as well as responsible for the corresponding distribution grids in nine municipalities. This is an activity that fall under the taxonomy definition as eligible. Major investments have been made in Lnett in recent years, and further growth in investments is expected to facilitate more industrial development and increased electrification of society.

District heating distribution

Lyse Neo is responsible for building and operating the district heating network in Stavanger and Sandnes. The distribution of district heating is an activity that can be classified as environmentally sustainable under the taxonomy. District heating helps cut emissions, releases electricity that can be used for electrification and relieves pressure on the power grid. By using the excess heat from waste incineration, energy that would otherwise be lost is used. Lyse Neo also has district cooling that is eligible under the taxonomy, but as of now no assessment has been made as to whether the activity meets the criteria for alignment. This will be followed up in further work in 2024.

Charging business

Through the companies Lyse Lading AS and Lyse Energi AS, Lyse owns and builds charging infrastructure for housing cooperatives throughout Norway as well as fast charging stations for electrical vehicles in Rogaland and Agder. The transition from fossil-powered to electric vehicles is a key factor in reaching climate targets, and the increasing number of electric vehicles make charging infrastructure very important. Furthermore, through the company Lyse Elkon AS, Lyse has created a flexible infrastructure for electric charging of express ferries together with the Stavangerregionen Havn and Kolumbus.

Acquisition and ownership of buildings

Lyse owns and rents out a limited number of office premises. This is an activity that fall under the taxonomy definition as eligible. However, Lyse's activity does not meet the criteria for environmentally sustainable activites.

NON-ELIGIBLE ACTIVITIES

The taxonomy non eligible activities are mainly related to the Telecom segment. Furthermore, activities related to the sale of electricity to end-users, sale of natural gas, construction, operation, and maintenance of outdoor lighting facilities, as well as marketing activities are classified as non-eligible activities by the taxonomy.

Telecom is an important business segment for the Group, with a large proportion of investments going to the development of 5G and fibre networks, and the production of internet and TV for end customers through Altibox. Currently, telecom as an industry is not included in the taxonomy, but it is something that should be considered closer 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 in order to enable the EU's climate targets by 2050.

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

ENVIRONMENTAL OBJECTIVE

Climate change mitigation is the environmental objective where Lyse can make the greatest contribution. As a result, our reporting on alignment with the EU Taxonomy is focused on this environmental objective. Parts of Lyse's activities could also qualify under the environmental objective of climate change adaptation. This applies in particular to the Group's hydropower plants, which can play an important role in measures to reduce the risk of flooding.

REPORTING BOUNDARIES

Only activities in consolidated companies and joint operations are considered for eligibility. See Note 20 and Note 34 in the consolidated financial statements for a full overview. Lyse do not have operational control of the companies with joint operations and relies on the assessments made by our business partners.

ASSESSMENT OF SUBSTANTIAL CONTRIBUTION

The largest economic activity in Lyse's portfolio is electricity generation from hydropower. To assess whether this activity makes a substantial contribution to climate change mitigation, it must meet one of the following three screening criteria:

- The electricity generation facility is a run-of-river plant and does not have an artificial reservoir.
- The power density of the electricity generation facility is above 5 W/m^{2}.
- The life-cycle GHG emissions from generation of electricity from hydropower, are lower than 100 g CO_2e/kWh

Lyse has assessed the hydropower generation against the power density screening criteria. The assessments showed that 99.6% of Lyse's wholly owned hydropower portfolio based on reservoir capacity meets the substantial contribution criteria for climate change mitigation.

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

District heating activities make a substantial contribution to climate change mitigation by meeting the definition of efficient district heating systems laid down in Article 2, point 41 of the Energy Efficiency Directive (Directive 2012/27/EU):

" Efficient district heating and cooling' means a district heating or cooling system using at least 50% renewable energy, 50% waste heat, 75% cogenerated heat or 50% of a combination of such energy and heat."

In 2023, the energy mix for district heating distributed in the district heating network in Stavanger/Sandnes/Forus consisted of 93% waste heat from waste incineration and 7% biogas. The activity therefore fulfils the substantial contribution criteria for climate change mitigation. The local heating business does not meet the definition of efficient district heating systems.

In addition, the charging business for housing cooperatives makes a substantial contribution to climate change mitigation by performing installations, maintenance, and repair of charging stations for electrical vehicles.

DO NO SIGNIFICANT HARM (DNSH)

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

Climate change adaptation

Climate conditions, weather predictions and patterns are core elements of the Group's development and production planning 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 implementing mitigation measures to minimise these risks, both for our projects under development and for the operation of existing facilities. The Group has routines for heightened preparedness in case of warnings of extreme weather in order 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 change adaptation.

Sustainable use and protection of water and marine resources

Fulfilment of the DNSH criteria for the environmental objective "sustainable use and protection of water and marine resources" is closely related to whether the power plants meet the requirements of the EU's Water Framework Directive (WFD) with some specific DNSH criteria for hydropower production. The Norwegian authorities have issued a corresponding regulation (Vanndirektivet) that ensure national implementation of the EU's Water Framework Directive. The regulations are based on a number of sectoral legislations, such as the Water Resources Act and the Nature Diversity Act. As part of their implementation, these laws have the resources to follow up specific environmental targets set by competent authorities pursuant to the WFD.

The water bodies affected by Lyse's hydropower production are monitored and Lyse follows the timeframes set by the competent authorities and has so far implemented all necessary mitigation measures within the deadline. We are closely monitoring that the measures we have implemented have the effect we want. Lyse's operations are operated in accordance with approved concessions and the objectives set in accordance with the Water Regulations. We are committed to ensuring that affected water bodies eventually have good status or meet the full capacity of the water bodies potential and considers the company's hydropower plants to meet the DNSH criteria for water and marine resources.

Lyse's interpretation of the DNSH criteria for water and marine resources is based on extensive discussions with companies in the same industry and industry organisations. Lyse acknowledges that other interpretations of this criteria exist, and that the taxonomy can still be subject to change and clarification. In addition, the WFD is itself dynamic, in the sense that environmental objectives shall be regularly revised and continuously improved. Lyse is closely monitoring the developments in the EU taxonomy and will adapt to any specifications and clarifications.

All our district heating plants have been subject to regulatory permitting processes during construction, and environmental impact assessments have been carried out when required by Norwegian authorities. Necessary mitigation measures have been implemented for all facilities. The activities comply with the Planning and Building Act, the Pollution Control Act and the Nature Diversity Act. Lyse's district heating distribution network meets the DNSH criteria for water and marine resources.

Transition to a circular economy

The DNSH criteria for the environmental objective "transition to a circular economy" are very broad and are only relevant to Lyse's activity transmission and distribution of electricity. Lyse's grid activities comply with The Norwegian Water Resources and Energy Directorate's (NVE) Guide for the preparation of applications for concession for grid facilities (no. 2/2020), which stipulates requirements for the preparation of an environmental, transport and construction plan (MTA plan). The plan must be approved by NVE before construction starts. Among other things, there are requirements for plans for how waste will be handled in the construction project. The requirements are transferred to the contracts with the suppliers. When rebuilding grid facilities, consideration is given to whether materials can be reused, and an agreement has been entered into with Norsk Gjenvinning AS on a comprehensive, cost-effective and future-oriented waste collection service that will contribute to a high recycling rate in the Group. Based on these assessments, we consider the activity transmission and distribution of electricity to be in line with the DNSH criteria for circular economy.

Pollution prevention and control

The DNSH criteria for "Pollution prevention and control" is relevant for Lyse's activities: distribution of electricity and district heating. These activities are carried out in accordance with the EU directives referred to in the DNSH criteria.

For our activities related to electricity distribution, the Group complies with the Construction Client Regulations of the Norwegian Labour Inspection Authority. The Group's internal control contains routines and instructions intended to contribute to the protection of health, safety and the working environment. The activity complies with applicable regulations and standards to limit the effects of electromagnetic radiation on humans and does not use polychlorinated biphenyls (PCBs) in activities or facilities. Accordingly, our activities in transformation and distribution of electricity are reported as meeting the DNSH criteria for pollution prevention and control.

For the activity distribution of district heating, Lyse is of the opinion that it is unnecessary and not in line with the intention behind this environmental goal to replace well-functioning and reliable equipment before the equipment has reached the end of its lifetime if this would not be rational in a life cycle perspective.

For all activities, measures have been introduced to reduce noise, dust and emissions of pollutants during development and maintenance.

Protection and restoration of biodiversity and ecosystems

The criteria for 'Protection and restoration of biodiversity and ecosystems' requires an Environmental Impact Assessment (EIA) to be carried out in accordance with EU

Directive 2011/92/EU before work commences. For all our facilities, both connected to the grid and hydropower, a biodiversity assessment and impact assessment have been carried out when concessions were awarded. In addition, the authorities can require mitigating measures related to the concession. Through the revision of concession conditions, the authorities have the opportunity to establish new environmental conditions for our facilities if adverse environmental effects are identified that were not foreseen when the concession was awarded. If there is a need for measures that may have emerged in connection with the Water Framework Directive, the authorities may call these facilities in for concession consideration. Based on this, the Group assumes that compliance with requirements set by Norwegian authorities fulfils the criteria for protection of biodiversity.

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

We have concluded that all of the company's facilities comply with national legislation and that we are implementing mitigation measures within reasonable timeframes. For maintenance and upgrading/expansion of existing facilities, detailed plans are prepared in dialogue with NVE for environment and landscape (MTA plans) when necessary. These plans are intended to protect biodiversity and minimise damage.

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 continuously improving our work. Under the heading "Responsible supply chain" in the sustainability report, it is described how Lyse's work with human rights is integrated into the company's operations. Lyse has not uncovered human rights violations or serious violations of labour rights during this reporting period. Lyse conducts its business in accordance with 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 anti-corruption or bribery and antitrust provisions during the reporting period.

PERFORMANCE INDICATORS

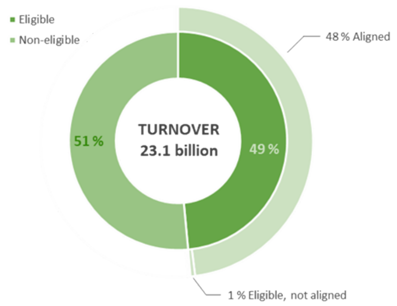
The three performance indicators reported are:

- Turnover
- CapEx
- OpEx

The performance indicators are determined in accordance with the standards used in the consolidated financial statements. The three indicators are ratios showing Lyse's share of total amounts related to activities that are eligible under the taxonomy and activities that meet the taxonomy criteria. The figures presented are after the elimination of intercompany transactions.

Turnover

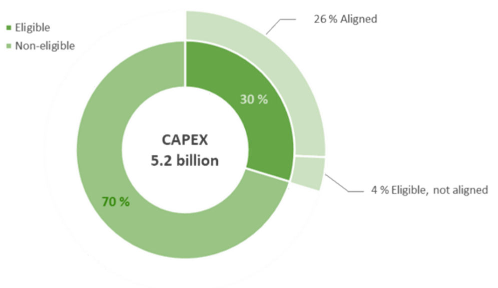
In Lyse's taxonomy reporting, turnover is defined in accordance with "sales revenue" in the consolidated statement of profit and loss. Lyse presents gross turnover in order to have consistency between the accounting principles in the taxonomy reporting and the consolidated financial statements. In the reporting for 2023, gains and losses from realised and unrealised changes in the fair value of financial instruments are excluded from total turnover.



In 2023, the Group's total sales revenue was NOK 23,096 million. 49 per cent of sales revenue is related to Taxonomy-eligible activities and 48 per cent of these meet the taxonomy criteria. Last year, 61 per cent of the Group's turnover was taxonomy eligible. The reduction is mainly related to reduced sales revenue from hydropower due to lower electricity prices compared to 2022. The reduction is offset by several new economic activities being classified as eligible in 2023.

CapEx

In Lyse's taxonomy reporting, capital expenditures are defined in accordance with IAS 16 and IAS 38. In addition, right-of-use assets reported under IFRS 16 are included. The performance indicator for CapEx includes all investments in Note 18 Intangible assets, Note 19 Property, plant and equipment and Note 31 Leases in the consolidated financial statements, with the exception of customer acquisition cost that fall under IFRS 15.



In 2023, the Group's total capital expenditures amounted to NOK 5,171 million, of which 30 per cent derived from taxonomy-eligible activities and 26 per cent met the screening criteria for taxonomy-alignment. Last year, 23 per cent of the Group's capital expenditures where related to taxonomy-eligible activities. The increase is mainly due to new economic activities being classified as taxonomy-eligible in 2023.

Both investments related to the maintenance of eligible facilities and investments in new taxonomy-eligible facilities are included. The projects with the highest capital expenditures in 2023 are related to further development and upgrading of distribution and regional grids.

Lnett has a large portfolio of investment projects in different phases. Among the largest investments in 2023 are the completion of a new 132 kV power line between Strand municipality and Hjelmeland, as well as the expansion of Dalen and a new substation in Hjelmeland and Veland. The existing overall power grid does not have enough capacity to meet future electricity needs, which include new power-intensive industries. To ensure good and stable power supply, Lnett has started upgrading the grid. The old overall power grid in Hjelmeland was expanded in the 1970s, so age also indicates that there was a need for upgrading. The 132kV power line and substation were put into operation in the summer of 2023. Extensive maintenance and construction of a new distribution network in Ryfylke is also ongoing. The distribution grid is voltage upgraded from 11kV grid to 22kV in order to deliver increased power to power-intensive customers. The project takes place in several stages. Work began in 2022 and several stages were completed in 2023. The work will continue into 2024.

Major investments have also been made in the construction of a new 132kV power line between Opstad and Håland and a new substation at Håland to meet increased power demand in the area. It is expected that power consumption in effect will increase to double from 2013 to 2040 in this area. The project was completed in late summer 2023.

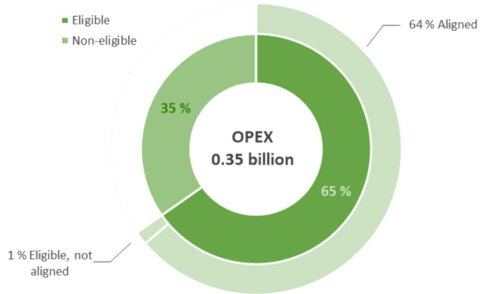
Power transformer upgrades have been carried out at Gilja substation, and a new 22 kV distribution grid has been built from Gilja to Maudal. The 22kV grid replaces the existing 50kV line and old distribution grid of 6kV which is outdated. The 50 kV line is scheduled to be demolished in 2024-25. The upgrade increases grid capacity and enables the input of new power development.

Fagrafjell substation has been a joint project with Statnett. Construction has been going on for several years, and the new substation was commissioned in 2023. Statnett has built a new substation for 420 kV and Lnett has a building with a 132 kV plant at the same station.

Construction of a new 132 kV connection from Fagrafjell substation via Valge substation to Stokkeland was started in 2023. At Vagle substation, an expansion of the current station building is ongoing, and when the project is completed in 2024/2025, the capacity of the substation will have more than doubled. Vagle is an important hub in the 132 kV grid and important for business development in this area.

At Helmikstøl, Lnett is upgrading from a single switchgear to a complete substation in order to receive power production from several small-scale power plants. Construction began in 2023 and is expected to be completed in 2024/2025.

During 2023, the largest investments in electricity production from hydropower were connected to Maudal power plant and Lysebotn II. In the autumn of 2023, the construction of Maudal upper power plant was completed and put into production. Construction of Maudal lower power plant is ongoing and is scheduled to be completed in 2025. In addition, major investments have been made in Lysebotn II, which will be connected to the 420 kV grid during 2024.



OpEx

The performance indicator for operating expenses has the same definition as operating expenses in the statement of profit and loss. According to the taxonomy regulation, the KPI shall only include operating expenses related to:

- Research and development
- Building and renovation measures
- Short-term lease
- Maintenance and repair
- Other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment necessary to ensure continued and effective functioning of such assets

In 2022, all operating expenses in the statement of profit and loss were included in the denominator when calculating the KPI. In 2023, only the operating expenses listed above are included in the denominator.

In 2023, NOK 347 million of the Group's total operating expenses are covered by the taxonomy's definition of operating expenses. 65 per cent derived from taxonomy-eligible activities and 64 per cent met the taxonomy screening criteria for taxonomy-alignment. This is a significant increase from last year when only 20 per cent derived from taxonomy-eligible activities. The increase is mainly due to change in policy of which operating expenses should be included in the denominator.

TURNOVER

				Substantial Contribution Criteria		DNSH criteria ('Does Not Significantly Harm')								
Economic Activities (1)	Code (2)	Turnover (3)	Proportion of Turnover, 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Category enabling activity (19)	Category transitional activity (20)
		NOK thousands	%	Y;N; N/EL	Y;N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES														
A.1 Environmentally sustainable activities (Taxonomy-aligned)														
Electricity generation from hydropower	CCM 4.5	9 302 736	40 %	Y	N	Y	Y	Y	NA	NA	Y	Y		
Transmission and distribution of electricity	CCM 4.9	1 637 654	7 %	Y	N	Y	Y	NA	Y	Y	Y	Y	E	
District heating and cooling distribution	CCM 4.15	140 424	1 %	Y	N	Y	Y	Y	Y	NA	Y	Y		
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	11 788	0 %	Y	N	Y	Y	NA	NA	NA	NA	Y	E	
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)		**11 092 602**	**48 %**											
Of which Enabling		1 649 442	7 %										E	
Of which Transitional		0	0 %											T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)														
Electricity generation from hydropower	CCM 4.5	11 127	0 %	EL	EL									
District heating and cooling distribution	CCM 4.9	93 557	0 %	EL	EL									
Infrastructure enabling low carbon road transport and public transport	CCM 6.15	16 860	0 %	EL	EL									
Infrastructure enabling low carbon water transport	CCM 6.16	0	0 %	EL	N/EL									
Acquisition and ownership of buildings	CCM 7.7	3 931	0 %	EL	EL									
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**125 475**	**1 %**											
Turnover of Taxonomy eligible activities (A.1 + A.2)		**11 218 076**	**49 %**											
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES														
Telecommunications		8 853 629	38 %											
Other taxonomy-non-eligible activities		3 024 282	13 %											
Turnover of Taxonomy-non-eligible activities (B)		**11 877 911**	**51 %**											
Total (A + B)		**23 095 987**	**100 %**											

CapEx

				Substantial Contribution Criteria		DNSH criteria ('Does Not Significantly Harm')								
Economic Activities (1)	Code (2)	CapEx (3)	Proportion of CapEx, 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Category enabling activity (19)	Category transitional activity (20)
		NOK thousands	%	Y;N; N/EL	Y;N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES														
A.1 Environmentally sustainable activities (Taxonomy-aligned)														
Electricity generation from hydropower	CCM 4.5	330 245	6 %	Y	N	Y	Y	Y	NA	NA	Y	Y		
Transmission and distribution of electricity	CCM 4.9	981 582	19 %	Y	N	Y	Y	NA	Y	Y	Y	Y	E	
District heating and cooling distribution	CCM 4.15	16 526	0 %	Y	N	Y	Y	Y	Y	NA	Y	Y		
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	10 196	0 %	Y	N	Y	Y	NA	NA	NA	NA	Y	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**1 338 549**	**26 %**											
Of which Enabling		991 778	19 %										E	
Of which Transitional		0	0 %											T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)														
Electricity generation from hydropower	CCM 4.5	8 312	0 %	EL	EL									
District heating and cooling distribution	CCM 4.9	16 411	0 %	EL	EL									
Infrastructure enabling low carbon road transport and public transport	CCM 6.15	10 077	0 %	EL	EL									
Infrastructure enabling low carbon water transport	CCM 6.16	2 131	0 %	EL	N/EL									
Acquisition and ownership of buildings	CCM 7.7	170 030	3 %	EL	EL									
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**206 961**	**4 %**											
CapEx of Taxonomy eligible activities (A.1 + A.2)		**1 545 510**	**30 %**											
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES														
Telecommunications		3 412 794	66 %											
Other taxonomy-non-eligible activities		212 491	4 %											
CapEx of Taxonomy-non-eligible activities (B)		**3 625 285**	**70 %**											
Total (A + B)		**5 170 795**	**100 %**											

