

Annual Report 2020

# Lyse



Group  
Financials



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# Financial key figures for Lyse

## FROM THE STATEMENT OF PROFIT AND LOSS

			2020	2019	2018	2017	2016
Operating revenues		NOK mill.	8 089	9 230	10 268	8 661	6 637
EBITDA	(1)	NOK mill.	2 616	3 564	3 978	3 942	2 693
EBITDA underlying operations	(2)	NOK mill.	2 920	3 323	4 376	2 722	2 679
Operating result (EBIT)	(3)	NOK mill.	1 042	2 090	2 670	3 090	1 843
Unrealised changes in value, financial instruments		NOK mill.	-304	276	-398	245	-241
Non-recurring items, EBITDA		NOK mill.	0	-35	0	975	255
Non-recurring items (-), reversal impairment (+)		NOK mill.	96	35	15	0	-59
Operating result (EBIT) underlying operations	(4)	NOK mill.	1 250	1 814	3 053	1 871	1 888
Net financial items		NOK mill.	425	401	270	327	390
Profit after tax		NOK mill.	354	928	1 064	1 942	796

## FROM THE STATEMENT OF FINANCIAL POSITION

			2020	2019	2018	2017	2016
Total assets		NOK mill.	51 163	33 539	31 903	29 491	23 564
Of which is PP&E and investments in companies ***)		NOK mill.	27 704	23 605	21 485	21 244	18 074
Cash and cash equivalents **)		NOK mill.	4 106	4 718	5 105	3 505	2 062
Equity		NOK mill.	19 578	9 967	9 153	8 885	7 063
Gross interest-bearing debt, incl. financial leases	(6)	NOK mill.	17 924	15 968	14 402	13 867	10 643
Of which is subordinated loans		NOK mill.	1 921	2 051	2 138	2 261	2 200
Net interest-bearing liabilities	(7)	NOK mill.	13 817	11 250	9 298	10 362	8 580
Capital employed	(8)	NOK mill.	37 502	25 935	23 555	22 751	17 706

## CASH FLOWS

			2020	2019	2018	2017	2016
Net cash flow from operations		NOK mill.	1 945	1 790	3 498	1 593	1 947
Net interest costs		NOK mill.	411	416	351	319	341
Dividends paid to shareholders		NOK mill.	627	562	511	480	420
Net investments in non-current assets		NOK mill.	3 161	2 334	2 472	1 875	1 739
Net investments in ownership interests	(9)	NOK mill.	315	239	-603	-492	-1 780
Cash and cash equivalents **)		NOK mill.	4 106	4 718	5 105	3 505	2 006
Unused drawing rights		NOK mill.	1 800	1 800	1 800	1 800	1 800

**FINANCIAL ITEMS**

			2020	2019	2018	2017	2016
Net interest-bearing liabilities / EBITDA			5,3	3,2	2,3	2,6	3,2
Net interest-bearing liabilities / EBITDA underlying operations			4,7	3,4	2,1	3,8	3,2
Funds from operations (FFO)	(10)	NOK. Mill	2 147	2 278	2 798	1 773	1 715
EBITDA interest coverage	(11)		5,7	6,8	9,0	10,1	6,6
FFO interest coverage	(12)		4,7	4,4	6,4	4,5	4,2
FFO / Net interest-bearing liabilities		%	15,5 %	20,3 %	30,1 %	17,1 %	20,0 %
Interest-bearing debt - equity ratio	(13)	%	47,8 %	61,6 %	61,1 %	60,9 %	60,1 %
Equity ratio	(14)	%	38,3 %	29,7 %	28,7 %	30,1 %	30,0 %
Equity ratio – taking into account subordinated loans	(15)	%	42,0 %	35,8 %	35,4 %	37,8 %	39,3 %

**KEY FIGURES, CONSOLIDATED FINANCIAL STATEMENTS**

			2020	2019	2018	2017	2016
EBITDA margin underlying operations	(16)	%	35,8 %	35,8 %	42,6 %	35,4 %	42,1 %
EBIT margin underlying operations	(17)	%	15,3 %	19,6 %	29,7 %	24,3 %	29,7 %
Return on equity	(18)	%	2,4 %	9,7 %	11,8 %	24,4 %	11,8 %
Return on average capital employed	(19)	%	3,3 %	8,4 %	11,5 %	15,3 %	10,6 %