OpEx

Economic Activities (1)	Code (2)	OpEx (3)	Proportion of OpEx, 2023 (4)	Substantial Contribution Criteria: Climate Change Mitigation (5)	Substantial Contribution Criteria: Climate Change Adaptation (6)	DNSH criteria ('Does Not Significantly Harm'): Climate Change Mitigation (11)	DNSH: Climate Change Adaptation (12)	DNSH: Water (13)	DNSH: Pollution (14)	DNSH: Circular Economy (15)	DNSH: Biodiversity (16)	Minimum Safeguards (17)	Category enabling activity (19)	Category transitional activity (20)
		NOK thousands	%	Y;N; N/EL	Y;N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES														
A.1 Environmentally sustainable activities (Taxonomy-aligned)														
Electricity generation from hydropower	CCM 4.5	169 045	49 %	Y	N	Y	Y	Y	NA	NA	Y	Y		
Transmission and distribution of electricity	CCM 4.9	47 696	14 %	Y	N	Y	Y	NA	Y	Y	Y	Y	E	
District heating and cooling distribution	CCM 4.15	4 599	1 %	Y	N	Y	Y	Y	Y	NA	Y	Y		
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	298	0 %	Y	N	Y	Y	NA	NA	NA	NA	Y	E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**221 639**	**64 %**											
Of which Enabling		47 995	14 %										E	
Of which Transitional		0	0 %											T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)														
Electricity generation from hydropower	CCM 4.5	594	0 %	EL	EL									
District heating and cooling distribution	CCM 4.9	4 011	1 %	EL	EL									
Infrastructure enabling low carbon road transport and public transport	CCM 6.15	325	0 %	EL	EL									
Infrastructure enabling low carbon water transport	CCM 6.16	0	0 %	EL	N/EL									
Acquisition and ownership of buildings	CCM 7.7	235	0 %	EL	EL									
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**5 165**	**1 %**											
OpEx of Taxonomy eligible activities (A.1 + A.2)		**226 804**	**65 %**											
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES														
Telecommunications		43 549	13 %											
Other taxonomy-non-eligible activities		76 736	22 %											
OpEx of Taxonomy-non-eligible activities (B)		**120 285**	**35 %**											
Total (A + B)		**347 089**	**100 %**											

Consolidated Financial Statements

Consolidated statement of profit and loss

(In NOK thousands)	Note	2023	2022
Sales revenue	9	23 095 987	31 126 869
Gains and losses on power and currency contracts	10	183 048	-928 668
Net gain from sale of business		0	20354
Operating revenue		23 279 035	30 218 555
Cost of sales	11	6 950 356	10 284 786
Salaries and payroll costs	12,13,33	1 869 852	1 524 160
Depreciation, amortisation and impairment	18,19,31	3 197 151	2 812 616
Regulatory fees	14	700 004	779 522
Other operating costs	15,18,32	2 666 781	2 322 122
Operating profit		**7 894 892**	**12 495 349**
Share of profit in equity accounted investments	4,20	-1 307	22 162
Financial income	16	494 683	341 970
Financial expenses	16, 31	1 286 225	1 008 992
Profit before tax		**7 102 043**	**11 850 489**
Income taxes	17	1 664 262	2 730 591
Resource rent tax	17	3 043 400	6 671 829
Tax expense		**4 707 662**	**9 402 420**
Profit for the period		**2 394 380**	**2 448 069**
Allocated to:			
Controlling interests		1 673 313	1 354 244
Non-controlling interests		721 067	1 093 825
Earnings per share allocated to shareholders of Lyse AS (basic- and diluted earnings per share)		**1 658**	**1 342**

Consolidated statement of comprehensive income

(In NOK thousands)	Note	2023	2022
Profit for the period		**2 394 380**	**2 448 069**
Items that will not recycle over profit and loss in future periods			
Actuarial gains and losses	13,17	-35 219	27 958
Items that will recycle over profit and loss in future periods			
Cash flow hedging, currency forward contracts	8, 10	-237 981	-4 221
Cash flow hedging Euro loans	8, 10	-162 860	-126 137
Cash flow hedging, fixed price agreement	8, 10	-149 093	0
Cash flow hedging, interest swap contracts	8, 10	2 599	5 215
Currency translation differences, equity accounted investments	20	11 703	5 597
Currency translation differences, subsidiaries		1 711	1 505
Total of items that will recycle over profit and loss in future periods		**-533 921**	**-118 041**
Statement of comprehensive income for the period, net of taxes		**-569 140**	**-90 083**
Total comprehensive income for the period		**1 825 241**	**2 357 986**
Allocated to:			
Controlling interests		1 104 615	1 264 403
Non-controlling interests	5	720 626	1 093 582
Total comprehensive income for the period		**1 825 241**	**2 357 986**

Consolidated statement of financial position

ASSETS

(In NOK thousands)	Note	2023	2022
Non-current assets			
Goodwill	18	7 299 210	7 299 820
Waterfall rights	18	8 413 301	8 413 301
Other intangible assets	18	5 845 110	6 045 293
Deferred tax asset (resource rent)	17	25 736	48 731
Tangible fixed assets	19	33 486 649	30 734 726
Right-of-use assets	31	2 351 226	2 092 510
Equity accounted investments	20	834 566	816 072
Other non-current financial assets	7	128 516	108 159
Derivatives	6, 7, 8, 24	414 004	257 418
Other non-current receivables	7, 13, 23	416 454	85 286
Total non-current assets		**59 214 774**	**55 901 316**
Current assets			
Inventory	22	485 300	464 195
Trade receivables and other receivables	7, 23	3 704 011	3 771 470
Derivatives	6, 7, 8, 24	73 185	38 624
Current financial assets	7, 25, 26	1 427 000	1 148 400
Cash and cash equivalents	7, 25, 26	4 763 105	7 713 341
Total current assets		**10 452 601**	**13 136 030**
Total assets		**69 667 375**	**69 037 347**

EQUITY AND LIABILITIES

(In NOK thousands)	Note	2023	2022
Equity			
Share capital and premium reserve	29	1 275 591	1 275 591
Other equity and retained earnings		14 631 670	14 599 852
Equity allocated to controlling interests		**15 907 262**	**15 875 443**
Non-controlling interests		5 066 268	5 140 798
Total equity		**20 973 530**	**21 016 241**
Liabilities			
Non-current interest-bearing liabilities	7, 26	19 795 309	17 836 832
Non-current lease liability	31	1 696 356	1 566 153
Deferred tax liability	17	4 656 845	3 875 637
Deferred tax liability (resource rent)	17	6 435 360	6 301 858
Pension liabilities	13	27 328	40 268
Provisions	27	1 008 214	966 126
Derivatives	6, 7, 8, 24	496 827	435 220
Non-current contract liabilities	27	1 234 718	1 019 200
Other non-current liabilities	27	1 827 354	1 953 224
Total non-current liabilities		**37 178 311**	**33 994 519**
Current interest-bearing liabilities	7, 26	3 439 490	1 972 787
Current lease liability	31	293 826	280 007
Current contract liabilities	28	29 664	33 909
Accounts payable and other current liabilities	28	4 861 207	6 581 247
Tax payable	17	2 599 210	4 755 040
Derivatives	6, 7, 8, 24	292 137	403 596
Total current liabilities		**11 515 534**	**14 026 586**
Total liabilities		**48 693 845**	**48 021 105**
Total equity and liabilities		**69 667 375**	**69 037 347**

This translation from Norwegian has been prepared for information purposes only.

Stavanger, 20 March 2024

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	2023	2022
Cash flow from operating activities			
Profit before tax		7 102 043	11 850 489
Net gain from sale of business		0	-20 354
Depreciation, amortisation, and impairment	18, 19, 31	3 197 151	2 812 616
Other gains/losses net classified as operations	10	-590 717	108 975
Unrealised effects statement of financial position		0	380 328
Changes in pension liabilities	13	-93 596	-28 124
Net financial costs	16	791 543	667 022
Profit/loss from equity accounted investments	20	1 307	-22 162
Change in trade receivables and other current receivables		71 292	-252 971
Change in accounts payable and other current liabilities		-1 740 540	2 168 637
Change in inventory		-5 516	-271 747
Hydro's share of cost		26 754	191 868
Other changes		68 226	19 186
Net cash flows from operating activities		**8 827 946**	**17 603 762**
Interest paid	16, 31	-776 632	-658 298
Interest received	16	264 455	157 884
Tax paid	17	-4 802 160	-2 449 825
Net cash flow from operations		**3 513 609**	**14 653 524**
Cash flow from investment activities			
Payments on purchase of tangible fixed assets and intangible assets	18, 19	-4 661 000	-3 782 000
Prepayments on right-of-use assets (lease)	31	-187 600	-81 540
Capitalised subscriber acquisition cost (SAC)	18	-315 309	-222 444
Payments for spectrum licences	18	-138 583	-115 330
Net receipts and payments, shares in subsidiaries		-154 619	-2 033 938
Net receipts and payments receivables related to acquisition of subsidiaries		0	-911 982
Net receipts and payments debt to associated companies and joint ventures		-13 333	-500
Net receipts and payments, shares of associated companies and joint ventures	20	-18 391	-33 044
Payment for other assets		-32 861	-58 560
Net receipts and payments other financial investments		-285 588	24 303
Cash from acquisition of subsidiaries		11 168	128 890
Net cash flows from investment activities		**-5 796 116**	**-7 086 144**

Consolidated statement of cash flows cont.

(In NOK thousands)	Note	2023	2022
Cash flow from financing activities			
Payment of equity from non-controlling ownership shares		0	11 500
Borrowings	26	4 340 000	4 318 349
Repayment of interest-bearing liabilities	26	-1 150 349	-4 771 470
Payments related to financial lease liabilities	31	-286 098	-212 008
Net cash effect from power generation outflow - non-controlling interest		-2 055 666	-3 773 373
Dividends paid to non-controlling interests of subsidiaries		-137 017	-94 250
Dividends paid to controlling interests		-1 100 000	-650 000
Net cash flow from financing activities		**-389 130**	**-5 171 252**
Change in cash and cash equivalents		**-2 671 637**	**2 396 128**
Cash and cash equivalents as at 1 January		8 861 742	6 465 614
Cash and cash equivalents at end of period*	**25**	**6 190 105**	**8 861 742**

* Including short-term financial positions

Consolidated statement of changes in equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2023

(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 2023		**1 275 591**	**-40 797**	**14 640 649**	**15 875 443**	**5 140 798**	**21 016 241**
Correction of previous misstatements		0	44 938	-53 858	-8 920	0	-8 920
Adjusted Equity 1 January 2023		**1 275 591**	**4 142**	**14 586 791**	**15 866 524**	**5 140 798**	**21 007 322**
Profit for the year		0	0	1 673 313	1 673 313	721 067	2 394 380
Statement of other comprehensive income							
Cash flow hedging	10	0	-547 335	0	-547 335	0	-547 335
Translation differences		0	13 414	0	13 414	0	13 414
Actuarial gains and losses	13	0	-35 219	441	-34 778	-441	-35 219
Total other comprehensive income after tax		0	-569 140	441	-568 699	-441	-569 140
Comprehensive income after tax		**0**	**-569 140**	**1 673 754**	**1 104 615**	**720 626**	**1 825 241**
Dividends		0	0	-1 100 000	-1 100 000	-137 017	-1 237 017
Net power consumption non-cont. interests	5	0	0	42 378	42 378	-658 962	-616 584
Investments in equity accounted investments	20	0	0	-4 451	-4 451	0	-4 451
Addition through subsidiary		0	0	0	0	322	322
Other changes directly against equity		0	0	-1 804	-1 804	502	-1 302
Equity 31 December 2023		**1 275 591**	**-564 998**	**15 196 668**	**15 907 262**	**5 066 268**	**20 973 530**

SPECIFICATION OF OTHER RESERVES

(In NOK thousands)	Note		Translation differences	Hedging	Pensions	Total other reserves
Balance 1 January 2023			**5 134**	**-237 357**	**191 427**	**-40 797**
Correction of previous misstatements			0	47 965	-3 027	44 938
Adjusted Balance 1 January 2023			**5 134**	**-189 392**	**188 400**	**4 142**
Actuarial gains and losses	13		0	0	-47 578	-47 578
Tax effect pension	13, 17		0	0	12 359	12 359
Cash flow hedge	10		0	-701 711	0	-701 711
Tax effect on cash flow hedge	17		0	154 377	0	154 377
Translation diff. equity accounted invest.	20		11 703	0	0	11 703
Translation differences subsidiaries			1 711	0	0	1 711
Balance 31 December 2023			**18 548**	**-736 727**	**153 181**	**-564 998**

DIVIDENDS

(In NOK thousands)	2023
Proposed dividend	745 000
Proposed dividend per share	743

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 the company's shareholders	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	10	0	-125 142	0	-125 142	0	-125 142
Translation differences		0	7 102	0	7 102	0	7 102
Actuarial gains and losses	13	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	5	0	0	0	0	-1 315 265	-1 315 265
Investments in equity accounted investments	20	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	13		0	0	43 257	43 257
Tax effect pension	13, 17		0	0	-15 299	-15 299
Cash flow hedge	10		0	-160 439	0	-160 439
Tax effect on cash flow hedge	17		0	35 297	0	35 297
Currency translation differences equity accounted investments	20		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

Table of contents financial disclosures

1 General information

Lyse

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 the year ending 31 December 2023 were approved by the board of directors on 20 March 2024.

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 IFRS® Accounting Standards 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 liabilities (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 2023 new and revised standards have become effective. This is related to the following standards:

- Disclosure of accounting policies (amendments to IAS 1 and IFRS practice statement 2)
- Amendments to 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)
- International tax reform – Pillar two (amendments to IAS 12)

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:

- Classification of liabilities as current or non-current and non-current liabilities with covenants (amendments to IAS 1)
- Disclosure requirements on supplier finance arrangements (amendments to IAS 7 and IFRS 7)
- Lease liability in a sale and leaseback (amendments to IFRS 16)

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

Classification of components of provisions and other non-current debt

The Group has reconsidered the classification of certain components within «provisions» and «other non-current debt», in addition “contract liabilities” according to IFRS 15 is now presented on a separate accounting line. The reclassification does not affect key figures or APM and is solely a change of presentation.

The change has been incorporated into the balance sheet. Changes affecting comparative figures are summarised below.

	Originally	Reclassified	Change
Balance sheet	**31.12.22**	**31.12.22**	
(In NOK millions)			
Provisions (non-current)	101	966	865
Other non-current liabilities	3 838	1 953	-1 885
Contract liabilities (non-current)	0	1 019	1 019
Accounts payable and other short term liabilities	6 615	6 581	-34
Contract liabilities (current)	0	34	34
Subtotal	**10 554**	**10 554**	**0**

d) Change of operating segments

Lyse's division of operating segments was changed in 2023 as a result of an updated strategy and changes in the Group Executive Management. Hence, the presentation of comparative figures within the segments have changed, without any impact at the group level in general. The changes are summarised in the tables below. For more information, see Note 4.

INCOME STATEMENT 2022, PER SEGMENT

(Amounts in NOK million)	Energy	Renew-able Energy	Change	Grid	Infra & Circular	Change	Other	Other	Change
Sales revenue	21 903	21 294	**610**	1 637	2 397	**-760**	881	746	**135**
Inter-segment sales	-44	-77	**32**	12	34	**-21**	-694	-698	**5**
Gains and losses on power and currency contracts	-929	-929	**0**	0	0	**0**	0	0	**0**
Operating revenues and other income	20 930	20 288	**642**	1 649	2 431	**-782**	187	48	**140**
Cost of sales	7 078	6 592	**486**	753	1 349	**-596**	103	8	**95**
Depreciation and impairment	481	298	**183**	252	433	**-181**	114	112	**1**
Operating profit	11 858	12 023	**-165**	222	62	**159**	-338	-341	**3**
Financial income	336	333	**3**	5	8	**-3**	577	577	**0**
Financial cost	304	284	**19**	83	104	**-21**	580	578	**2**
Profit before tax	11 900	12 072	**-172**	144	-24	**168**	-342	-343	**1**
Tax expense	9 405	9 444	**-40**	32	-7	**39**	-64	-64	**0**
Profit for the year	2 495	2 627	**-132**	112	-17	**129**	-278	-279	**1**
Non-recurring items (after tax)	-76	0	**-76**	0	-76	**76**	0	0	**0**

BALANCE SHEET 2022, PER SEGMENT

(Amounts in NOK million)	Energy	Renew-able Energy	Change	Grid	Infra & Circular	Change	Other	Other	Change
Deferred tax asset (resource rent)	49	23	**25**	0	25	**-25**	0	0	**0**
Deferred tax asset	0	0	**0**	0	0	**0**	6	6	**0**
Goodwill	5 515	5 515	**0**	1	1	**0**	0	0	**0**
Other intangible assets	8 424	8 424	**0**	0	0	**0**	336	336	**0**
Tangible fixed assets	12 729	11 453	**1 275**	6 494	7 728	**-1 234**	392	382	**10**
Assets held for sale	0	0	**0**	0	0	**0**	0	0	**0**
Equity accounted investments	74	0	**74**	0	74	**-74**	18	18	**0**
Other non-current financial assets	0	0	**0**	0	0	**0**	106	106	**0**
Other financial assets	284	282	**2**	15	17	**-2**	22 520	22 520	**0**
Current assets	18 581	18 339	**241**	374	807	**-433**	463	435	**28**
Total assets	45 654	44 036	**1 617**	6 884	8 652	**-1 768**	23 841	23 803	**38**
Equity	15 135	14 221	**914**	1 543	2 423	**-880**	3 558	3 551	**7**
Deferred tax liability	9 007	9 001	**6**	383	378	**5**	0	0	**0**
Non-current interest bearing debt	326	317	**9**	57	67	**-10**	15 613	15 612	**1**
Other non-current liabilities	5 801	5 192	**608**	3 575	4 184	**-609**	58	58	**0**
Current liabilities	15 385	15 305	**80**	1 325	1 600	**-274**	4 613	4 583	**30**
Total equity and liabilities	45 654	44 036	**1 617**	6 884	8 652	**-1 768**	23 841	23 803	**38**
Investments	373	313	**60**	1 011	1 077	**-66**	123	118	**6**
Investments in shares and interests	0	0	**0**	0	0	**0**	36	36	**0**

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

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.

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 fixed assets

Tangible fixed 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 fixed 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 fixed assets have been taken into use, such as ongoing maintenance, are recognised in the statement of profit and loss, 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 tangible fixed assets is depreciated to the residual value over the anticipated useful life of the asset:

Energy Facilities	5 - 75 years
Telecom facilities	3 - 25 years
Power Grid facilities	15 - 70 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.

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.

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.

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.

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.

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.

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 research and development below.

Costs to obtain a contract
The incremental costs of obtaining a contract with a customer is recognised as an asset if it is expected to recover those costs. The incremental costs of obtaining a contract are those costs that incurs to obtain a contact with a customer that would not have incurred if the contract had not been obtained. Costs to obtain a contract mainly includes sales commissions and subsidies directly related to the contracts obtained. The assets are amortised on a straight-line basis over the expected lifetime of the customer relationship. The expected lifetime of the customer relationship is based on historical and budgeted customer turnover (churn) and subscription type.

The assets are presented as intangible assets in the statement of financial position and its amortisation in the same line item as amortisation of intangible assets within the scope of IAS 38.

Research and development
Research expenditures are expensed as incurred. Development expenditures are capitalised only when the criteria for recognition are met. That it is that the expected future economic benefits that are attributable to the asset will flow to the entity, management has committed itself to complete the asset, the technical feasibility of completing the asset has been demonstrated and the cost can be measured reliably. Development expenditures that do not meet the criteria for capitalisation are expensed as incurred. Capitalised development expenditures are recorded at acquisition cost less accumulated amortisation and impairment and are amortised on a straight-line basis over the assets estimated useful life.

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 Taxes

The tax expense in the income statement comprises tax payable and changes in 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 resource rent tax and natural resource tax. Other taxes and fees charged to the energy generation are discussed in 2.16 Regulatory fees.

Resource rent tax

The resource rent tax for hydropower is 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% 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, for power on long-term contracts over 7 years and standard fixed price agreements, 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% 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).

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

Provisions are recognised when there is a legal or constructive obligation as a result of previous events, it is more likely than not that the provision will be settled by transferral of economic resources and the provision can be reliably measured.

If the effect is significant, 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

Revenue recognition in general
The main principle in IFRS 15 is to recognise revenue at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods and services to a customer. IFRS 15 establishes a five-step model for revenue recognition 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.

Revenue from energy sales
The revenue from energy includes the sale of hydropower generated from power plants, and is mainly traded on an exchange (Nord Pool). Energy sales also include energy sold to end users, such as sale of electricity, natural gas and district heating and cooling. The performance obligation is to deliver a series of distinct goods (energy) 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 energy for most of the contracts is recognised at the amount of which the entity has a right to invoice. The right to invoice arises when the energy is produced and delivered and the right to invoice the consideration will normally correspond directly with the value to the customer. In arrangements where Lyse sells power on an exchange market (e.g. Nord Pool), the exchange is determined to be the customer. This is due to binding contracts between Lyse and the exchange.

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. If Lyse is a principal, the consideration received from the customer is presented gross as sales revenue. The corresponding energy purchase is presented gross on a separate line item in the statement of profit and loss. Power sold to Nord Pool and bought back for sale to end users is presented gross in the statement of profit and loss as Lyse is considered the principal.

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.

Concessionary power
In certain geographical areas, Lyse is required by law to cede a share of the power generation to counties and municipalities where the power is generated. 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. Concessionary power is recognised as

revenues on an ongoing basis in accordance with the established concessionary price. The Group has no concessionary power agreements that are settled financially.

Transmission income

The power grid business in Norway is regulated by the Norwegian Energy Regulating Authority (NVE). NVE sets a revenue cap for each grid owner every year. Revenue recognised in the income statement corresponds to the period's delivered volume settled at the fixed tariff established (tariff income). The revenue during a given year can therefore deviate from the revenue cap permitted by NVE. The difference between the revenue cap and tariff income constitutes the year's higher or lower revenue. Higher/lower revenue is defined in IFRS as a regulatory liability/asset that does not qualify for balance sheet recognition. This is justified by the fact that no contract has been entered into with a specific customer, and the receivable is conditional on a future delivery. Higher or lower revenue will be offset over time in line with actual invoicing being adjusted.

The performance obligation is to transport electric power, and the transaction price is the consideration the group expects to receive. Lyse applies a practical expedient under IFRS 15 whereby the revenues from transportation of power are recognised at the amount to which the entity has a right to invoice. The right to invoice arises when the power is transferred, and the right to invoice the consideration will normally correspond directly to the value to the customer.

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.

Revenue from telecommunications

Telecom revenues mainly relates to mobile and fixed network operations.

Revenue from the mobile business consists of subscription revenue and mobile and data traffic revenue. In addition, goods such as mobile phones are regularly sold as part of a bundle offer together with the subscription. Subscriptions are invoiced monthly or in advance. Subscriptions and equipment are mainly assessed as separate performance obligations. The subscription and data traffic revenue are recognised on an ongoing basis as the customer consumes the service and the performance obligation is met. Revenue from the sale of mobile phones is recognised when the equipment is delivered to the customer. Consumer mobile broadband routers are not considered a separate performance obligation if offered together with a subscription with a binding period. The revenue is recognised over the same contract period as when the related mobile broadband service is delivered to the customer.

The fixed network business includes broadband and TV services, such as revenue from internet, TV, broadcasting and data services. The subscriptions usually have a fixed monthly fee, and some of the contracts have a minimum contract period. Revenue from subscriptions is recognised on an ongoing basis as the customer consumes the service or based on consumption.

Lyse has received a one-off advance for the future lease of the company's fiber network, which is amortized over the term of the lease.

Lyse also has partner revenues in the form of the delivery of content services to fiber infrastructure outside the Group. The partner revenue is recognised on delivery, based on the same principle as for other revenue in the fixed network business.

Monetary contributions from customers to infrastructure assets

Lyse has extensive practice with monetary contributions from customers related to grid, district heating and fiber operations. The Group receives capital contributions from customers to build the infrastructure that connects customers to the grid, district heating or fiber network. Lyse owns the infrastructure and the total cost of the infrastructure is therefore recognised as assets pursuant to IAS 16. By paying capital contributions, the customers obtain a significant right to receive future deliveries throughout the life of the associated infrastructure asset. Lyse has assessed that capital contributions are not consideration for a separate performance obligation in accordance with IFRS 15 but are linked to future transmission of energy or data. The capital contribution is therefore recognised as revenue over the lifetime of the asset in line with the fulfilment of the performance obligation in the contract with the customer.

Other revenue

Other revenue mainly consists of revenue from customer projects related to the construction, operation and maintenance of facilities for outdoor lighting and infrastructure. The revenue from customer projects is recognised as the control is transferred to the customer. The Group recognises revenue over time by measuring the progress towards expected end result. Other revenue from the sale of goods and services is recognised in profit or loss when delivery has taken place.

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

Licence fees

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.

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.

High-price contribution

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. The contribution was discontinued from 1 October 2023.

2.17 Free power and annual compensations

The Group pays compensation to landowners for usage rights for waterfalls and land. In addition, the Group compensates for any damage caused 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. Annual payments are presented as 'other operating costs', whereas one-off settlements are recognised in the liability.

2.18 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.

2.19 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.

2.20 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. 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:

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

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 6 and note 23.

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 not 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 due to 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 gain and losses on power and currency contracts. Changes in value that have been classified as either a finance cost or income are specified in note 16.

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.

2.21 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 24. 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.

2.22 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 31 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 liability 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 liability 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.

2.23 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.

2.24 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. 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	2023	2022
Tangible fixed assets (incl. Right-of-use assets)	19, 31	35 837 875	32 827 236
Joint ventures and associates	20	834 566	816 072
Waterfall rights	18	8 413 301	8 413 301
Goodwill	18	7 299 210	7 299 820
Other intangible assets	18	5 845 110	6 045 293
Deferred tax assets, resource rent	17	25 736	48 731
Financial instruments not traded in an active market	7	-189 242	-447 705
Pension liabilities	13	27 328	40 268
Pension funds	13	48 238	15 161

Estimate uncertainty

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 19) and impairment testing of intangible assets (note 18).

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 to reduce emissions of greenhouse gases

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.

Climate risk

Climate risk can affect both the operational activities and the financial results of Lyse. 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.

Climate-related regulatory risks include potentially higher operational costs due to increasing carbon taxes and energy/fuel taxes, as well as risks of higher capital expenditures due to a required transition towards the use of renewable energy- and energy efficient solutions.

Common for the climate risks is that they can lead to adjustments in the book value of Lyse's assets and liabilities through reassessments of the useful life of the fixed assets, write-down assessments of assets, and obligations to remove existing facilities. Climate-related risks are assessed in the cash flow projections.

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 statement of profit and loss. 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, climate change, or other operational circumstances. In addition, certain assets are tested annually for impairment. 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, 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 Segment information

The Group reports operating segments consistently with the way in which the Group 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 management and used for resource allocation and earnings assessment.

In 2023, Lyse's division of operating segments has changed, as a result of updated strategy and changes in the corporate management. The reporting operating segments are now Renewable Energy, Telecommunications and Infrastructure and Circular Energy. In addition, the Group reports on other companies in the Group under Other, Group Eliminations and the Group as a whole.

The new Infrastructure and Circular Energy segment consists of activities previously reported under the Power Grid segment. It also includes activities within natural gas, district heating and cooling, as well as activities within construction, operation and maintenance of outdoor lighting plants. The new structure will make Lyse more equipped for the climate transition in the region. In addition, expertise and synergies will be used across the companies in the segment, all of which have in common that they work with regional infrastructure.

The new Renewable Energy segment consists of activities previously reported under the Energy segment, with the exception of activities within natural gas, district heating and cooling which are now part of the new segment Infrastructure and Circular Energy.

The remaining companies in the Group are reported under the Other segment, which will continue as previously, with the exception of activities within construction, operations and maintenance, which are now reported under the new segment Infrastructure and Circular Energy.

For the affected segments, comparable figures have been restated in line with the new segment structure. The Telecommunications segment has not changed compared to previous years.

The Group's activities within Renewable Energy as well as Infrastructure and Circular Energy are mainly conducted in Rogaland. The Telekom business area has partnership agreements with companies located elsewhere in Norway. Transactions and transfers between the Group's business areas take place on ordinary commercial terms. No external customer contributes more than ten per cent of the enterprise's operating revenues.

Financial information for each segment is prepared, as far as possible, in accordance with the Group's principles for preparing consolidated financial statements. Each segment can consist of several companies. Transactions and balances 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 balances between the segments are eliminated at the group level and are included in the column "eliminations".

Renewable Energy

The Energy business segment operates within energy generation, energy trading, energy sales to end-users. This business segment owns power plants.

KEY FIGURES, RENEWABLE ENERGY

		2023	2022
Mean generation	GWh	9 749	9 721
Reservoir capacity	GWh	6 775	6 803
Hydroelectricity production	GWh	8 571	7 974
Area price NO2	øre/kWh	90,41	212,77
Actual price attained (incl. hedging)	øre/kWh	95,90	180,00
Electricity supply, end-user	GWh	2 526	2 278

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

		2023	2022
Capital employed	NOK mill	22 758	20 741
EBITDA	NOK mill	2 732	2 728
EBITDA margin	%	30,8 %	36,6 %
Carrying value tangible fixed assets and equity accounted investments	NOK mill	15 834	14 044
Number of active fibre optic customers in the Altibox partnership		868 321	828 881
Number of active fibre customers owned by Lyse*		536 366	513 606
Number of smartphone subscribers**		882 075	757 305
Number of mobile broadband subscribers**		50 907	57 453
Number of base stations in service**		3 365	3 303

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

Infrastructure and Circular Energy

The Infrastructure and Circular Energy business area operates within distribution of power, natural gas, district heating and cooling, as well as delivery of services within development, operation and maintenance of infrastructure. Ownership of the infrastructure related to the distribution of power, natural gas, district heating and cooling also lies within this business area. Energy distribution is regulated by the Norwegian Water Resources and Energy Directorate (NVE).

KEY FIGURES, INFRASTRUCTURE AND CIRCULAR ENERGY

		2023	2022
Number of electricity grid customers		164 227	162 300
Supplied energy (total consumption in the area)	GWh	4 806	4 699
Power Grid capital (NVE capital) used as a basis in revenue cap	NOK mill	5 794	4 857
Return on NVE Capital	%	12,5%	4,8%
Surplus(-)/shortfall (+) revenues:			
- Regional grid	NOK mill	-25,9	15,0
- Distribution grid	NOK mill	-139,5	-312,9
KILE costs	NOK mill	22,1	25,7
Supplied volume, natural gas, biogas and fuel (incl. internal deliveries)	GWh	350,0	411,8
Supplied volume, district heating and cooling	GWh	185	175

Other

"Others" include Lyse AS, Lyse Eiendom Mariero AS, Lyse Eiendom Ullandhaug AS, Lyse Eiendom Tronsholen AS, Lyse Dialog AS, Lyse Marked AS, Lyse Vekst AS and Lyse Elkon AS. Further companies in the segment have little or no significant activity.

Lyse AS is the Group's parent company and provides services within finance and personnel among other. Lyse Eiendom Mariero AS, Lyse Eiendom Ullandhaug AS and Lyse Eiendom Tronsholen AS are the owners of commercial buildings.

Lyse Dialog AS mainly provides services to internal business areas, while Lyse Marked AS manages the Group's customer portfolio and supplies market services to internal business areas.

Lyse Vekst AS is responsible for the Lyses investments in early-phase companies within technology and renewable energy.

Lyse Elkon AS is responsible for the Lyses participation in the initiative related to the electrification of the Port of Stavanger.

For more information about group companies, see Note 34 on 'Companies entering into the consolidation'.

Number of full-time equivalents per segment

	2023	2022
Renewable Energy	102	103
Telecommunications	968	855
Infrastructure and Circular Energy	442	432
Other	503	487

Total number of full-time equivalents as per year end*	2 014	1 877

* Includes both permanent and temporary employees.

INCOME STATEMENT 2023

(Amounts in NOK millions)	Renewable Energy	Telecom	Infra & Circular	Other segments	Elimina-tions	Group
Sales revenue	12 102	8 867	2 321	932	-1 126	**23 096**
Inter-segment sales	-171	-13	-37	-905	1 126	**0**
Gains and losses on power and currency contracts	183	0	0	0	0	**183**
Operating revenues and other income	12 114	8 854	2 285	27	0	**23 279**
EBITDA*	7 478	2 732	1 069	-181	-5	**11 092**
Cost of sales	3 365	2 992	654	37	-98	**6 950**
Depreciation and impairment	313	2 405	374	107	-2	**3 197**
Operating profit	7 165	326	695	-288	-3	**7 895**
Share of profit/loss in equity accounted investments**)	0	-3	2	0	0	**-1**
Financial income	566	96	19	1 032	-1 219	**495**
Financial expenses	313	983	205	1 013	-1 219	**1 286**
Profit before tax	7 419	-563	511	-261	-3	**7 102**
Tax expense	4 774	-129	117	-53	-1	**4 708**
Profit for the year	2 645	-434	395	-208	-3	**2 394**
Of which income (+) / cost (-):						
Net unrealised gains and losses on power and currency contracts	475	0	0	0	0	**475**
Unrealised changes in value long-term physical industry contracts	-66	0	0	0	0	**-66**
Unrealised changes in value, financial instruments (after tax)	**409**	**0**	**0**	**0**	**0**	**409**
Non-recurring items (after tax)	0	0	0	0	0	**0**
Non-recurring items related to change in tax rate resource rent on excess value previous acquisitions	0	0	0	0	0	**0**

* EBITDA is defined as operating profit + depreciation and amortization
** Income on share of profit in associated companies and joint ventures (+), loss on profit in associated companies and joint ventures (-)

INCOME STATEMENT 2022

(Amounts in NOK millions)	Renewable Energy	Telecom	Infra & Circular	Other segments	Elimina-tions	Group
Sales revenue	21 294	7 461	2 397	746	-750	**31 147**
Inter-segment sales	-77	-8	34	-698	750	**0**
Gains and losses on power and currency contracts	-929	0	0	0	0	**-929**
Operating revenues and other income	20 288	7 452	2 431	48	0	**30 219**
EBITDA*	12 321	2 728	496	-229	-7	**15 308**
Cost of sales	6 592	2 381	1 349	8	-45	**10 285**
Depreciation and impairment	298	1 970	433	112	-1	**2 813**
Operating profit	12 023	758	62	-341	-7	**12 495**
Share of profit/loss in equity accounted investments**)	0	13	9	0	0	**22**
Financial income	333	76	8	577	-652	**342**
Financial expenses	284	694	104	578	-652	**1 009**
Profit before tax	12 072	152	-24	-343	-7	**11 850**
Tax expense	9 444	31	-7	-64	-1	**9 402**
Profit for the year	2 627	122	-17	-279	-5	**2 448**
Of which income (+) / cost (-):						
Net unrealised gains and losses on power and currency contracts	-79	0	0	0	0	**-78**
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)	0	0	-76	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 + depreciation and amortization
** Income on share of profit in associated companies and joint ventures (+), loss on profit in associated companies and joint ventures (-)

BUSINESS AREA'S ASSETS AND LIABILITIES 2023

(Amounts in NOK millions)	Renewable Energy	Telecom	Infra & Circular	Other segment	Elimi-nations	Group
Deferred tax asset (resource rent)	26	0	0	0	0	**26**
Goodwill	5 514	1 784	1	0	0	**7 299**
Other intangible assets	8 441	5 465	66	286	0	**14 258**
Tangible fixed assets (incl. right-of-use assets)	11 576	15 264	8 452	599	-53	**35 838**
Equity accounted investments	0	748	68	18	0	**835**
Other non-current financial assets	0	0	0	128	0	**129**
Other financial fixed assets	398	125	41	21 067	-20 799	**830**
Current assets	9 580	6 014	1 354	674	-7 170	**10 453**
Total assets	35 535	29 402	9 982	22 771	-28 022	**69 667**
Equity	12 771	10 692	3 195	2 463	-8 148	**20 974**
Deferred tax liability	9 159	195	588	2	1 149	**11 092**
Non-current interest-bearing liabilities	317	2 766	68	18 341	0	**21 492**
Other non-current liabilities	5 258	8 431	4 710	49	-13 854	**4 594**
Current liabilities	8 031	7 318	1 420	1 916	-7 170	**11 516**
Total equity and liabilities	35 535	29 402	9 982	22 771	-28 022	**69 667**
Investments in tangible and intangible fixed assets (excl. right of use assets, SAC and licences)	455	2 931	1 080	195	0	**4 661**
Investments in shares and interests	0	150	1	45	0	**196**

BUSINESS AREA'S ASSETS AND LIABILITIES 2022

(Amounts in NOK millions)	Renewable Energy	Telecom	Infra & Circular	Other segment	Elimi-nations	Group
Deferred tax asset (resource rent)	23	0	25	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)	11 453	13 320	7 728	382	-56	**32 827**
Equity accounted investments	0	724	74	18	0	**816**
Other non-current financial assets	0	2	0	106	0	**108**
Other financial fixed assets	282	123	17	22 520	-22 599	**343**
Current assets	18 339	7 292	807	435	-13 738	**13 136**
Total assets	44 036	29 264	8 652	23 803	-36 718	**69 037**
Equity	14 221	9 038	2 423	3 551	-8 217	**21 016**
Deferred tax liability	9 001	0	378	0	799	**10 177**
Non-current interest-bearing liabilities	317	3 407	67	15 612	0	**19 403**
Other non-current liabilities	5 192	10 542	4 184	58	-15 562	**4 414**
Current liabilities	15 305	6 277	1 600	4 583	-13 738	**14 027**
Total equity and liabilities	44 036	29 264	8 652	23 803	-36 718	**69 037**
Investments in tangible and intangible fixed assets (excl. right of use assets, SAC and licences)	313	2 275	1 077	118	0	**3 782**
Investments in shares and interests	0	3 002	0	36	0	**3 038**

5 Non-controlling interests

Based on an overall assessment where size and complexity are taken into account, the subgroup in which Lyse Produksjon AS is an owner in Lyse Kraft DA and Jørpeland Kraft AS, is regarded as the only subsidiary with significant non-controlling ownership interests. See further information on non-controlling ownership interests in Note 34.

Lyse Produksjon subgroup

The subsidiary Lyse Produksjon AS owns 74.4% of the shares in Lyse Kraft DA, which in turn owns power plants and aims to manage, operate and further develop these in an optimal way for the participants.

The table below summarises financial information for the subgroup Lyse Produksjon.

The non-controlling ownership interests in the table below show the entire share of the non-controlling ownership interests in the subgroup, which also includes the ownership interests of Statkraft Energi AS and Norway Hydropower INVEST GmbH KG in addition to Hydro Energi AS.

The "Net power consumption" in the table below includes only cash flow effects from/to non-controlling ownership interests. In addition, "Net withdrawals from non-controlling ownership interests" is added to non-cash generating items.