**KEY FIGURES, ENERGY**

			2020	2019	2018	2017	2016
Average production		GWh	5 921	5 921	5 921	5 743	5 743
Water reservoir capacity		GWh	5 249	5 249	5 249	5 068	5 068
Hydropower production	(20)	GWh	6 004	4 579	7 524	6 163	7 363
Area price NO2		øre/kWh	9,80	38,66	41,55	26,89	23,32
Actual price (excl. hedging)		øre/kWh	24,73	45,60	42,95	29,71	25,06
Book value of hydroelectricity per kWh		NOK/kWh	1,51	1,48	1,49	1,17	1,18
Electricity supply, end-user		GWh	2 536	2 622	2 798	3 106	3 034
Delivered volume natural gas, biogas and fuel		GWh	481	519	554	553	547
Delivered volume district heating and district cooling		GWh	171	174	174	162	159

**KEY FIGURES, TELECOMMUNICATIONS**

			2020	2019	2018	2017	2016
Capital employed	(8)	NOK mill.	10 380	9 604	8 172	7 668	3 779
EBITDA	(1)	NOK mill.	1 672	1 449	1 276	1 748	859
EBITDA margin	(5)	%	36,9 %	37,3 %	36,4 %	47,2 %	34,0 %
Carrying value PP&E and equity accounted investments		NOK mill.	9 603	8 129	7 024	7 043	3 956
Number of kilometres of fibre optic network		km	52 212	42 370	37 855	33 496	29 149
Number of active fibre optic customers in the Altibox partnership			708 913	625 265	536 280	493 802	446 454
Number of active fibre customers owned by Lyse *)			391 772	348 604	305 947	280 551	252 947

## KEY FIGURES, POWER GRID

		2020	2019	2018	2017	2016
Number of electricity grid customers		158 508	153 706	145 595	143 003	141 735
Supplied energy (total consumption in the area)	GWh	5 110	4 914	5 931	5 671	5 665
Power grid capital (NVE capital) used as a basis in revenue cap	NOK mill.	4 168	3 790	3 509	3 255	3 059
Measured efficiency (NVE efficiency) distribution grid	%	91,4 %	93,5 %	102,3 %	107,1 %	114,7 %
Measured efficiency (NVE efficiency) regional and central grid	%	127,3 %	120,3 %	104,8 %	97,3 %	105,2 %
KILE costs	NOK mill.	19,00	22,68	22,49	19,36	16,32

## SHAREHOLDERS

		2020	2019	2018	2017	2016
Subordinated loans from shareholders (municipalities)	NOK mill.	1800	1 900	2 000	2 100	2 200
Interest and instalments, subordinated loans	NOK mill.	148	171	165	162	170
Dividends/shareholder withdrawals	NOK mill.	600	550	500	480	420
Proposed dividend	NOK mill.	630	600	550	500	480
Proposed dividend per share	NOK	624	595	545	496	476
Earnings per share	(21) NOK	287	886	1 008	1 921	793

\*) Including subsidiaries and joint ventures owned by Lyse

\*\*) Including current financial placements

\*\*\*) Includes PP&E, right-of-use assets, investments in associated companies and joint ventures, as well as other non-current financial assets.

### Definitions:

( 1 ) EBITDA	Operating profit/ loss before depreciation and amortisation
( 2 ) EBITDA, underlying operations	EBITDA adjusted for unrealised changes in value of financial instruments and material non-recurring items
( 3 ) EBIT	Operating profit/loss
( 4 ) EBIT, underlying operations	Operating profit/loss adjusted for unrealised changes in value of financial instruments, material non-recurring items and impairments
( 5 ) EBITDA margin	EBITDA/operating revenue
( 6 ) Gross interest-bearing liabilities	Non-current and current loans, including financial lease obligations
( 7 ) Net interest-bearing liabilities	Gross interest-bearing liabilities - cash and cash equivalents (incl. current financial placements)
( 8 ) Capital employed	Equity + 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, 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 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 capital
(16) EBITDA margin, underlying operations	EBITDA, underlying operations/operating income
(17) EBIT margin, underlying operations	EBIT, underlying operations/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) Hydropower generation	Generation of hydropower (GWh) measured at outgoing generation terminal
(21) Earnings per share	Profit/loss allocated to shareholders/no. of shares in the Company