FINANCIAL STATEMENT LINE ITEM	Lyse Produksjon sub-group	
	2023	2022
Revenue	9 740 475	15 471 719
Profit attributable to owners of the Company	2 246 893	1 622 797
Profit attributable to the non-controlling interests	629 007	997 059
Profit for the period	2 875 900	2 619 856
Other comprehensive income attributable to owners of the Company	-359 242	-128 145
Other comprehensive income attributable to the non-controlling interests	0	0
Other comprehensive income for the period	-359 242	-128 145
Total comprehensive income attributable to owners of the Company	1 887 652	1 494 652
Total comprehensive income attributable to the non-controlling interests	629 007	997 059
Total comprehensive income for the period	2 516 658	2 491 711

	2023	2022
Net power consumtion paid to non-controlling interests	2 013 289	3 870 596
Net cash flows from operating activities	1 682 956	11 656 118
Net cash flows from investing activities	-402 843	-255 307
Net cash flows from financing activities	-3 388 207	-4 560 576
Non-current assets	25 825 103	25 595 270
Current assets	8 718 371	16 962 768
Non-current liabilities	14 332 651	14 170 422
Current liabilities	7 481 911	14 504 443
Equity attributable to owners of the Company	8 548 344	9 633 423
Equity attibutable to the non-controlling interests	4 180 567	4 249 750

6 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 Marked 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. 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. The high-price contribution was wound up from 1 October 2023.

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 318 million, that per 31 December 2023 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 2023, NOK -170,7 million were recognised in equity (NOK 67,2 million in 2022).

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 3 new fair value hedge agreements in 2023.

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 31.12.23, NOK 5,4 million has been recognised in equity (NOK 2.8 million in 2022). For information on the amounts and interest terms for the interest rate swaps, see note 8 and note 24.

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 31.12.23	Limits in financial strategy	Target attainment
Duration of the liquidity reserve measured against estimated funding need (number of months)	16 months	6 months	Within target
Actual liquidity reserve (*) compared with capital requirement for next 6 months	NOK 5.043 mill.	NOK 2.652 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	22	25	Within target
12-24 months	18	40	Within target
24-36 months	32	50	Within target
36-48 months	39	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 2023. 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 2023	-104 461	104 461
As at 31 December 2022	-111 658	111 658

IMPACT ON EQUITY OF A CHANGE IN ENERGY PRICE

	Energy price change	
	30%	**-30%**
As at 31 December 2023	-269 595	269 595
As at 31 December 2022	0	0

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 2023	245 855	-245 855
As at 31 December 2022	167 295	-167 295

IMPACT ON EQUITY OF CHANGE IN EXCHANGE RATE

	Exchange rate change	
	10%	**-10%**
As at 31 December 2023	-769 101	769 101
As at 31 December 2022	-656 929	656 929

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 2023	-22 176	22 176
As at 31 December 2022	13 863	-13 863

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

	Interest rate change	
	+50 bp	**-50 bp**
As at 31 December 2023	48 515	-48 515
As at 31 December 2022	-39 377	39 377

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 2023, NOK 46 million has been allocated to cover losses (2022: NOK 48.2 million). This constitutes around 1.8% of trade receivables (2022: 1,6%). Lyse does not expect to incur material losses on receivables. Please also refer to note 23 trade receivables.

Counterparty risk - financial energy contracts

Of the financial energy contracts entered into in 2023, 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	2023	2022
Other financial assets, non-current	7	963 082	924 231
Derivatives	7, 24	487 189	296 042
Receivables, current and non-current	7, 23	4 021 461	3 856 746
Financial investments, current	7, 25, 26	1 427 000	1 148 400
Cash and cash equivalents	7, 25, 26	4 763 105	7 713 341
Gross exposure credit risk		**11 661 837**	**13 938 760**

EXPOSURE REDUCED BY CASH COLLATERAL

	Note	2023	2022
Cash collateral	30	112 000	421 000
Net exposure credit risk		**11 549 837**	**13 517 760**

(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 3.619 million in drawing facilities available to cover further financing needs. Borrowing must have a diversified maturity structure. In 2023, Lyse was awarded an official rating of A- by Scope ratings. 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 2023

	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*	-899 240	-573 266	-1 382 582	-1 742 277	-854 278	-5 451 643
Other derivatives	-129 641	-103 053	-67 218	-168 482	-301 426	-769 820
Non-derivative financial liabilities:						
Non-current liabilities and short-term debt instruments	-1 935 821	-2 208 793	-3 433 331	-5 382 793	-12 567 934	-25 528 672
Accounts payable and other current liabilities	-4 808 952	0	0	0	0	-4 808 952
Total non-derivative liabilities	-6 744 773	-2 208 793	-3 433 331	-5 382 793	-12 567 934	-30 337 624
Total financial liabilities	**-7 773 654**	**-2 885 112**	**-4 883 131**	**-7 293 552**	**-13 723 638**	**-36 559 087**
Financial currency derivatives settled gross (inflows)	843 044	545 275	1 336 429	1 746 655	860 586	5 331 989

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

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.

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.

7 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 24 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 2023

	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	23	0	0	0	416 454	416 454	416 454
Other non-current financial assets		128 516	0	0	0	128 516	128 516
Derivatives	6,24	458 034	0	0	0	458 034	458 034
Derivatives - hedge accounting	6,8,24	0	0	29 156	0	29 156	29 156
Bonds - short term financial investments	25	0	1 427 000	0	0	1 427 000	1 427 000
Trade receivables and other current receivables	23	0	0	0	3 704 011	3 704 011	3 704 011
Bank deposits, cash and cash equivalents	25	0	0	0	4 763 105	4 763 105	4 763 105
Total assets		**586 550**	**1 427 000**	**29 156**	**8 883 570**	**10 926 276**	**10 926 276**

CARRYING VALUE PER MEASUREMENT CATEGORY – LIABILITIES 31 DECEMBER 2023

	Note	Liabilities at fair value through profit and loss	Derivatives as hedging instrument	Liabilities at amortised cost	Total	Fair value
Loans	26	0	0	19 658 115	19 658 115	19 407 456
Non-current financial liabilities in EUR, designated hedging instruments	6,8,26	0	0	3 576 684	3 576 684	2 968 814
Derivatives	6,24	347 994	0	0	347 994	347 994
Derivatives - Hedge accounting	6,8,24	0	440 970	0	440 970	440 970
Current contract liabilities	28	0	0	29 664	29 664	29 664
Non-current contract liabilities	27	0	0	1 234 718	1 234 718	1 234 718
Accounts payable and other current liabilities	28	0	0	4 861 207	4 861 207	4 861 207
Non-current lease liability	31	0	0	1 696 356	1 696 356	1 696 356
Current lease liability	31	0	0	293 826	293 826	293 826
Total liabilities		**347 994**	**440 970**	**31 350 570**	**32 139 534**	**31 281 005**

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE, 31 DECEMBER 2023

	Level 1	Level 2	Level 3	Total 31 December 2023
Investments in funds / shares	15 983	0	112 533	128 516
Derivatives, measured at fair value through profit and loss	0	17 515	440 518	458 033
Derivatives, measured at fair value through other comprehensive income	0	29 156	0	29 156
Bonds - short term financial investments	1 427 000	0	0	1 427 000
Total assets	**1 442 983**	**46 671**	**553 051**	**2 042 705**
Derivatives, measured at fair value through profit and loss	0	0	347 994	539 139
Derivatives, measured at fair value through other comprehensive income	0	249 825	191 145	249 825
Total liabilities	**0**	**249 825**	**539 139**	**788 964**

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	23	0	0	0	85 286	85 286	85 286
Other non-current financial assets		108 159	0	0	0	108 159	108 159
Derivatives	6,24	192 696	0	0	0	192 696	192 696
Derivatives - hedge accounting	6,8,24	0	0	103 346	0	103 346	103 346
Bonds - short term financial investments	25	0	1 148 400	0	0	1 148 400	1 148 400
Trade receivables and other current receivables	23	0	0	0	3 771 470	3 771 470	3 771 470
Bank deposits, cash and cash equivalents	25	0	0	0	7 713 341	7 713 341	7 713 341
Total assets		**300 855**	**1 148 400**	**103 346**	**11 570 096**	**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	26	0	0	16 351 252	16 351 252	15 925 218
Non-current financial liabilities in EUR, designated hedging instruments	6,8,26	0	0	3 458 367	3 458 367	2 896 087
Derivatives	6,24	789 840	0	0	789 840	789 840
Derivatives - Hedge accounting	6,8,24	0	48 976	0	48 976	48 976
Current contract liabilities	28	0	0	33 909	33 909	33 909
Non-current contract liabilities*	27	0	0	1 019 200	1 019 200	1 019 200
Accounts payable and other current liabilities	28	0	0	6 581 247	6 581 247	6 581 247
Non-current lease liability	31	0	0	1 566 153	1 566 153	1 566 153
Current lease liability	31	0	0	280 007	280 007	280 007
Total liabilities		**789 840**	**48 976**	**29 290 135**	**30 128 951**	**29 140 637**

* Contract liabilities are stated on seperate lines from 2023. The non-current liability has retrospectively been included in the table for 2022.

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**	**48 975**	**789 840**	**838 815**

8 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 31.12.23	2024-2030	2024-2044
The information below concerns the period (where the information is the most applicable in regards to the prevailing hedging strategy)	2024-2030	
Value of future hedging instruments 31.12.23	EUR 637 million	
Adhering value of hedging objects 31.12.23	EUR 3 191 million	
Degree of hedging 31.12.23	20%	
Hedging price / Rate 31.12.23	10.99 (average rate, future years).	9.54 EUR (average drawdown rate).
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).

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 2024 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 2023	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 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.
Fair value of hedging instruments 31.12.2023	NOK -219 million.	NOK –3 577 million (initial loan amount valued in applicable EUR currency rate on the balance sheet date).
Fair value of hedging instruments 31.12.2022	NOK 86 million.	NOK –3 458 million (initial loan amount valued in applicable EUR currency rate at the balance sheet date).
Effect of realised hedge accounting recognised in 2023's profit and loss	Amounts to NOK 138 million in the accounting line-item Gains and losses on power and currency contracts.	Amounts to NOK 33 million in the accounting line-item Gains and losses on power and currency contracts.
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 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 6, 7 and 24 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 6, 7 and 26 for further information.

Category:	**Cash flow hedging fixed-price agreements**
Future risk-exposed cash flow, hedging object:	**Revenue power sales**
Hedging instrument:	**Fixed price agreement**
Management's risk strategy	The fixed-price contracts are entered into at the time of conclusion of the agreement with the aim of securing a share of Lyse's sales revenue by achieving a fixed price for a fixed share of Lyse's future power production
Deal period for agreed hedging instruments per 31.12.23	2024-2030
Future hedging instruments 31.12.23	1,5 TWh
Associated exposure 31.12.23	41 TWh
Degree of hedging 31.12.23	3,6 %
Hedging price / Rate 31.12.23	71,9 øre / kWh (average fixed price in future years)
Profile hedging ratio for future periods	All years in the period have hedging. Largest share of hedging in 2024 and 2025, then falling profile.
Possible sources of hedging inefficiency (material)	Overinsurance, counterparty risk or that the instrument and object settle at different times
Renewals of expired hedging	Hedging that expires is continuously assessed for renewal in accordance with the current strategy.
Uncovered / booked hedging ineffectiveness in 2023	No. As the hedging object and the hedging instrument mature in the same future period and there is no over-hedging, the change in value on these will be roughly the same.
Fair value hedging instruments 31.12.23	-191 million NOK
Effect of realized effects of hedge accounting in 2023 in profit	No realized effects have been booked in 2023 due to the fact that the agreements are recognized for the first time as of 31.12.23
Impact of unrealized effects of hedge accounting in profit, equity and balance sheet	The hedging instruments are entered at fair value in the balance sheet in the lines "Derivatives" and are included in the result under "Other comprehensive income". Refer also to notes 6, 7 and 24 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 31.12.23	2024-2029	2024-2030
The information below concerns the period (where the information is the most applicable in regards to the prevailing hedging strategy)	2024-2029	2024-2030
Value of future hedging instruments 31.12.23	NOK 1 050 million.	NOK 500 million.
Adhering value of hedging objects 31.12.23	NOK 1 050 million.	NOK 1 500 million.
Degree of hedging 31.12.23	The proportion of loans that have additional issues are 100% secured, respectively NOK 300 million (LYSE25), NOK 150 million (LYSE23 ESG) and NOK 600 million (LYSE32).	33 %
Hedging price / Rate 31.12.23	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 1.84% - 3,0% and receive a floating interest rate on these deals (future years).
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.
Proportion of the exposure that is secured at 31.12.22	The share of the loans that have additional issues is 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% respectively in these deals (future years).	Lyse pays fixed interest of 1.84% and receives floating interest on the agreements (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.	33% hedging with a gradually increasing profile due to reduction of loan amount until expiration of hedging instrument in 2030.
Renewal of expired hedges	The bond loan LYSE25 and associated hedging instrument expire at maturity April 2025. The bond loan LYSE23 ESG and associated hedging instrument expire at maturity December 2028. The bond loan LYSE32 and associated hedging instruments expire at maturity September 2029. Any new fair value hedges are assessed in accordance with the current financial 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 2023	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 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.
Fair value of hedging instruments 31.12.2023	NOK -1,7 million.	NOK 6,9 million.
Fair value of hedging instruments 31.12.2022	NOK -35,5 million.	NOK 3,6 million.
Effect of realised hedge accounting recognised in 2023's profit and loss	NOK 13,9 million on accounting line-item finance cost.	NOK -6.1 million on accounting line item finance cost.
Effect of realised hedge accounting recognised in 2022's profit and loss	NOK 2 million on accounting line-item finance income.	NOK -6,5 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 6, 7, 24 and 26 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 6, 7 and 24 for further information.

The table below summarises the effects in the financial statement:

	2023				2022			
(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	485	-219	-138	-171	505	86	29	67
Energy contracts EUR loans	152	-3 577	-33	-422	103	-3 458	0	-307
Fixed price contracts	0	-191	0	-149	0	0	0	0
Interest rate swaps NOK	500	7	6	5	100	4	7	3
Fair value hedge								
Interest rate swaps NOK	1 050	-2	-14	0	450	-35	2	0
Sum	**0**	**-3 982**	**-179**	**-737**	**0**	**-3 404**	**38**	**-237**

* Included in the EUR-loan is a prior year adjustment for errors of NOK 48 million.

No reclassification adjustments due to transactions no longer being expected (ineffective hedging) in 2023 or 2022.

Movement in hedge reserve

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

CHANGE IN HEDGE RESERVE

(In NOK millions)	2023	2022
Carrying value 1 January	**-237**	**-112**
Change currency futures	-238	-5
Change foreign currency loans	-115	-125
Change fixed contracts	-149	0
Change interest rate swaps	2	5
Carrying value 31 December	**-737**	**-237**

9 Sales revenue

SALES REVENUE

(Amounts in NOK million)	2023	2022
Retail sales		
Energy	2 601	4 420
Power Grid	57	87
TV, fiber and other telecom revenues*	2 762	3 735
Spot sales of hydro power	9 231	16 693
Phone revenue	2 834	1 957
Partner revenues	3 152	1 648
Transmission income	1 351	1 092
Income natural gas, district heating and district cooling	472	641
Congestion revenue*	169	365
Other revenues*	467	490
Sales revenue	**23 096**	**31 127**

* Congestion revenue and telecom revenues in Denmark has historically been presented as "Other revenues", but starting from 2023 is presented as "Congestion revenue" and part of "Retail sales TV, fibre and other telecom revenues" respectively. Comparative figures for 2022 has been restated accordingly.

10 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	2023	Unrealised	Realised	2022
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	245 752	-171 500	74 252	106 607	-819 617	-713 010
Currency derivatives in long-term physical industry contracts in EUR	344 965	-65 984	278 981	-205 765	-29 263	-235 028
Currency derivatives – held for hedging purposes	0	-138 240	-138 240	0	29 187	29 187
Cash flow hedge liabilities in EUR	0	-32 809	-32 809	0	0	0
Other changes in value						
Long-term financial energy contracts	0	863	863	0	-9 817	-9 817
Changes in value for financial instruments recognised through profit and loss	**590 717**	**-407 669**	**183 048**	**-99 158**	**-829 510**	**-928 668**
Net gains and losses on power and currency contracts	**590 717**	**-407 669**	**183 048**	**-99 158**	**-829 510**	**-928 668**
Total tax effect of gains and losses on power and currency contracs	-115 441	75 171	-40 271	28 253	176 054	204 307
Net gains and losses on power and currency contracts recognised through profit/loss for the year	**475 276**	**-332 498**	**142 778**	**-70 905**	**-653 456**	**-724 361**

GAINS AND LOSSES ON POWER AND CURRENCY CONTRACTS RECOGNISED THROUGH OCI

	2023	2022
Unrealised changes in value for financial instruments recognised through OCI		
Cash flow hedge, currency forward contracts	-237 981	-4 221
Cash flow hedge, interest swap contracts	2 599	5 215
Cash flow hedge liabilities in EUR	-162 860	-126 137
Cash flow hedging, fixed price agreement	-149 093	0
Unrealised gains and losses on power and currency contracts recognised through OCI	**-547 335**	**-125 142**
Gains and losses on power and currency contracts recognised through OCI	**-404 557**	**-849 504**

11 Cost of goods sold

COST OF GOODS SOLD

(Amounts in NOK millions)	2023	2022
Power related purchases	3 515	7 171
Transfer costs	192	670
Digital content services	1 635	1 187
Fibre related cost	228	157
Cost of sales TV and fibre equipment	92	190
Mobile network cost	678	508
Cost of sales mobile equipment	289	234
Other	322	167
Total	**6 950**	**10 285**

12 Salaries and payroll cost

SALARIES AND PAYROLL COST

	Note	2023	2022
Salaries		1 670 353	1 388 551
Employers' National Insurance contributions		255 018	196 341
Pension costs - defined benefit plans	13	23 352	27 001
Pension costs - defined contribution plans	13	153 092	116 179
Capitalised salary cost		-377 387	-331 078
Other payroll costs		145 423	127 165
Total salaries and payroll cost		**1 869 852**	**1 524 160**
Average number of full-time equivalents		1 962	1 708

13 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	477	122	19 300	19 009
Defined contribution pension and early retirement pension		1 912	153 092	160 747
Pensions funded through operations		66	4 455	4 642
Total			176 847	184 398

Defined contribution scheme

The company's defined contribution scheme covers a total of 1 912 people as at 31 December 2023. 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 2023. Consequently and in accordance with IAS 19 no liability for the AFP scheme is recognised as at 31 December 2023.

The contribution to the AFP scheme is recognised as personnel costs and next year's premium is estimated to be NOK 26.8 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 599 people, of which 122 are active employees and 477 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:

	2023	2022
Liabilities recognised on balance sheet:		
Defined benefit plans	-20 910	25 107
Pension cost recognised in income statement during the year: *		
Defined benefit plans	19 300	27 047
Defined contribution plans	153 092	116 179
Pensions funded through operations	4 455	3 178
Pension effects through consolidated other comprehensive income:		
Actuarial gains and losses before tax	47 578	-43 257
Tax effect	-12 359	15 299
Actuarial gainst (-) and losses (+) after tax	**35 219**	**-27 958**

* 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

	2023	2022
Present value of accrued pension liabilities for defined benefit plans in fund-based schemes	1 716 010	1 633 912
Fair value of pension assets	-1 759 963	-1 629 294
Actual net pension liabilities for defined benefit plans in fund-based schemes	**-43 953**	**4 619**
Net present fund-based pension liabilities recognised in the balance sheet	4 285	19 780
Net present fund-based pension funds recognised in the balance sheet	48 238	15 161
Pensions funded through operations	23 043	20 489
Net pension liabilities on the balance sheet*	**-20 910**	**25 107**

* 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:

	2023	2022
Pension liabilities 1 January	1 633 912	1 706 411
Pension accruals for the year	19 093	24 134
Interest cost	48 731	33 321
Actuarial gains/losses	85 840	-99 566
Employers' National Insurance contributions on contributions	-16 613	-7 030
Changes to estimates	-55 393	-50 652
Reduced pension obligations from business combinations	441	27 294
Pension liabilities 31 December	**1 716 010**	**1 633 912**

CHANGES IN PENSION FUND'S FAIR VALUE:

	2023	2022
Fair value of pension funds 1 January	1 629 294	1 630 883
Actual return on funds in relation to recognised interest income	49 836	31 898
Actuarial gains/losses	38 262	-56 309
Administration and financial costs	-2 883	-3 243
Total contributions	118 658	52 883
Total payments from fund	-55 393	-50 652
Share of paid from premium fund - Sira Kvina DA	-18 084	0
Reduced pension fund from business combinations	275	23 834
Fair value of pension funds as at 31 December	**1 759 963**	**1 629 294**

UNFUNDED PENSION LIABILITIES

	2023	2022
Pension liabilities 1 January	20 489	17 735
Deposits for the year	3 416	2 215
Interest cost	744	576
Employers' National Insurance contributions	479	391
Benefits paid	-1 901	-425
Pension liabilities 31 December	**23 043**	**20 489**

THE FOLLOWING FINANCIAL ASSUMPTIONS WERE USED

	31.12.2023	31.12.2022
Discount rate	3,10%	3,00%
Expected return on pension funds	3,10%	3,00%
Salary adjustments	3,50%	3,50%
Pension adjustments	2,80%	2,48%
Adjustment of National Insurance basic amount	3,25%	3,25%
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:

	2023	2022
New pensioners at end of the financial year:		
- Men	24,2	24,1
- Women	26,1	26,1
New pensioners in 25 years:		
- Men	27,5	27,4
- Women	28,6	28,5

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	8,12%		-7,19%	
Change in wages growth	0,50%	points		
Change in percentage gross pension liabilities	0,21%			

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:

	2023	2022
Present value of this year's pension accruals	19 093	24 134
Interest cost*	-1 105	1 423
Expenditures	2 883	3 243
Employees' pension deductions	-1 571	-1 752
Pensions funded through operations	4 455	3 178
Pension costs, defined benefit plans	**23 755**	**30 225**
Employer's contributions to the defined contribution scheme	127 561	100 772
Premiums from AFP LO/NHO scheme	25 531	15 407
Pension costs, defined contribution plans	**153 092**	**116 179**
Total pension costs	**176 847**	**146 404**

* Interest costs are recognised as financial costs.

The weighted average duration of the liability is 15.3 years.
The expected contribution to the defined benefit scheme is NOK 73 million for 2024.
The expected contribution to the defined contribution scheme is NOK 134 million for 2024.

PENSION FUNDS COMPRISE:

	2023		2022	
Liquidity/Money market	66 879	3,8 %	69 245	4,3 %
Bonds bought	223 515	12,7 %	193 071	11,9 %
Construction bonds	480 470	27,3 %	460 601	28,3 %
Short-term bonds	188 316	10,7 %	191 931	11,8 %
Property	241 115	13,7 %	241 461	14,8 %
Shares and alternative investments	559 668	31,8 %	472 984	29,0 %
Fair value, pension funds	**1 759 963**		**1 629 294**	

14 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 was set at 23 per cent of the electricity price above NOK 0.70 per kWh. The contribution was discontinued from 1 October 2023.

REGULATORY FEES

	2023	2022
Property tax	206 825	165 988
Licence fees	91 457	85 240
High-price contribution	401 722	528 294
Total regulatory fees	**700 004**	**779 522**

15 Other operating costs

OTHER OPERATING COSTS

	2023	2022
External services	682 058	726 233
Office costs	292 752	263 005
Other operating costs, related to partly-owned hydro power stations	95 991	81 088
Repair and maintenance cost	280 153	175 013
Cost related to property, machine hire, equipment and other hire costs	421 257	375 757
Sales and advertising costs	466 940	325 277
Other operating costs	427 631	375 750
Total other operating costs	**2 666 781**	**2 322 122**

16 Financial items

NET FINANCIAL COST

	Note	2023	2022
Interest costs:			
Subordinated loans		120 439	73 751
Bond loans and certificate loans		453 493	281 838
Interest hedge		7 885	-4 439
Interest costs, energy sale agreements and free energy		40 384	40 384
Other interest costs	31	491 035	284 068
Total interest costs	26	**1 113 236**	**675 602**
Other financial expense			
Disagio		158 064	142 562
Impairment of financial assets		8 202	23 464
Finance element, pension costs	13	403	3 224
Other financial expense		6 320	164 141
Total financial expense		**1 286 225**	**1 008 992**
Financial income:			
Other interest income		347 471	157 884
Gains through realisation of securities		156	-8
Dividends		0	0
Agio		140 924	145 295
Other financial income		6 132	38 798
Total financial income		**494 683**	**341 970**
Net financial cost		**791 542**	**667 022**

17 Taxes

Tax expense and tax payable

SPECIFICATION OF TAX EXPENSE

	2023	2022
Tax payable *	1 096 071	2 807 009
Change in deferred tax, recognised through profit and loss in the period	537 237	-77 188
Over/underprovision tax payable relating to previous years	30 954	770
Resource rent tax payable *	2 880 722	5 453 360
Change in deferred tax resource rent, recognised through profit and loss in the period	158 389	186 821
Change in deferred tax resource rent, changed tax rate recognised through profit and loss in the period	0	1 028 611
Over/underprovision tax payable relating to previous years, resource rent	4 289	3 037
Total tax expense	**4 707 662**	**9 402 420**

* In the tax payable in profit and loss, the shares of Hydro Energi AS and Statkraft Energi AS are included in the Group's total tax expense.

RECONCILIATION FROM NOMINAL TO EFFECTIVE TAX RATE

	2023	2022
Profit/loss before tax	7 102 043	11 850 489
Expected income taxes at nominal tax rate (22%)	1 562 449	2 607 108
Tax effect of:		
Net non-deductible income and costs	87 709	123 907
Over/underprovision relating to previous years	30 954	770
Other items	-16 779	-1 025
Natural resource tax	103 859	107 072
Offset natural resource tax	-103 930	-107 241
Resource rent tax, tax expence (45%)	3 043 400	6 671 829
Total tax expense	**4 707 662**	**9 402 420**
Effective tax rate	**66%**	**79%**

SPECIFICATION OF TAX PAYABLE ON BALANCE SHEET

	2023	2022
Income taxes payable	528 218	714 347
Natural resource tax payable	95 851	107 072
Resource rent tax payable	1 975 141	3 933 621
Total tax payable on balance sheet *	**2 599 210**	**4 755 040**

* The shares of Hydro Energi AS and Statkraft Energi AS are not included in payable tax on balance sheet, as this is settled by the minorities themselves.

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.

NET DEFERRED PROFIT TAX

	Fixed assets	Derivatives	Pensions	Other items *	Tax losses carried forward**	Deferred tax asset not recognised on the balance sheet	Total
1 January 2022	3 831 224	-104 065	-3 307	-64 734	-43 545	-36 961	3 578 612
Recognised through P&L in the period	173 807	-125 841	157	-23 999	-59 266	-42 045	-77 188
Recognised in OCI	0	-37 081	2 266	1 471	0	6 634	-26 710
Recognised in other equity	-141 487	13 187	-9	1 431	87 215	39 098	-566
Reclass to deferred resource rent tax	464 897	0	0	0	-1 220 335	1 545	-753 894
Adjustment prior years	2 050	0	265	-936	4	-1 383	0
31 December 2022	**4 330 490**	**-253 801**	**-628**	**-86 768**	**-80 544**	**-33 113**	**3 875 637**
Recognised through P&L in the period	288 535	223 263	20 951	-98 602	96 959	6 130	537 237
Recognised in OCI	0	-121 970	-10 468	-32 406	0	0	-164 844
Recognised in other equity ***	37 779	0	0	-634	-23 781	0	13 364
Acquisition of subsidiaries	168	0	0	0	-111	111	168
Recognised in other receivables ***	395 282	0	0	0	0	0	395 282
31 December 2023	**5 052 254**	**-152 507**	**9 855**	**-218 410**	**-7 476**	**-26 871**	**4 656 845**

Items that are netted in the balance sheet:	2023	2022
Deffered tax	4 872 876	4 043 576
Defferd tax assets	-216 031	-167 939
Net deffered profit tax	**4 656 845**	**3 875 637**

* Other items consist of temporary differences relating to investments, current assets, loans and liabilities.

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

*** In 2023, the Group has changed the tax treatment of fiber investments related to tubes and excavation costs as a result of a change in legal practice. The estimated effect of the changed tax return in the period 2018-2022 is recognized in other equity and other receivables, current assets.

NET DEFERRED RESOURCE RENT TAX

	Fixed assets	Derivatives	Pensions	Other items *	Tax losses carried forward, resource rent tax	Deferred tax asset not recognised on the balance sheet	Total
1 January 2022	5 114 472	-18 657	1 117	0	-77 506	13 093	5 032 519
Recognised through P&L in the period	1 218 666	-5 151	-242	0	15 251	-13 093	1 215 431
Recognised in OCI	0	0	5 176	0	0	0	5 176
31 December 2022	**6 333 139**	**-23 807**	**6 051**	**0**	**-62 255**	**0**	**6 253 127**
Recognised through P&L in the period	120 274	2 252	-3 573	26 583	12 854	0	158 389
Recognised in OCI	0	0	-1 892	0	0	0	-1 892
31 December 2023	**6 453 413**	**-21 555**	**586**	**26 583**	**-49 401**	**0**	**6 409 624**

Hence presented as:	2023	2022
Deffered tax	6 435 360	6 301 858
Defferd tax assets	-25 736	-48 731
Net deferred resource rent tax	**6 409 624**	**6 253 127**

* Other items consist of temporary differences relating to current assets.

CHANGE IN DEFERRED TAX, OTHER COMPREHENSIVE INCOME

	2023	2022
Cash flow hedges	-154 377	-35 297
Remeasurements of pensions	-10 467	8 587
Remeasurements of pensions, recource rent tax	-1 892	5 176
Net change in deferred tax, other comprehensive income	**-166 736**	**-21 534**

International tax reform - Pillar Two model rules

Minimum taxation rules (Pillar Two model rules) have been enacted or substantively enacted in several jurisdictions where Lyse operates. The model rules, which was published by OECD, will ensure that large groups are taxed with an effective tax rate at a minimum of 15% in all jurisdictions where they are established. Implementation of the model rules will be effective from the financial year 2024. Lyse is in scope of the rules and has considered potential effects of this “top up” tax. The assessment is based on the latest tax reporting and country-by-country reporting, as well as Lyses annual report for the Group. Lyses business activities are primarily located in jurisdictions with substantially higher effective tax rate than the minimum tax rate but has also limited activity in jurisdictions where the tax rate is lower than 15%. Lyse expects no top up tax, or limited top up tax, from the implementation in 2024.

Lyse has for the financial year 2023 applied the mandatory temporary exception according to IAS 12 regarding deferred tax. This implies that no deferred tax is recognized or notes disclosed with respect to the Pillar Two tax regime.

18 Intangible assets

FINANCIAL YEAR 2023

	Waterfall rights	Goodwill	Frequencies	Excess value	Internally generated	Customer aquisition cost	Under develop-ment	Total
Carrying value 1 January	8 413 301	7 299 820	2 266 114	1 438 838	1 452 426	416 674	471 240	21 758 414
Transferred from assets under devel.	0	0	0	0	480 718	0	-608 492	-127 774
Additions	0	0	138 583	0	53 971	315 309	490 795	998 658
Acquisition subsidiary	0	0	0	65 782	2 999	0	0	68 781
Disposal	0	0	0	0	-1 144	0	0	-1 144
Merger subsidiaries	0	0	0	-11 849	116 402	0	-185 481	-80 927
Amortisations	0	-610	-171 232	-199 911	-438 304	-279 775	30 907	-1 058 925
Foreign currency translation effects	0	0	0	0	664	0	0	664
Carrying value 31 December	**8 413 301**	**7 299 210**	**2 233 465**	**1 292 861**	**1 667 733**	**452 208**	**198 970**	**21 557 747**
						0	0	
Balance 31 December						0	0	
Acquisition cost	8 418 301	7 312 495	2 541 776	1 851 530	3 118 884	937 886	228 605	24 409 479
Accumulated depreciation and impairment losses	-5 000	-13 286	-308 311	-558 669	-1 451 152	-485 678	-29 636	-2 851 606
Carrying value 31 December	**8 413 301**	**7 299 210**	**2 233 465**	**1 292 861**	**1 667 607**	**452 208**	**198 970**	**21 557 748**
Expected useful life			20 years	0-15 years	0-15 years	1,5-3 years		
Depreciation method			Straightline	*	Straightline	Straightline		

FINANCIAL YEAR 2022

	Waterfall rights	Goodwill	Frequencies	Excess value	Internally generated	Customer aquisition cost	Under develop-ment	Total
Carrying value 1 January	8 417 301	6 342 302	0	539 535	764 260	0	124 635	16 188 033
Transferred from assets under development	0	0	0	0	188 969	0	-178 825	10 144
Additions	0	0	742 277	0	13 930	222 444	227 722	1 206 373
Acquisition subsidiary	0	957 517	1 650 679	1 467 405	413 453	400 134	287 667	5 176 855
Disposal	-4 000	0	0	0	0	0	0	-4 000
Reclassification intangible - tangible	0	0	0	0	-241	0	-5 841	-6 082
Amortisation and impairment charge	0	0	-126 842	-130 464	-332 679	-205 903	-17 465	-813 354
Foreign currency translation effects	0	0	0	0	443	0	0	443
Carrying value 31 December	**8 413 301**	**7 299 820**	**2 266 114**	**1 876 476**	**1 048 136**	**416 674**	**437 892**	**21 758 414**
						0	0	
Balance 31 December						0	0	
Acquisition cost	8 418 301	7 312 495	2 392 956	2 208 756	2 040 397	622 577	471 241	23 466 724
Accumulated depreciation and impairment losses	-5 000	-12 676	-126 842	-332 280	-992 262	-205 903	-33 347	-1 708 311
Carrying value 31 December	**8 413 301**	**7 299 820**	**2 266 114**	**1 876 476**	**1 048 135**	**416 674**	**437 894**	**21 758 414**

Expected useful life			20 years	0-15 years	0-15 years	1,5-3 years
Depreciation method			Straightline	*	Straightline	Straightline

* 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.

Acqusiion of excess value presented on the line for Acquisition subsidiary in 2022 consist 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

	2023	**2022**
Expensed R&D	7 737	6 192

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 Renewable Energy segment is 8.51% (nominal value after tax). It is between 6.25% and 8.3% for the segment Infrastructure and Circular Energy, and between 6.73% and 12.08% for the Telecom segment.

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. Procurement of 5G licences are distributed between Ice Communication Norge AS and Altibox AS.

19 Tangible fixed assets

FINANCIAL YEAR 2023

	Energy Facilities	Telecom facilities	Power Grid facilities	Other buildings and land**	Machinery and equipment	Assets under construction	Total fixed assets
Carrying value 1 January	**12 147 433**	**9 732 926**	**5 058 674**	**513 548**	**401 753**	**2 880 390**	**30 734 726**
Additions	48 972	197 381	38 791	11 292	54 024	3 765 774	4 116 234
Acquisition subsidiary	0	98 774	0	21 195	-1 585	0	118 384
Transferred from assets under construction	218 168	1 931 105	1 244 507	26 457	26 567	-3 325 342	121 462
Disposals	-1 577	0	-126	-833	-982	-8 821	-12 340
Reclassification*	0	37 598	17 015	3 807	-82 191	228 847	205 075
Depreciation for the year	-362 187	-1 077 663	-254 647	-18 557	-76 680	-79	-1 789 813
Impairment	-9 348	0	0	0	-20	0	-9 368
Foreign currency translation effects	0	0	0	0	2 265	0	2 265
Carrying value 31 December	**12 041 461**	**10 920 121**	**6 103 841**	**556 910**	**323 550**	**3 540 767**	**33 486 649**
Carrying value 31 December							
Acquisition cost	18 725 668	18 660 831	9 267 390	673 539	722 619	3 672 306	51 538 955
Accumulated depreciation and impairment losses	-6 684 207	-7 740 710	-3 163 178	-116 629	-399 465	-131 540	-18 235 729
Carrying value 31 December	**12 041 461**	**10 920 121**	**6 103 841**	**556 910**	**323 550**	**3 540 766**	**33 486 649**

* Reclassification within categories, and within assets under construction tangible/intangible.
** 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

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	3 539 875
Additions 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 charge for the year	-349 088	-942 130	-215 463	-18 566	-81 410	-41	-1 606 699
Impairment charge	-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	**12 147 433**	**9 732 926**	**5 058 674**	**513 548**	**401 753**	**2 880 390**	**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	**12 147 433**	**9 732 926**	**5 058 674**	**513 548**	**401 753**	**2 880 390**	**30 734 726**

* 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 62.1 million in 2023. The average interest rate applied was 5.5%.

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 2. 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.

20 Investments in joint ventures and associates

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

	Office location	Segment	Ownership	Voting share	2023	2022
Associates:						
NO-UK COM Holding AS	Hjelmeland	Telecom	38%	38%	171 188	168 909
Altifiber AS	Hauge i Dalane	Telecom	34%	34%	89 206	80 949
Other					19 711	25 837
Carrying value associates					**280 105**	**275 694**
Joint ventures:						
Bergen Fiber AS	Bergen	Telecom	37%	50%	379 088	357 588
Forus Energigjenvinning Holding AS	Stavanger	Infra and Circular	50%	50%	68 275	73 810
Istad Fiber AS	Molde	Telecom	50%	50%	75 327	74 430
Nordvest Fiber Holding AS	Ålesund	Telecom	50%	50%	31 771	34 363
Other					0	
Carrying value joint ventures					**554 461**	**540 377**
Carrying value associates and joint venture companies					**834 566**	**816 072**

Joint operating arrangements:				
Sira-Kvina kraftselskap DA	Tonstad	Renewable Energy	41%	41%
Ulla Førre verkene	Sauda	Renewable 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	2023	2022
Carrying value as at 1 January		**275 694**	**250 351**
Additions - new acquisitions		10 171	23 328
Share of profit and loss		-15 675	-2 390
Dividend distributed		-1 171	-1 093
Recognised in other equity and retained earnings		-617	-98
Recognised in exchange differences over OCI		11 703	5 597
Carrying value as at 31 December		**280 105**	**275 694**
Amortisation of excess value during the year		0	0
Impairment of excess value during the year		0	0
Disposal of excess value		0	0
Excess values as at 31 December		-7 211	-7 211

CARRYING VALUE OF INVESTMENTS IN JOINT VENTURES

	Note	2023	2022
Carrying value as at 1 January		**540 377**	**508 857**
Additions		7 395	10 249
Share of profit and loss		14 384	24 328
Recognised through consolidated profit and loss		0	0
Recognised in other equity and retained earnings		-4 196	-3 057
Carrying value as at 31 December		**554 461**	**540 377**
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		-117 011	-120 675

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.

	2023		2022	
	Sira-Kvina	**Ulla-Førre**	**Sira-Kvina**	**Ulla-Førre**
Energy sales*	2 427 200	542 064	3 458 202	1 806 862
Share of operating income	193 026	0	276 111	0
Share of transmission costs	-71 256	-6 241	-35 555	53 146
Share of payroll costs	-43 976	-5 344	-39 480	-4 992
Share of fees	-59 925	-29 164	-29 225	-10 126
Share of ordinary depreciation	-29 834	-10 425	-57 199	-29 441
Share of write downs	-9 348	0	-1 107	-4 654
Share of property tax and other operating costs	-74 541	-37 892	-54 733	-32 397
Share of net financial profit and loss	6 929	0	139	0
Share of profit and loss in partly-owned power plants (before tax)	**2 338 275**	**452 998**	**3 517 153**	**1 778 398**

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

From 2023 co-owner settlement with Lyse Kraft is included.