# Sustainability key figures for Lyse

## SOCIAL DISCLOSURES

### HEALTH AND SAFETY

		Unit	31.12.20	31.12.19
<b>Injuries</b>				
Employees - absence injuries	(1)	Number	3	2
Employees - injuries	(2)	Number	5	9
Accidents per million working hours with absence (H1 value)	(3)	H1-value/ LTI rate	1,45	1,03
Accidents per million working hours without absence (H2 value)	(4)	H2-value/ TRI rate	2,45	4,65
<b>Absence due to illness in total</b>	(5)	%	<b>3,00</b>	<b>3,86</b>
- Hereof doctor-certified		%	2,37	3,23
- Hereof self-certified		%	0,63	0,92

### EMPLOYEE RATIO

		Unit	31.12.20	31.12.19
Total number of permanent and temporary employees		Number	1 387	1 318
Number temporary employees		Number	22	23
Number of full-time employees		Number	1 356	1 289
Number of part-time employees		Number	31	29
Number of summer job employees in the period		Number	56	37
Number of graduates in the period		Number	9	2
Number of apprentices in the period		Number	26	22
New hires in the period		Number	224	230
- Share internal relocation	(6)	%	31,00	38,20
Turnover	(7)	%	3,88	5,32
Seniority	(8)	Year	9,6	10,3
Share of employees who achieve stipulated upper age limit within 5 years	(9)	%	1,75	2,35
Share of employees who achieve stipulated upper age limit within 6-10 years	(9)	%	5,80	6,87
Union density	(10)	%	52	55
<b>Equality</b>				
Percentage of women				
- In total		%	29,48	29,00
- Among management positions	(11)	%	30,47	26,32
- In the Group Management		%	42,86	42,86

- In the Group Board		%	50,00	50,00
- Among new hires		%	31,69	32,10
- Among full-time employees		%	28,61	27,82
- Among part-time employees		%	54,83	44,82
- Among permanent employees		%	28,88	28,52
- Among temporary employees		%	45,83	56,52
<b>Equal salary</b>				
Salary ratio among all employees	(12)	Ratio	0,92	0,93
Salary ratio among management	(13)	Ratio	1,00	0,99

### VIOLATION OF LAWS AND REGULATIONS

		Unit	31.12.20	31.12.19
Non-compliance with environmental laws and regulations		Number	0	0
Non-compliance with laws and regulation in the social and economic area		Number	0	0
Confirmed incidents of corruption		Number	0	0
Confirmed incidents of discrimination		Number	0	0
Registered personal data security breaches	(14)	Number	0	0

### ENVIRONMENTAL DISCLOSURES

#### ENERGY CONSUMPTION

		Unit	31.12.20	31.12.19
Electricity consumption		GWh	44	41
Pumped storage		GWh	271	141
Grid loss		GWh	4	4
District heating		MWh	0	33
Natural gas		GWh	48	43
Biogas		GWh	24	27
Diesel		Liter	335 769	328 018
Gasoline		Liter	11 463	13 443
Propane gas		Liter	402	2 420

#### CLIMATE

		Unit	31.12.20	31.12.19
<b>Scope 1: Direct emissions</b>		<b>tCO<sub>2</sub>e</b>	<b>12 116</b>	<b>11 175</b>
- Gasoline	(15)	tCO <sub>2</sub> e	26	31
- Diesel	(15)	tCO <sub>2</sub> e	904	883
- Natural gas	(15)	tCO <sub>2</sub> e	11 082	9 898
- Propane gas	(15)	tCO <sub>2</sub> e	1	4
- Leak SF <sub>6</sub> gas	(16)	tCO <sub>2</sub> e	35	68
- Leak natural gas	(17)	tCO <sub>2</sub> e	9	0

- Leak refrigerants	(18)	tCO2e	59	291
<b>Scope 2: Indirect emissions, energy consumption</b>		<b>tCO2e</b>	<b>0</b>	<b>14 314</b>
- Electricity consumption	(19)	tCO2e	0	14 314
- District heating	(20)	tCO2e	0	0
<b>Scope 3: Other indirect emissions</b>		<b>tCO2e</b>	<b>108 597</b>	<b>115 862</b>
- Sold natural gas		tCO2e	108 488	115 417
- Business travels	(21)	tCO2e	110	445
<b>Biogenic emissions</b>	(22)	<b>tCO2e</b>	<b>7 567</b>	<b>8 056</b>
- Biogas consumption		tCO2e	4 647	5 373
- Sold biogas		tCO2e	2 920	2 682