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.

	2023	2022
Share of waterfall rights	29 747	29 747
Share of tangible fixed assets	1 893 686	1 839 746
Share of pension funds	0	15 161
Share of receivables	121 241	190 186
Share of bank deposits, cash and cash equivalents	116 265	143 304
Share of assets	**2 160 939**	**2 218 144**
Share of accounts payable	23 604	7 705
Share of other current liabilities	222 028	206 762
Share of pension liabilities	1 644	0
Share of liabilities	**247 276**	**214 467**

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.

21 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 5 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 29, 33 and 34 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

	2023	2022
Associates	118 528	127 751
Joint ventures	361 361	340 995
Non-controlling interests	2 299 030	1 553 395
Municipality of Stavanger	134 485	130 331
Total sale of goods and services	**2 913 404**	**2 152 472**

PURCHASES OF GOODS AND SERVICES

	2023	2022
Associates	10 632	17 205
Joint ventures	225 537	828 490
Non-controlling interests	2 149 064	2 178 279
Municipality of Stavanger	12 609	10 444
Total purchases of goods and services	**2 397 843**	**3 034 419**

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

	2023	2022
Associates	27 966	21 985
Joint ventures	69 700	64 558
Non-controlling interests	50 562	167 499
Municipality of Stavanger	20 085	16 049
Trade receivables and other receivables from related parties	**168 313**	**270 091**

ACCOUNTS PAYABLE TO RELATED PARTIES

	2023	2022
Associates	9 181	2 062
Joint ventures	19 324	140 085
Non-controlling interests	155 700	483 464
Municipality of Stavanger	1 749	440
Total accounts payable to related parties	**185 954**	**626 050**

SUBORDINATED LOANS TO OWNERS

	2023	2022
Municipality of Stavanger carrying value as at 1 January	731 760	740 433
New borrowings during the year	182 940	0
Loan repaid during the year	-45 735	-45 735
Interest costs	53 344	32 133
Interest paid	-45 049	-32 133
Carrying value as at 31 December	**877 260**	**694 698**

LOAN FROM OTHER RELATED PARTIES

	2023	2022
Loan from other related parties	31 822	61 694
Carrying value as at 31 Deccember	**31 822**	**61 694**

22 Inventory

INVENTORY

	2023	2022
Decoders	127 837	139 113
Modems and network routers	803	1 410
Electricity certificates and guarantees of origin	65 227	21 996
Home control centres	167 146	172 138
Technical equipment, operational stores, spare parts	64 492	72 635
Mobile phones	30 825	19 116
Other	28 971	37 787
Total inventory	485 300	464 195

PROVISION FOR OBSOLETE INVENTORY

	2023	2022
Provision for obsolete inventory	37 207	52 796

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

	2023	2022
Water stock in GWh	4 291	3 679
Reservoir levels in %	63%	54%
Year's generation	8 571	7 974

Annual mean generation amounted to 9 749 GWh in 2023 and 9 721 GWh in 2022.

23 Trade receivables and other receivables

OTHER NON-CURRENT RECEIVABLES

	Note	2023	2022
Equity deposit KLP		32 506	32 505
Pension funds	13	48 238	15 161
Other non-current receivables		335 711	37 620
Total other non-current receivables		**416 454**	**85 286**

TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES

	Note	2023	2022
Face value of trade receivables		2 341 356	2 685 311
Receivables from related parties	21	168 313	270 091
Bad debt provision		-46 007	-48 199
Net trade receivables		**2 463 663**	**2 907 203**
Other current receivables		1 240 348	864 267
Total trade receivables and other receivables		**3 704 011**	**3 771 470**

BREAKDOWN OF BAD DEBT PROVISION

	2023	2022
1-6 months	13 235	12 389
More than 6 months	20 524	35 809
Total bad debt provision	**33 759**	**48 199**

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:

	2023	2022
Balance as at 1 January	48 199	26 288
Movement in provisios for bad debt (receivables)	21 044	39 730
Actual loss during the year	-23 236	-17 820
Balance as at 31 December	**46 007**	**48 199**

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.

24 Derivatives

CARRYING VALUE AS AT 31 DECEMBER 2023

	Tangible Fixed assets	Non-current liabilities	Current assets	Current liabilities
Energy derivatives				
Financial energy contracts – signed for hedging purposes	0	115 389	0	160 309
Financial energy contracts – fair value, customers' positions	0	0	17 515	0
Financial energy contracts – others	0	72 296	0	0
Fixed price agreements - cash flow hedge	0	146 095	0	45 050
Currency and interest rate derivatives				
Currency derivatives – cash flow hedges	0	132 102	0	86 778
Currency derivatives in long-term physical industry contracts in EUR	384 848	0	55 670	0
Interest swap agreements – cash flow hedge	6 913	0	0	0
Interest swap agreements – fair value hedge	22 243	30 945	0	0
Total derivatives recognised in the balance sheet	**414 004**	**496 827**	**73 185**	**292 137**

NETTING OF DERIVATIVES AS AT 31 DECEMBER 2023

	Assets	Liabilities
Total carrying value (including netting)	487 189	788 964
The following balances have been offset (due to offsetting possibilities in signed agreements)	0	15 842

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

The counterparty for derivatives with netting transactions are banks. For further information about derivatives, please see Note 7 Financial Instruments per measurement category and Note 8 Hedge Accounting. For information about credit risk exposure please see note 6 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.

25 Cash and cash equivalents

BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	2023	2022
Bank deposits, cash and cash equivalents	4 763 105	7 713 341
Total bank deposits, cash and cash equivalents	**4 763 105**	**7 713 341**

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:

	2023	2022
Drawdown facilities	3 180 000	3 320 000
Overdraft facility and drawing rights	369 200	312 698
Total unused drawing facilities	**3 549 200**	**3 632 698**

LIQUIDITY RESERVE

	2023	2022
Bank deposits, cash and cash equivalents	4 763 105	7 713 341
Of which restricted funds	-352 791	-829 288
Unused drawing facilities	3 549 200	3 632 698
Short term financial investments	1 427 000	1 148 400
Liquidity reserve	**9 386 514**	**11 665 151**

Lyse has established a drawing facility with a syndicate of Nordic banks amounting to NOK 3 000 million. The drawing facilities expire in 2025. The group also has drawing facilities and overdraft facilities with two banks totalling 625 million, of which 549 million was available by the end of 2023.

26 Liabilities to financial institutions

LONG-TERM LOANS:

	Note	2023	2022
Bond loans		12 116 298	9 764 565
Subordinated loans from shareholding municipalities		1 760 000	1 500 000
Subordinated loans, other		0	31 820
Currency loan in EUR		3 455 965	3 345 452
Other loans		2 463 049	3 194 995
Total long-term loans	7	**19 795 309**	**17 836 832**

SHORT-TERM LOANS:

	Note	2023	2022
First year's instalment on bond loans reclassified from long-term loans		1 225 000	580 000
First year's instalment on subordinate loans reclassified from long-term loans		140 000	100 000
First year's instalment on subordinate loans, other reclassified from long-term loans		31 820	29 872
First year's instalment on EUR currency loan reclassified from long-term loan		120 719	112 915
First year's instalment on other loans reclassified from long-term loans		1 921 951	1 150 000
Total short-term loans	7	**3 439 490**	**1 972 787**

NET INTEREST-BEARING LOANS

	Note	2023	2022
Total long-term and short-term loans*	7	23 234 799	19 809 619
Short-term financial positions	25	-1 427 000	-1 148 400
Bank deposits, cash and cash equivalents	25	-4 763 105	-7 713 341
Net interest-bearing loans		**17 044 694**	**10 947 878**

* Includes unrealised disagio on currency loan.

UNREALISED DISAGIO ON LONG-TERM AND SHORT-TERM LOANS

	Note	2023	2022
Unrealised disagio on currency loan in EUR		-541 409	-394 108
Total unrealised disagio on currency loan		**-541 409**	**-394 108**

DEVELOPMENT OF NET INTEREST-BEARING LOANS

	Note	2023	2022
Opening balance as at 1 January - net interest-bearing loans		10 947 878	10 545 051
Change in cash and cash equivalents		2 950 236	-2 011 728
Change in short-term financial positions		-278 600	-384 400
New long-term loans issued		4 340 000	4 318 349
Loan in acquired companies		0	3 121 000
Paid instalments		-220 349	-3 358 104
Redemtion of loans		-930 000	-1 079 364
Repurchase of long-term loans		0	-334 000
Change with no cash effect		235 528	131 074
Closing balance 31 December - net interest-bearing loans		**17 044 694**	**10 947 878**

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 2023

	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 2017-2032 (LYSE12)	750 000	Fixed interest-rate 2.96 %
Year 2017-2029 (LYSE14)	750 000	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 + 0.69 %
Year 2020-2027 (LYSE22 ESG)	750 000	3 mnd nibor + 0.69 %
Year 2020-2028 (LYSE23 ESG)	730 262	Fixed interest-rate 1.73 %
Year 2021-2031 (LYSE24)	400 000	3 mnd nibor + 0.75 %
Year 2021-2025 (LYSE25)	288 793	Fixed interest-rate 1.635 %
Year 2021-2026 (LYSE26 ESG)	600 000	3 mnd nibor + 0.50 %
Year 2022-2028 (LYSE27 ESG)	400 000	3 mnd nibor + 1.20 %
Year 2022-2028 (LYSE28 ESG)	350 000	Fixed interest-rate 4.85 %
Year 2022-2030 (LYSE29)	750 000	Fixed interest-rate 4.52 %
Year 2023-2033 (LYSE30)	750 000	Fixed interest-rate 4.38 %
Year 2023-2035 (LYSE31)	300 000	Fixed interest-rate 4.30 %
Year 2023-2029 (LYSE32)	622 243	Fixed interest-rate 5.13 %
Year 2023-2028 (LYSE33 ESG)	600 000	3 mnd nibor + 1.00 %
Year 2023-2031 (LYSE34)	400 000	Fixed interest-rate 5.12 %
Year 2023-2029 (LYSE35)	350 000	Fixed interest-rate 5.10 %
Total Lyse AS	**13 341 298**	
Total Lyse Group	**13 341 298**	

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. In 2023, a new subordinated loan of NOK 400 million was established.

As at 31 December 2023, the Lyse Group has NOK 500 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 7, 8 and 24.

CURRENCY LOANS IN EUR AS AT 31 DECEMBER 2023

	EUR	Interest	Instalment
Year 2015-2030	69 808	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	**318 196**		

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 7 and 8.

INSTALMENT PROFILE LONG-TERM AND SHORT-TERM LOANS

Year	**2024**	**2025**	**2026**	**2027**	**2028**	**Thereafter**	**Sum**
Amount	3 439 490	3 373 780	2 389 987	895 314	3 025 576	10 110 652	**23 234 799**

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

	2022	**Cash flows**	**No cash flow effects**			**2023**
			Currency adjustments	**Fair value adjustments**	**Other Changes**	
Long-term interest-bearing loan	17 836 832	3 179 085	233 800	4 490	-1 458 898	19 795 309
Short-term interest-bearing loan	1 972 787	0	7 805	0	1 458 898	3 439 490
Interest swap agreements cash flow hedging	0	0	0	0	0	0
Interest swap agreements cash flow hedging	35 435	0	0	-4 490	0	30 945
Long-term financial leases	1 566 153	0	0	0	130 203	1 696 356
Short-term financial leases	280 007	-407 722	0	0	421 541	293 826
Total liabilities of financing activities	**21 691 214**	**2 771 363**	**241 605**	**0**	**551 744**	**25 255 926**

27 Other liabilities

CONTRACT LIABILITIES, LONG-TERM PROVISIONS AND OTHER NON-CURRENT LIABILITIES

	Note	2023	2022
Contract liabilities	2	1 234 718	1 019 200
Total contractual obligations		**1 234 718**	**1 019 200**
Free power liabilities		861 060	861 060
Asset retirement and protect obligation		99 372	62 482
Compensation power		30 580	30 580
Physical free power		7 533	7 533
Other long term provisions		9 669	4 471
Total long term provisions		**1 008 214**	**966 126**
Liabilities, frequencies		1 790 847	1 885 869
Monetary compensation		33 094	33 094
Other non-current liabilities		3 414	34 261
Total other non-current liabilities		**1 827 354**	**1 953 224**

Contract liabilities

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

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.

Asset retirement obligation

Lyse has a commitment of NOK 31.2 million related to the expected removal of old equipment in the power station of Lysebotn I, in addition to 4.6 million for the removal of the old Maudal power station. Furthermore, Lyse has a removal obligation of NOK 60.8 million related to the removal of an old transformer station and power lines, and a removal obligation of NOK 2.8 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.

Licence fee liabilities

The group has recognised a liability of NOK 2 115 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 1 791 million is classified as a long-term liability, while NOK 324 NOK million to be paid in 2024 is classified as short-term debt (see note 28). As of 31.12.2023, debt due later than five years amounts to NOK 665 million.

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.

Off-balance sheet commitments

CONCLUDED CONTRACTS REGARDING INVESTMENTS THAT ARE NOT INCLUDED IN THE ANNUAL ACCOUNTS

	2023	2022
Tangible fixed assets	587 727	698 690
Intangible fixed assets	0	32 500
Total	**587 727**	**731 190**

28 Current liabilities

CONTRACT LIABILITIES, ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	Note	2023	2022
Contract liabilities	2	29 664	33 909
Total contractual obligations		**29 664**	**33 909**
Accounts payable		1 597 221	2 000 274
Accounts payable to related parties	21	185 954	626 050
Liabilities, frequencies		323 648	332 963
Other current liabilities		1 810 398	2 060 617
Public duties payable		943 986	1 561 343

Total accounts payable and other current liabilities		4 861 207	6 581 247

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

29 Share capital and premium reserve

	Number of shares	Ordinary shares	Premium reserve	TOTAL
As at 1 January 2023	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 2023	**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 2023.

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%**

30 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.

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 2023

(In NOK millions)	
Limits for guarantee pledges according to loan agreements:	**10 450**
Security pledged	
Unconditional guarantee	289
Parent company guarantee	5
House rental garantee	14
Nasdaq powertrade security	112
Assets pledged as security	**420**
Unused limit security pledged	**10 030**
Limit for pledges partly-owned companies	**500**
Unused limit pledges partly-owned companies	**500**

OTHER GUARANTEE AGREEMENTS

Tax withholding guarantee (social securities)	**90**

31 Leases

IFRS 16 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 2.22.

RIGHT-OF-USE ASSETS 2023

	Offices and other property	Telecom equip-ment, fibre and line lease	Equipment and vehicles	Land lease base stations	Total
Carrying value 1 January 2023	**218 481**	**1 010 084**	**8 334**	**855 612**	**2 092 510**
Additions	58 847	261 075	3 837	34 241	**358 000**
Additions from acquisitions	0	0	0	0	**0**
Depreciations	-56 406	-152 178	-4 470	-134 830	**-347 884**
Disposals	-182	-7 408	-95	0	**-7 685**
Remeasurement and other changes	22 216	92 588	697	140 784	**256 284**
Carrying value 31 December 2023	**242 956**	**1 204 161**	**8 303**	**895 806**	**2 351 226**

RIGHT-OF-USE ASSETS 2022

	Offices and other proprety	Telecom equip-ment, fibre and line lease	Equipment and vehicles	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**

AMOUNT RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS

	31.12.23	31.12.22
Depreciation from right-of-use assets	347 884	278 523
Interest expense from lease liabilities	120 980	78 920
Sum	**468 864**	**357 442**

AMOUNT RECOGNISED IN THE STATEMENT OF CASH FLOWS

	Classification in cash flow statement	31.12.23	31.12.22
Cash payment for the principal of the lease liabilities	Financing activities	286 098	212 008
Cash payment for the interest part of the lease liabilities	Operating activities	121 624	61 358
Prepayments made at or before lease	Investment activities	187 600	81 540
Total cash payment for lease liabilities		**595 323**	**354 906**

LEASE LIABILITIES

	31.12.23	31.12.22
Current lease liabilities	293 826	280 007
Non-current lease liabilities	1 696 356	1 566 153
Total lease liabilities	**1 990 182**	**1 846 160**

MATURITY PLAN LEASE LIABILITIES - UNDISCOUNTED CONTRACTUAL CASH FLOWS

	31.12.23	31.12.22
Less than 1 year	360 275	340 372
1-2 years	332 662	291 192
2-3 years	289 959	257 419
3-4 years	261 957	223 863
4-5 years	238 413	209 091
More than 5 years	1 002 582	924 921
Total undiscounted lease liabilities 31 December	**2 485 848**	**2 246 858**

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.

32 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 auditing and other services were as follows:

EXPENSED REMUNERATION FEES - STATUTORY AUDITOR

	2023	2022
Statutory auditing	7 514	6 346
Other attestation services	561	643
Tax- and VAT-advice services	593	0
Other services	1 709	190
Total fees	**10 378**	**7 179**

33 Remuneration to executive management and the Board of Directors

REMUNERATION TO EXECUTIVE MANAGEMENT AND THE BOARD OF DIRECTORS

Name	Position	Note	Salary / Remune-ration	Benefits in kind and other taxable remuneration	Pension costs	Total remuneration
Eimund Nygaard	Managing director/ Group CEO		3 375	324	1 214	4 913
Eirik Børve Monsen	Executive Vice President, Telecommunications	(1)	2 537	137	446	3 120
Toril Nag	Executive Vice President, Telecommunications	(2)	1 206	64	177	1 447
Leiv Ingve Ørke	Executive Vice President, Energy		2 134	215	368	2 717
Marianne Frøystad Ånestad	Executive Vice President, Infrastructure and circular	(3)	1 480	103	206	1 789
Grethe Høiland	Executive Vice President, Infrastructure and circular	(4)	1 902	257	317	2 476
Jens Arne Steinsbø	Executive Vice President, Strategy og Technology		1 776	107	262	2 144
Gyrid Holmen	Executive Vice President, HR		1 785	110	273	2 168
Astrid Rebekka Norheim	Executive Vice President, Customers and Marketing		1 777	107	261	2 144
Rosalie Poen	Executive Vice President, Economics and Finance	(5)	1 801	87	258	2 145
Harald Espedal	Chairman of the Board		240	0	0	240
Stine Rolstad Brenna	Deputy Chair		207	0	0	207
Svein Ingvar Gjedrem	Board Member		126	0	0	126
Jonas Skrettingland	Board Member		123	0	0	123
Siri Annette Haataja Meling	Board Member		103	0	0	103
Lotte Hansgaard	Board Member		103	0	0	103
Morten Larsen	Employee representative		123	0	0	123
Marie Folstad	Employee representative		103	0	0	103
Arne Malvin Sele	Board Observer		62	0	0	62
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		0	0	0	0
Ingvill Moen Hovlund	Deputy Board Member		7	0	0	7
Dag Drange Mossige	Deputy Board Member		0	0	0	0
Karen Ommundsen	Employee representative - deputy		9	0	0	9
Inge Vadla	Employee representative - deputy		3	0	0	3
Mona Johansen	Employee representative - deputy		0	0	0	0
Kristen Løland	Employee representative - deputy		0	0	0	0

1) Eirik Børve Monsen started in the position 01.05.23. He came from the position as Executive Vice President, Economics and Finance. Total remuneration applies to both positions.
2) Torild Nag was Executive Vice President, Telecommunications until 30.04.23.
3) Marianne Frøystad Ånestad started in the position 01.04.23.
4) Grethe Høiland was Executive Vice President, Infrastructure and circular until 31.03.23. She still works in Lyse and total remuneration applies to both positions.
5) Rosalie Poen started in the position 01.06.2023. She came from the position as Group Accounting Manager. Total remuneration applies to both positions.

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 93 000. Each representative is also paid NOK 2 600 per meeting.