## BIODIVERSITY

		<b>Unit</b>	<b>31.12.20</b>	<b>31.12.19</b>
<b>Spawning Stock Targets (SST)</b>	(23)			
Årdalselva in Hjelmeland		% of SST	255	268
Lyseelva in Sandnes		% of SST	160	226
Jørpelandselva in Strand		% of SST	327	742

## POWER- AND DISTRICT HEATING PRODUCTION

		<b>Unit</b>	<b>31.12.20</b>	<b>31.12.19</b>
<b>Installed capacity - power generation</b>	(24)	<b>MW</b>	<b>1 747</b>	<b>1 759</b>
- Hereof hydropower*		MW	1 744	1 756
- Hereof other		MW	3	3
<b>Installed capacity - thermal production</b>		<b>MW</b>	<b>180</b>	<b>184</b>
- District heating		MW	95	95
- District cooling		MW	37	37
- Local heating		MW	48	53
<b>Production - power generation</b>	(24)	<b>GWh</b>	<b>6 014</b>	<b>4 579</b>
- Hereof hydropower**		GWh	6 004	4 567
- Hereof other		GWh	10	12
<b>Production - thermal production</b>		<b>GWh</b>	<b>204</b>	<b>204</b>
- District heating		GWh	123	124
- District cooling		GWh	17	18
- Local heating		GWh	64	62
<b>Renewable energy production from power generation and thermal production</b>		<b>%</b>	<b>0,99</b>	<b>0,99</b>

\*) Not included RSK with 629 MW in 2020

\*\*) Not included RSK with 3456 GWh in 2020



## ECONOMIC DISCLOSURES

## Contribution to society

		Unit	31.12.20	31.12.19
Gross operating revenues		NOK millions	8 089	9 226
Unrealised changes in the value of energy contracts		NOK millions	-304	276
Paid to suppliers for good and services		NOK millions	2 839	3 698
<b>Gross value added</b>		<b>NOK millions</b>	<b>4 946</b>	<b>5 804</b>
Depreciation and impairment		NOK millions	1 574	1 474
Other operating expenses		NOK millions	1 108	1 050
<b>Net value added</b>		<b>NOK millions</b>	<b>2 264</b>	<b>3 280</b>
Financial income		NOK millions	74	121
Gain or loss from divestments		NOK millions	0	4
Share of profit from associates		NOK millions	8	25
Minority interests		NOK millions	64	35
<b>Values for distribution</b>		<b>NOK millions</b>	<b>2 410</b>	<b>3 465</b>
<b>Distrubution of value creation</b>				
<b>Employees</b>				
- Gross salaries and social benefits		NOK millions	1 107	1 066
<b>Lenders / owners</b>				
- Financial costs		NOK millions	506	550
- Dividend		NOK millions	627	562
<b>The company</b>				
- Profit for the year		NOK millions	353	928
- Other changes		NOK millions	-183	359
<b>Distributed values</b>		<b>NOK millions</b>	<b>2 410</b>	<b>3 465</b>
<b>Tax</b>				
Profit tax		NOK millions	146	355
Ground rent tax		NOK millions	118	406
Licensing fees and property taxes		NOK millions	183	172
<b>Indirect value creation</b>				
Proportion of spending on local suppliers	(25)	%	22,30	19,96