The Board's Statement regarding salaries and other remunerations to 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/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.

34 Companies included in the consolidation

Company name	Note	Segment	Business office	Owned directly by parent company	Owned by the Group as a whole	Minority interests
Lyse Produksjon AS		Renewable energy	Stavanger	100%	100%	
Lyse Kraft DA		Renewable energy	Stavanger		74,4 %	25,6 %
RSK DA		Renewable energy	Nesflaten		70,8 %	29,2 %
Røldal Suldal Kraft AS		Renewable energy	Nesflaten		70,8 %	29,2 %
Jørpeland Kraft AS		Renewable energy	Stavanger		66,7 %	33,3 %
Lyse Energi AS		Renewable energy	Stavanger	100%	100%	
Lyse Strøm AS		Renewable energy	Stavanger		100%	
Lyse Lading AS	(1)	Renewable energy	Stavanger	100%	100%	
Lnett AS	(2)	Infra & circular*	Sandnes	100%	100%	
Lyse Lux AS		Infra & circular*	Stavanger	100%	100%	
Lyse Agon AS		Infra & circular*	Stavanger	100%	100%	
Lyse Neo AS		Infra & circular*	Stavanger	100%	100%	
Bioenergi Finnøy AS		Infra & circular*	Stavanger		75,7 %	24,3 %
Altibox AS		Telecom	Stavanger	100%	100%	
Altibox Carrier AS	(3)	Telecom	Stavanger		100%	
Skagenfiber AS	(3)	Telecom	Stavanger		100%	
Altibox Danmark A/S		Telecom	Skanderborg, DK	100%	100%	
Ice Group Scandinavia Holdings AS	(4)	Telecom	Oslo	100%	100%	
Ice Communication Norge AS	(4)	Telecom	Oslo	100%	100%	
Phonepartner AS		Telecom	Oslo		100%	
Ice Retail AS		Telecom	Oslo		100%	
Lyse Fiberinvest AS		Telecom	Stavanger	100%	100%	
Lyse Fiber AS		Telecom	Stavanger		100%	
Signal Bredbånd AS		Telecom	Bodø		100%	
Signal Marked AS	(5)	Telecom	Stavanger		100%	
Viken Fiber Holding AS		Telecom	Drammen		65,0 %	35,0 %
Viken Fiber AS	(6)	Telecom	Drammen		65,0 %	35,0 %
Skiptvet Digital AS	(6)	Telecom	Skiptvet		65,0 %	35,0 %
GP Nett AS	(6)	Telecom	Halden		65,0 %	35,0 %
Byfiber AS		Telecom	Oslo		100%	
Tårnselskapet Holding AS		Telecom	Oslo		54,3 %	45,7 %
Tårnselskapet AS		Telecom	Oslo		54,3 %	45,7 %

* Full segment name: "Infrastructure and circular energy".

Company name	Note	Segment	Business office	Owned directly by parent company	Owned by the Group as a whole	Minority interests
Lyse Dialog AS	(7)	Other	Stavanger	100%	100%	
Lyse Marked AS	(7)	Other	Stavanger	100%	100%	
Lyse Eiendom Mariero AS		Other	Stavanger	100%	100%	
Lyse Eiendom Ullandhaug AS		Other	Stavanger	100%	100%	
Lyse Eiendom Tronsholen AS	(2)	Other	Stavanger	100%	100%	
Breiflåtveien 13 AS	(8)	Other	Stavanger		100%	
Lyse Vekst AS		Other	Stavanger	100%	100%	
Lyse Elkon AS		Other	Stavanger	100%	100%	
Smartly AS		Other	Stavanger	100%	100%	
Lyse Kraft AS		Other	Stavanger	100%	100%	
Lyse Elnett AS		Other	Stavanger	100%	100%	
Ice Norge AS	(9)	Other	Stavanger	100%	100%	
Lyse Tele AS	(9)	Other	Stavanger	100%	100%	
Fornybar Sørvest AS	(9)	Other	Stavanger	100%	100%	
Altibox Bedrift AS	(9)	Other	Stavanger	100%	100%	
Lysstart12 AS	(9)	Other	Stavanger	100%	100%	
Lysstart13 AS	(9)	Other	Stavanger	100%	100%	
Lysstart14 AS	(9)	Other	Stavanger	100%	100%	
Lysstart15 AS	(9)	Other	Stavanger	100%	100%	
Lysstart16 AS	(9)	Other	Stavanger	100%	100%	
Lyse AS		Other	Stavanger		Parent	

Note:

(1) Company founded 24.05.2022 as Lysstart06 AS. The name was changed from Lysstart06 AS to Lyse Lading AS 09.10.2023, by a demerger and merger from Lyse Energi AS.

(2) Company founded 11.09.2023 by demerger from Lnett AS.

(3) Skagenfiber AS was merged into Altibox Carrier AS 06.05.2023 (accounting effective date 01.01.2023).

(4) Ice Group Scandinavia Holdings AS was merged into Ice Communication Norge AS 07.09.2023 (accounting effective date 01.01.2023). From the same point in time Ice Communication Norge AS is owned directly by Lyse AS.

(5) Company founded 20.09.2023. The name was changed from Lysstart11 AS to Signal Marked AS 02.01.2024.

(6) Skiptvet Digital AS (acquired 21.10.2022) and GP Nett AS (acquired 28.02.2023) merged into Viken Fiber AS, 26.04.2023 and 31.10.2023 respectively (accounting effective date 01.01.2023 and 01.03.2023 respectively).

(7) Lyse Marked AS was founded by a demerger of Lyse Dialog AS (new) from Lyse Dialog AS (old). Lyse Dialog AS (old) at the same time changed its name to Lyse Marked AS and Lyse Dialog AS (new) merged with Lysstart09 AS 12.09.2023. The demerger had an accounting effective date from 01.10.2023.

(8) Company acquired 06.01.2023 and merged into Lyse Eiendom Mariero AS 29.08.2023 (accounting effective date 01.01.2023).

(9) Company founded during 2023, currently no activity.

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

Financial Statement

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Lyse AS

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Key figures Lyse AS

			2023	2022
Operations				
Operating revenues		NOK mill.	676	522
Operating profit		NOK mill.	-323	-352
Profit before tax		NOK mill.	-7	347
Profit for the period		NOK mill.	-8	265
Return on capital				
Net operating margin	(1)	%	-48%	-68%
Total return on capital	(2)	%	3%	3%
Return on equity	(3)	%	0%	4%
Balance sheet				
Total assets		NOK mill.	34 658	37 026
Equity		NOK mill.	4 859	5 891
Capital employed	(4)	NOK mill.	24 677	22 644
Equity ratio	(5)	%	20%	20%
Interest-bearing debt	(6)	NOK mill.	19 818	16 753
Liquidity				
Liquidity reserve	(7)	NOK mill.	7 856	10 314
Cash flow from operations	(8)	NOK mill.	-292	-388
Investments in tangible fixed assets and intangible assets		NOK mill.	49	34
No. of full-time equivalents at period end			**229**	**202**

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	Net cash flow from operating activities (cf. cash flow statement)

Statement of profit and loss

(Amounts in NOK 1000)	Note	2023	2022
Operating revenues			
Other operating revenue	2	675 641	521 530
Total operating revenues		**675 641**	**521 530**
Operating costs			
Salaries and payroll costs	3	347 149	240 311
Depreciation and amortisation	4, 8	93 166	98 698
Other operating costs	5	558 514	534 953
Total operating costs		**998 829**	**873 962**
Operating profit		**-323 188**	**-352 432**
Financial income and financial expenses			
Income from investments in subsidiaries	6	259 309	647 683
Financial income	6	1 034 394	600 063
Financial expenses	7, 8	977 245	548 056
Net financial profit and loss		**316 458**	**699 690**
Profit and loss before tax		**-6 730**	**347 258**
Tax expense	9	974	82 703
Profit for the year		**-7 705**	**264 556**

Statement of comprehensive income

(Amounts in NOK 1000)	Note	2023	2022
Profit for the year		**-7 705**	**264 556**
Items that will not recycle over profit and loss in future periods			
Actuarial gains and losses	10	-4 025	3 493
Items that will recycle over profit and loss in future periods			
Cash flow hedging, interest swap contracts	11	2 599	5 215
Statement of comprehensive income for the period, net of taxes		**-1 426**	**8 708**
Total comprehensive income for the period		**-9 131**	**273 264**

Statement of financial position as at 31 December

FIXED ASSETS

(Amounts in NOK 1 000)	Note	31.12.2023	31.12.2022
Intangible assets			
Other intangible assets	4	285 861	336 019
Deferred tax assets	9	4 181	5 409
Total intangible assets		**290 042**	**341 427**
Tangible fixed assets			
Land, buildings and other property	4	9 160	9 466
Machinery and equipment	4	18 157	8 195
Right-of-use assets	8	13 665	4 645
Total tangible fixed assets		**40 982**	**22 307**
Financial fixed assets			
Investments in subsidiaries	12	9 931 617	9 931 317
Investments in associates	13	4 593	4 516
Other investments	13	22 498	19 546
Other receivables	10, 14	14 215 383	15 625 905
Derivatives	11, 15	29 156	3 581
Total financial fixed assets		**24 203 247**	**25 584 863**
Total non-current assets		**24 534 271**	**25 948 597**

CURRENT ASSETS

Receivables			
Trade receivables	14	27 581	144 655
Group contributions receivable		259 309	647 683
Other receivables	14	5 280 789	3 269 925
Derivatives	11, 15	0	369
Total receivables		**5 567 679**	**4 062 632**
Investments			
Short-term financial investments	16, 17	1 427 000	1 148 400
Total investments		**1 427 000**	**1 148 400**
Bank deposits, cash and cash equivalents	17	3 129 247	5 866 019
Total current assets		**10 123 927**	**11 077 050**
Total assets		**34 658 197**	**37 025 647**

EQUITY

(Amounts in NOK 1000)	Note	31.12.2023	31.12.2022
Paid-in capital			
Share capital	18	1 008 983	1 008 983
Premium reserve		266 608	266 608
Total paid-in capital		**1 275 591**	**1 275 591**
Retained earnings			
Retained earnings and other equity		3 583 544	4 615 865
Total retained earnings		**3 583 544**	**4 615 865**
Total equity		**4 859 135**	**5 891 456**

LIABILITIES

Provisions			
Pension liabilities	10	17 808	20 765
Total provisions		**17 808**	**20 765**
Other non-current liabilities			
Subordinated loans	19	1 760 000	1 500 000
Bond loans	19	12 116 298	9 764 565
Liabilities to financial institutions	19	4 455 962	4 345 448
Lease liabilities	8	8 468	1 552
Derivatives	11, 15	30 945	35 435
Total other non-current liabilities		**18 371 672**	**15 646 999**
Total non-current liabilities		**18 389 480**	**15 667 765**
Current liabilities			
Liabilities to financial institutions	19	1 485 719	1 142 915
Lease liabilities	8	5 014	3 061
Accounts payable	14	95 249	88 608
Tax payable	9	48	0
Public duties payable		23 227	17 526
Group contributions payable		0	3 423 188
Other current liabilities	14	9 800 326	10 791 129
Total current liabilities		**11 409 582**	**15 466 426**
Total liabilities		**29 799 062**	**31 134 190**
Total equity and liabilities		**34 658 197**	**37 025 647**

Statement of cash flows

(Amounts in NOK 1000)	2023	2022
Profit and loss before tax	-6 730	347 258
Depreciation and amortisation	93 166	98 698
Group contributions recognised as income	-259 309	-647 683
Gain/loss from sale of fixed assets	1 207	0
Pension cost without cash effect	-20 618	5 472
Change in trade receivables and other current receivables	-1 288 131	-128 739
Change in accounts payable and other current liabilities	-978 462	6 663 773
Of which change in cash pool accounts*	2 172 066	-6 570 244
Change in other items without cash effect	-5 342	3 921
Net cash flow from operational activities	**-292 153**	**-227 544**
Tax paid	0	-160 266
Net cash flow from operations	**-292 153**	**-387 810**
Receipts from sale of tangible fixed assets and intangible assets	277	15
Payments for purchase of tangible fixed assets and intangible assets	-49 473	-33 821
Receipts from sale of financial fixed assets	30	24 822
Payments for purchase of financial fixed assets	-407	-630
Net receipts – loans from subsidiaries	1 139 166	-5 760 828
Payments for investments in subsidiaries	0	-2 022 045
Net deposits/withdrawals from short term financial investments	-278 600	-384 400
Net cash flow from investing activities	**810 993**	**-8 176 887**
Receipts from borrowings	3 950 000	4 108 349
Repayment of borrowings	-1 153 286	-1 620 596
Payments related to lease liabilities	-4 754	-3 474
Change in cash pool accounts*	-2 172 066	6 570 244
Dividens paid to company shareholders	-1 100 000	-650 000
Receipts of group contributions	647 683	1 284 268
Payments of group contributions	-3 423 188	0
Net cash flow from financing activities	**-3 255 611**	**9 688 791**
Net change in cash and cash equivalents	-2 736 771	1 124 094
Cash and cash equivalents as at 1 January	5 866 018	4 741 922
Bonds - short term financial investments	1 427 000	1 148 400
Cash and cash equivalents as at 31 December	**4 556 247**	**7 014 418**

** 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 2023

(Amounts in NOK 1000)	Share capital	Premium reserve	Other reserves - not recognised in profit and loss	Other equity	Total equity
Equity 1 January 2023	**1 008 983**	**266 608**	**14 603**	**4 601 262**	**5 891 456**
Correction previous years*	0	0	-171	77 936	77 765
Adjusted equity 1 January 2023	**1 008 983**	**266 608**	**14 433**	**4 679 198**	**5 969 221**
Profit for the year	0	0	0	-7 705	-7 705
Statement of other comprehensive income					
Actuarial gains and losses	0	0	-4 025	0	-4 025
Cash flow hedging, Interest swap contracts	0	0	2 599	0	2 599
Comprehensive income after tax	**0**	**0**	**-1 426**	**-7 705**	**-9 131**
Dividends	0	0	0	-1 100 000	-1 100 000
Other changes recorded directly against equity	0	0	0	-956	-956
Equity 31 December 2023	**1 008 983**	**266 608**	**13 006**	**3 570 537**	**4 859 135**

* In 2023, the group has changed the tax treatment of fiber investments related to tubes and excavation costs as a result of a change in legal practice. The estimated effect of the changed tax return in the period 2018-2022 is recognized in other equity and other receivables, current assets.

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					
Actuarial gains and losses	0	0	3 493	0	3 493
Cash flow hedging, Interest swap contracts	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**

Notes to the financial statements 2023

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 judgemental assessments are subject to ongoing evaluation and are 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. 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 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 financial income and expense.

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 transferred 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, returns, discounts and reductions. Sales are entered into the statement of profit and loss 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 statement of financial position. Tax payable and deferred tax asset/liability are recognised directly in the equity when the tax items it relates to are 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 fixed assets and other intangible assets

Tangible fixed 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 fixed 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. Judgemental assessments are made in relation to whether the expense is capitalised or recognised in the statement of profit and loss. 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 judgemental 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 in 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 through 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 2023. In accordance with IAS 19 no liability for the AFP scheme is recognised as of 31 December 2023.

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 liability 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 occur)
- Intra-group lease agreements

Lease liabilities
The company measures lease liabilities 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 lease payments in the lease liability. Instead, the company recognises the variable lease expenses in the statement of profit and loss.

Rights-of-use assets
The company measures right-of-use assets at acquisition cost, less accumulated depreciation and impairment losses, adjusted for any new measurements of the lease liability. Acquisition cost for the right-of-use assets includes:

- The amount of the initial measurement of the lease liability.
- Any lease payments at or before the commencement date, less any lease incentives received.
- All direct expenses for entering into an agreement incurred by the company.
- An estimate of cost to be incurred by the lessee for the dismantling and removal of the underlying asset, the restoration of the site on which it 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 impairment losses.

Financial assets

The company's financial assets are: Derivatives, unlisted equity investments, trade 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 at fair value through other 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 financial fixed assets / non-current liabilities.

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 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 trade receivables and other short-term deposits. Trade receivables 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 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 Operating revenue

SPECIFICATION OF OPERATING REVENUE

	2023	2022
Other operating revenue	17 820	12 855
Gains from sales of plant and machinery	0	15
Other intragroup revenue	657 821	508 661
Total	**675 641**	**521 530**

3 Payroll costs, number of full-time equivalents and auditor's fee

PAYROLL COSTS

	2023	2022
Salaries	212 414	170 984
Employers' National Insurance contributions	35 959	26 688
Pension costs – defined benefit plans	4 066	4 541
Pension costs – defined contribution plans	23 116	16 999
Other personnel costs	71 595	21 099
Total	**347 149**	**240 311**
Average no. of full-time equivalents	216	188

REMUNERATION TO EXECUTIVE PERSONNEL

	Salary / fees	Pension costs	Other remuneration
Eimund Nygaard, CEO	3 375	1 214	324
Board as a whole	1 207	0	0
Total remuneration	**4 582**	**1 214**	**324**

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:

	2023	2022
Statutory auditing	1 520	1 165
Other attestation services	117	349
Other services	298	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	Intangible assets	Assets under construction - immaterial	Total
Acquisition cost 1 January 2023	**56 246**	**25 342**	**0**	**481 911**	**128 511**	**692 010**
Additions	4 467	0	9 186	0	35 821	49 474
Transferred from assets under construction	7 886	0	-7 886	118 679	-118 679	0
Disposals/ scrapping	-1 905	0	0	-2 639	0	-4 544
Acquisition cost 31 December 2023	**66 694**	**25 342**	**1 300**	**597 951**	**45 653**	**736 940**
Acc. depreciation/impairment 31 December	-49 837	-16 183	0	-357 742	0	-423 762
Carrying value 31 December 2023	**16 857**	**9 160**	**1 300**	**240 208**	**45 653**	**313 178**
This year's depreciation and amortisation	-3 400	-307	0	-84 894	0	-88 600

Economic useful life	3-15 years	25-50 years		3-8 years		
Depreciation schedule	Straight-line	Straight-line		Straight-line		

5 Operating costs

	2023	2022
Purchase of services from group companies	70 509	30 211
External services	175 376	216 003
Office- and IT costs	164 931	165 549
Repair and maintenance	65 889	56 236
Property, machine hire, equipment and other hire costs	20 609	22 992
Sales and advertising costs	7 306	23 071
Other operating costs	53 895	20 891
Total	**558 514**	**534 953**

Net recognised R&D costs amounted to 0 in 2023, compared to -376 kNOK (including grants of 554 kNOK) in 2022.

6 Financial income

	2023	2022
Received group contributions	259 309	647 683
Interest income from group companies	858 854	463 718
Other interest income	160 241	76 833
Gains on currency exchange differences	14 901	38 978
Other financial income	398	20 534
Total	**1 293 703**	**1 247 747**

7 Financial expense

	2023	2022
Interest expenses subordinated loans	116 636	70 252
Other interest expenses	836 301	449 072
Losses on currency exchange differences	16 991	22 726
Other financial expenses	7 316	6 006
Total	**977 245**	**548 056**

8 Right-of-use assets

RIGHT-OF-USE ASSETS 2023

	Offices and other proprety	Equipment and vehicles	Total
Carrying value 1 January 2023	**4 637**	**9**	**4 645**
Additions	2 374	0	2 374
Depreciations	-4 558	-8	-4 566
Disposals	0	0	0
Remeasurement and other changes	11 212	0	11 212
Carrying value 31 December 2023	**13 665**	**1**	**13 665**

RIGHT-OF-USE ASSETS 2022

	Offices and other proprety	Equipment and vehicles	Total
Carrying value 1 January 2022	**41 846**	**1 575**	**43 421**
Change of principle (Exception from IFRS 16 for intra-group leases for lessees)	-37 146	0	-37 146
Carrying value 1 January 2022	**4 700**	**1 575**	**6 275**
Additions	2 387	0	2 387
Depreciations	-3 221	-228	-3 448
Disposals	0	-1 338	-1 338
Remeasurement and other changes	770	0	770
Carrying value 31 December 2022	**4 637**	**9**	**4 645**

AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS

	31.12.23	31.12.22
Depreciation from right-of-use assets	4 566	3 448
Interest expenses from lease liabilities	250	170
Sum	**4 816**	**3 618**

AMOUNTS RECOGNISED IN THE STATEMENT OF CASH FLOWS

	31.12.23	31.12.22
Cash payment for the principal of the lease liabilities	4 754	3 307
Cash payment for the interest part of the lease liabilities	213	167
Total payment for lease liabilities	**4 967**	**3 474**

LEASE LIABILTIES

	31.12.23	31.12.22
Current lease liabilities	5 014	3 061
Non-current lease liabilities	8 468	1 552
Total lease liabilities	**13 482**	**4 613**

MATURITY PLAN LEASE LIABILITIES - UNDISCOUNTED CONTRACTUAL CASH FLOWS

	31.12.23	31.12.22
Less than 1 year	7 994	3 156
1-2 years	7 300	344
2-3 years	4 438	344
3-4 years	3 989	210
4-5 years	3 361	210
More than 5 years	446	629
Total undiscounted lease liabilities 31 December	**27 527**	**4 893**

9 Tax

TAX RATE

	2023	2022
Tax payable	22%	22%
Deferred tax per 31.12	22%	22%

OVERVIEW OF TEMPORARY DIFFERENCES

	2023	2022	Change
Plant and machinery	-25 625	-5 330	20 295
Gain and loss account	11 333	14 166	2 833
Capitalised lease agreements	184	-3 236	-3 419
Net pension liabilities capitalised	-5 545	-20 765	-15 220
Other liabilities	0	-13 000	-13 000
Premiums/discounts related to long term liabilities	-6 261	0	6 261
Financial intruments, unrealised	6 912	3 579	-3 333
Temporary differences	**-19 003**	**-24 585**	**-5 582**
Basis for calculating deferred tax benefit (-) / deferred tax (+)	**-19 003**	**-24 585**	**-5 582**
Deferred tax benefit (-) / deferred tax (+)	**-4 181**	**-5 409**	**-1 228**

HEREOF TEMPORARY DIFFERENCES NOT RECOGNISED IN PROFIT AND LOSS

	2023	2022	Change
Actuarial gains and losses	9 763	14 924	5 161
Financial intruments, unrealised	6 912	3 579	-3 333
Temporary differences not recognised in profit and loss	**16 675**	**18 503**	**1 828**

CALCULATION OF YEAR'S TAX BASE

	2023	2022
Ordinary profit and loss before tax*	-6 730	347 259
Change in temporary differences	-5 582	37 735
Over / undercalculated temporary differences related to previous years	3 268	-3 268
Changes in temporary differences not recognised in profit and loss	-1 828	11 164
Permanent differences	11 091	30 298
Provided group contribution	0	-423 188
Taxable income	**219**	**0**
* Received group contribution, included in ordinary profit and loss before tax	259 309	647 683
Tax payable (22%) on year's tax base	**48**	**0**

SPECIFICATION OF TAX EXPENSE

	2023	2022
Tax payable	48	0
Change in deferred tax	1 228	-8 302
Tax effect of changes in temporary differences not recognised in profit and loss	402	-2 456
Change in deferred tax recognised in equity	-719	0
Tax effect of provided group contribution	0	93 101
Over / underprovision tax payable relating to previous years	15	359
Tax expense	**974**	**82 703**

RECONCILIATION FROM NOMINAL TO EFFECTIVE TAX RATE

	2023	2022
Ordinary profit and loss before tax	-6 730	347 259
Expected income taxes at nomial tax rate	-1 481	76 397
Tax effect of:		
Permanent differences	2 440	6 666
Over / underprovision tax payable relating to previous years	15	359
Over / undercalculated deferred tax relating to previous years	719	-719
Change in deferred tax recognised in equity	-719	0
Calculated tax expense	**974**	**82 703**
Effective tax rate	-14%	24%

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	113	6	1 663
Defined contribution pension and private AFP		225	23 116
Pension funded through operations		20	2 550
Total			**27 329**

LIABILITIES RECOGNISED IN THE BALANCE SHEET WERE ESTABLISHED AS FOLLOWS:

	31.12.2023	31.12.2022
Present value of accrued pension liabilities for defined benefit schemes in fund-based schemes	304 314	294 000
Fair value of pension funds	-316 577	-290 196
Actual pension liabilities for defined benefit schemes in fund-based schemes	**-12 263**	**3 804**
Pensions funded through operations	17 808	16 961
Net pension liability in the balance sheet	**5 545**	**20 765**

Employer's National Insurance contribution is included in net pension liabilities and pension funds for the fund base schemes.

THE FOLLOWING ASSUMPTIONS WERE APPLIED:

					31.12.2023	31.12.2022
Discount rate					3,10%	3,00%
Return on pension funds					3,10%	3,00%
Salary adjustment					3,50%	3,50%
Pension adjustments					2,80%	2,48%
National Insurance basic amount adjustment					3,25%	3,25%
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

	2023	2022
Present value of this year's pension accruals	1 630	2 723
Interest costs	138	550
Expenditures	9	14
Employees' contributions to pension premiums	-114	-166
Pensions funded through operations	2 550	1 983
Pension costs, defined benefit plans	**4 213**	**5 104**

	2023	2022
Employer's contributions to the defined contribution scheme	18 425	13 966
Pensions funded through operations	887	557
Premiums for AFP LO/NHO scheme	3 804	2 475
Pension cost, defined contribution scheme	**23 116**	**16 999**
Total pension costs	**27 329**	**22 103**

PENSION EFFECTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	2023	2022
Actuarial gains and losses	5 161	-4 478
Intragroup transfers of employees	0	101
Of which tax effect	-965	985
Net effects recognised in equity (-) reducing pension liabilities	**4 196**	**-3 392**

* Tax effect in 2023 includes a reclassification of a previously incorrect tax effect of NOK 170 thousand

PENSION FUNDS COMPRISE:

	2023	2022
Equity capital instruments	100 671	84 273
Interest-bearing instruments	215 905	205 923
Fair value, pension funds	**316 577**	**290 196**

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 through profit and loss and financial instruments at fair value through 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.

CARRYING VALUE PER MEASUREMENT CATEGORY – ASSETS 31 DECEMBER 2023

	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	14 215 383	14 215 383	14 215 383
Other non-current financial assets	19 228	0	0	6 456	25 684	25 684
Derivatives - hedge accounting	0	0	29 156	0	29 156	29 156
Bonds - short term financial investments	0	1 427 000	0	0	1 427 000	1 427 000
Trade- and other current receivables	0	0	0	5 567 679	5 567 679	5 567 679
Bank deposits, cash and cash equivalents	0	0	0	3 129 247	3 129 247	3 129 247
Total assets	**19 228**	**1 427 000**	**29 156**	**22 918 765**	**24 394 149**	**24 394 149**

CARRYING VALUE PER MEASUREMENT CATEGORY – LIABILITIES 31 DECEMBER 2023

	Liabilities at fair value through profit and loss	Derivatives as hedging instrument	Liabilities at amortised cost	Total	Fair value
Derivatives - Hedge accounting	0	30 945	0	30 945	30 945
Accounts payable and other current liabilities	0	0	9 895 574	9 895 574	9 895 574
Lease liabilities	0	0	13 482	13 482	13 482
Total liabilities	**0**	**30 945**	**9 909 056**	**9 940 001**	**9 940 001**

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE, 31 DECEMBER 2023

	Level 1	Level 2	Level 3	Total
Investments in funds / shares	16 042	0	3 186	19 228
Derivatives, measured at fair value through profit and loss	0	22 243	0	22 243
Derivatives, measured at fair value through other comprehensive income	0	6 913	0	6 913
Bonds - short term financial investments	1 427 000	0	0	1 427 000
Total assets	**1 443 042**	**29 156**	**3 186**	**1 475 384**
Derivatives, measured at fair value through profit and loss	0	30 945	0	30 945
Total liabilities	**0**	**30 945**	**0**	**30 945**

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	15 625 904	15 625 904	15 625 904
Other non-current financial assets	16 275	0	0	6 456	22 731	22 731
Derivatives	369	0	0	0	369	369
Derivatives - hedge accounting	0	0	3 581	0	3 581	3 581
Bonds - short term financial investments	0	1 148 400	0	0	1 148 400	1 148 400
Trade- 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	**16 645**	**1 148 400**	**3 581**	**25 560 642**	**26 729 268**	**26 729 268**

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
Lease liabilities	0	0	4 613	4 613	4 613
Total liabilities	**0**	**35 435**	**10 884 350**	**10 919 785**	**10 919 785**

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE, 31 DECEMBER 2022

	Level 1	Level 2	Level 3	Total
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 profit and loss	0	35 435	0	35 435
Total liabilities	**0**	**35 435**	**0**	**35 435**

12 Subsidiaries

Company	Office	Ownership	Voting share	Profit for the year	Equity as at 31.12	Carrying value as at 31.12
Lyse Produksjon AS	Stavanger	100%	100%	2 252 536	3 473 830	3 648 529
Lnett AS	Sandnes	100%	100%	391 599	2 349 225	1 054 275
Lyse Fiberinvest AS	Stavanger	100%	100%	123 231	1 570 732	1 135 773
Lyse Neo AS	Stavanger	100%	100%	763	890 114	893 819
Altibox AS	Stavanger	100%	100%	203 587	412 576	249 930
Lyse Dialog AS	Stavanger	100%	100%	8 934	17 098	71 605
Lyse Energi AS	Stavanger	100%	100%	-52 345	141 326	150 679
Lyse Lading AS	Stavanger	100%	100%	-21 931	35 323	30
Lyse Vekst AS	Stavanger	100%	100%	-16 536	49 047	76 000
Lyse Elkon AS	Stavanger	100%	100%	-1 471	5 000	5 000
Lyse Kraft AS	Stavanger	100%	100%	4	120	93
Lyse Eiendom Mariero AS	Stavanger	100%	100%	14 082	484 516	471 709
Lyse Eiendom Ullandhaug AS	Stavanger	100%	100%	-364	5 337	5 010
Lyse Eiendom Tronsholen AS	Stavanger	100%	100%	1 548	40 351	47 095
Lyse Lux AS	Stavanger	100%	100%	2 842	4 246	4 980
Altibox Danmark A/S	Danmark	100%	100%	2 036	28 626	71 487
Lyse Elnett AS	Stavanger	100%	100%	-1	13	30
Smartly AS	Stavanger	100%	100%	1	30	30
Lyse Agon AS	Stavanger	100%	100%	-1 638	751	30
Ice Communication Norge AS	Oslo	100%	100%	-709 653	2 462 523	2 045 212
Ice Norge AS	Stavanger	100%	100%	0	30	30
Lyse Marked AS	Stavanger	100%	100%	3 603	81 135	30
Lyse Tele AS	Stavanger	100%	100%	-1	24	30
Fornybar Sørvest AS	Stavanger	100%	100%	-1	24	30
Altibox Bedrift AS	Stavanger	100%	100%	0	25	30
Lysstart12 AS	Stavanger	100%	100%	0	25	30
Lysstart13 AS	Stavanger	100%	100%	0	25	30
Lysstart14 AS	Stavanger	100%	100%	0	25	30
Lysstart15 AS	Stavanger	100%	100%	0	25	30
Lysstart16 AS	Stavanger	100%	100%	0	25	30
Total						**9 931 617**

13 Investments in associates and other shares

Company	**Office**	**Ownership**	**Voting share**	**Profit for the year**	**Equity as at 31.12**	**Carrying value as at 31.12**
Nordic Edge AS*	Stavanger	33%	33%	-3 200	5 799	3 100
Blinktech AS*	Stavanger	45%	45%	-168	851	0
Bio Jæren AS	Stavanger	21%	21%	0	3 000	630
Jæren Biopark AS	Nærbø	33%	33%	-81	26	777
Other investments						86
Total						**4 593**

* Profit and Equity are from 2022 as figures for 2023 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	16 042	16 042
Total	**22 498**	**22 498**

14 Receivables and liabilities

RECEIVABLES DUE IN MORE THAN ONE YEAR

	2023	**2022**
Other non-current receivables, group companies	13 913 364	15 624 798
Other non-current receivables, external	289 756	1 108
Pension funds	12 263	0
Total	**14 215 383**	**15 625 905**

TRADE RECEIVABLES

	2023	**2022**
Trade receivables to group companies	26 426	142 048
Trade receivables, external	1 155	2 607
Total	**27 581**	**144 655**

OTHER CURRENT RECEIVABLES

	2023	2022
Other current receivables, group companies	27 715	26 196
Group cash pool account	2 578 967	1 448 112
Current portion of loans to group companies	2 495 548	1 679 005
Other current receivables, external	178 560	116 611
Total	**5 280 789**	**3 269 925**

Receivables for the VAT settlement is included in other receivables and amounts to kNOK 25 725 in 2023 and kNOK 24 073 kNOK in 2022.

ACCOUNTS PAYABLE

	2023	2022
Accounts payable to group companies	10 149	2 617
Accounts payable, external	85 099	85 991
Total	**95 249**	**88 608**

CURRENT LIABILITIES

	2023	2022
Other current liabilities to group companies	989	538
Group cash pool account	9 552 328	10 593 538
Other current liabilities, external	247 009	197 053
Total	**9 800 326**	**10 791 129**

15 Derivatives

CARRYING VALUE AS AT 31 DECEMBER 2023

	Non-current assets	Non-current liabilities	Current assets	Current liabilities
Interest swap agreements – fair value hedge	22 243	30 945	0	0
Interest swap agreements – cash flow hedge	6 913	0	0	0
Total derivatives recognised in the balance sheet	**29 156**	**30 945**	**0**	**0**

CARRYING VALUE AS AT 31 DECEMBER 2022

	Non-current assets	Non-current liabilities	Current assets	Current liabilities
Currency derivatives – signed for hedging purposes	0	0	369	0
Interest swap agreements – fair value hedge	0	35 435	0	0
Interest swap agreements – cash flow hedge	3 581	0	0	0
Total derivatives recognised in the balance sheet	**3 581**	**35 435**	**369**	**0**

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

	2023	2022
Covered bonds (OMF)	1 427 000	1 148 400
Total	**1 427 000**	**1 148 400**

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.

	2023
Bank deposits, cash and cash equivalents in Lyse AS	1 038 670
Cash pool accounts	2 090 578
Current financial assets	1 427 000
Total	**4 556 247**

The company has drawing rights established with a syndicate of Nordic banks of NOK 3 000 million. The drawing rights facility expires in 2025. The cash pool agreement with SpareBank 1 SR-Bank is available until 30.06.2024 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 2023

	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 TO FINANCIAL INSTITUTIONS

	2023	2022
Bond loans	12 116 298	9 764 565
Subordinated loans	1 760 000	1 500 000
Other liabilities to financial institutions	4 455 962	4 345 448
Total	**18 332 260**	**15 610 012**

BONDS (1-10 YEARS)

	2023	2022
Bond loans	13 341 298	10 344 565
Total	**13 341 298**	**10 344 565**

CURRENT LIABILITIES TO FINANCIAL INSTITUTIONS

	2023	2022
First year's instalment on bond loans reclassified from non-current liabilities	1 225 000	580 000
First year's instalment on subordinated loans reclassified from non-current liabilities	140 000	100 000
First year's instalment on other loans reclassified from non-current liabilities	120 719	462 915
Total	**1 485 719**	**1 142 915**

LIABILITIES THAT EXPIRE MORE THAN 5 YEARS AFTER THE END OF THE FINANCIAL YEAR

	2023	2022
Bond loans	5 672 243	4 350 000
Subordinated loans	1 200 000	1 100 000
Other liabilities to financial institutions	2 762 434	2 795 275
Total	**9 634 677**	**8 245 275**

Subordinated loans from shareholding municipalities

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. In 2023, a new subordinated loan of NOK 400 million has been established, which will be repaid over 10 years with equal instalments. The interest rate on the loan is 3-month NIBOR + 2.16%. Subordinated loans are financial obligations measured at amortised cost.

As at 31 December 2023, the company has NOK 500 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 are booked through other comprehensive income.

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 2023:

	2023
Withholding tax guarantee	90
Other unconditional guarantees/guarantees	247
Total	**337**

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, and the 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 500 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 2024-2030. 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. The table below shows the liquidity reserve for the Group as a whole, where Lyse AS is the parent company.

	Financial strategy framework	31.12.23	Target attainment
Duration of the liquidity reserve measured against estimated financing need (no. of months)	6 months	16 months	Within target
Actual liquidity reserve* compared to capital requirement for next 6 months	NOK 2 652 million	NOK 5 043 million	Within target

* Liquidity excl. drawing rights and overdraft

Currency risk

Lyse AS has raised debt totalling at EUR 318 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 AS 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 as 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.

Declaration from the Board of Directors and CEO

We confirm to the best of our knowledge that:

- the consolidated financial statements for 2023 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,
- the financial statements for the parent company for 2023 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway,
- 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,
- the board of directors report, the chapters on corporate governance, taxonomy and sustainability, including sustainability statement, give 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.

This translation from Norwegian has been prepared for information purposes only.

Stavanger, March 20th 2024

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
Managing Director/CEO

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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 2023, 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 2023, 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 2 year from the election by the general meeting of the shareholders on 26 April 2022 for the accounting year 2022.

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 6 Financial risk management, note 7 Financial Instruments per measurement category and note 8 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.

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- 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-2023-12-31-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.

Stavanger, 20 March 2024
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)	2023	2022
Underlying operating revenue	22 754	30 356
Underlying operating costs	15 384	17 625
Underlying operating profit	7 370	12 731
Unrealised changes in value financial instruments (+ / - revenue/cost)	525	-138
Material non-recurring items affecting operating profit (+ / - revenue/cost)	0	-98
Operating profit (IFRS)	**7 895**	**12 495**
Profit for the year including non-controlling interests (IFRS) after tax	**2 394**	**2 448**
Unrealised changes in value financial instruments (+ / - income/cost) after tax	-409	108
Material non-recurring items affecting profit for the year (+ / - income/cost) after tax	0	76
Non-recurring item relatetd to change in resource rent tax rate on excess value from previous acquisitions	0	740
Profit for the year adjusted for unrealised changes in financial instruments, non-recurring items, including non-controlling interest, after tax	**1 985**	**3 372**
Non-controlling interests	721	1 283
Profit for the year allocated to Lyses shareholders adjusted for changes in financial instruments and non-recurring items, after tax	**1 264**	**2 089**

NET INTEREST-BEARING LOANS (INCLUDING LEASE OBLIGATIONS)

	Note	2023	2022
Total long-term and short-term loans*	7	23 234 799	19 809 619
Short-term financial position	25	-1 427 000	-1 148 400
Bank deposits, cash and cash equivalents	25	-4 763 105	-7 713 341
Net interest-bearing loans		**17 044 694**	**10 947 877**
Non current lease obligation	31	1 696 356	1 566 153
Current lease obligation	31	293 826	280 007
Net interest-bearing loans including lease obligation		**19 034 876**	**12 794 037**

* 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)	2023	2022
Operating result (EBIT) underlying operations	**7 370**	**12 731**
Unrealised changes in value, financial energy contracts - held for hedging purposes	246	107
Unrealised changes in value, currency derivatives in long-term physical industry contracts in EUR	345	-206
Unrealised changes in value, long-term financial energy contracts	0	-10
Realised changes in value, currency derivatives in long-term physical industry contracts in EUR	-66	-29
Unrealised changes in value, financial instruments	**525**	**-138**
Significant non-recurring items before tax affecting operating result (+/- income/cost)	0	-98
Operating result (IFRS)	**7 895**	**12 495**

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