**Definitions:**

- (1) Work-related injuries which have resulted in absence extending beyond the day of the injury
- (2) Work-related injuries, with and without absence. Includes injuries which resulted in absence, medical treatment or need for alternative work assignments
- (3) H1 injuries are the sum of the number absence injuries and the number of deaths. The H1 value is calculated as follows: Number of absence injuries + number of deaths \* 1,000,000 hours / Number of hours worked
- (4) H2 injuries are covered by the total number of deaths, work-related personal injuries and injuries without absence which: a) led to medical treatment (not first aid injuries) or b) reduced ability to work and / or the need for relocation to alternative work. The H2 value is calculated as follows: Number of absence injuries (incl. death) and number of injuries without absence (see above) \* 1,000,000 hours / (divided by) total number of hours worked
- (5) Absence due to illness or injury as a percentage of normal working hours
- (6) Proportion 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 organized in a trade union
- (11) Management positions include the employees who are part of Group Executive Management, management group 2 and management group 3
- (12) Average salary for women in relation to average salary for men
- (13) Average salary for women in relation to average salary for men among managers. Managers include Group Executive Management, management group 2 and management group 3
- (14) Registered breaches of personal data security that have resulted in a report to the Norwegian Data Protection Authority (Datatilsynet)
- (15) Including CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O using GHG Calculation Tool Stationary Combustion
- (16) Global Warming Potential value from IPCC Fifth Assessment Report (2014). Refilled gas in Lyse Elnett
- (17) Calculated as methane emissions with Global Warming Potential value from IPCC Fifth Assessment Report (2014)
- (18) Calculated using the GHG Protocols RAC Tool
- (19) 12% percent covered by guarantees of origin in 2019, 100% in 2020
- (20) The district heating supplied by Lyse is considered climate neutral as only heat recovery and biogas are used in production, including CO<sub>2</sub>
- (21) Includes flights in Lyse that are registered via Lyse's travel agency and trips booked by employees of Altibox Denmark
- (22) Emissions from biogenic sources. Calculated using GHG Calculation Tool Stationary Combustion
- (23) The spawning stock target is a management target set by the Scientific Council for Salmon Management, which states how much salmon a minimum must have in the river when spawning in order for the stock to survive in the long term, i.e. be sustainable. Having enough spawning fish ensures that the maximum number of smolts can be produced in the river from each year with spawning fish. A stock that is larger than GBM is thus only good and shows that there is a harvestable surplus in the watercourse
- (24) Does not include RSK
- (25) 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

2020

Lyse is a Norwegian industrial group operating within the business areas of Energy, Telecommunications and Power Grid.

Lyse is a substantial national operator within renewable energy and a national leader within fibre-optic broadband business.

Lyse, in the region, has built the country's most varied and complete infrastructure for electricity, bio- and natural gas, district heating and fibre-optic broadband. A high degree of availability and distribution stability is a priority.

The company's shareholders are 14 municipalities from southern part Rogaland. The shareholders have a long-term industrial perspective on their investment and expect that the company has a positive impact on its local community with a strategic focus for the region and satisfactory profitability.

## ACTIVITIES IN 2020

### Important events

- A record low electricity price in 2020 negatively affected earnings in the energy segment. The low price is mainly due to a large power surplus in Norway due to a mild winter with a lot of wind and precipitation. Major restrictions on the transmission capacity abroad also had a negative effect on price developments.
- In October, Lyse and Hydro announced a merger of hydropower plants in the south-western part of Norway and the establishment of a new company that will be among the country's largest hydropower players. The new company, Lyse Kraft DA, is 74.4 percent owned by Lyse and 25.6 percent by Hydro. The transaction was carried out with accounting effect from 31.12.2020.
- The Ministry of Petroleum and Energy (MPE) chose to postpone the processing of the license application for NorthConnect, the planned power cable between Norway and Scotland. Lyse is concerned about the consequences of a postponement of the cable project, but adheres to the ministry's assessment. On the British side, the project has received all the necessary permits.
- The Altibox partnership gained 83,566 new customers in 2020. The growth came primarily through organic growth, but also includes some minor acquisitions. At the end of 2020, Lyse's fully owned subsidiary Altibox provided broadband and entertainment services to 708,913 customers.
- The partnership for Altibox Services received the award for most satisfied customers for the eleventh year in a row in the EPSI customer survey.
- In Telecommunications, the group has completed several acquisitions in 2020. In January, Lyse acquired Bodø Energi's fibre infrastructure through its fully owned subsidiary Signal Bredbånd. Signal also acquired Senjanett AS in June and Herøy Fiber AS in October. Viken Fiber bought infrastructure from Instrumenttjenesten AS in May, and Tveco.net AS in October.
- In the late summer of 2020, the new fibre connection between Larvik and Hirtshals, Skagenfiber, was completed, and the connection was ready for sale in November. During the summer, seabed surveys were also carried out for the NO-UK cable between Stavanger and Newcastle, which will be completed in 2021.

- Throughout the year, Lyse has established an internal ESG framework, including a base point for future measurement and level of ambition. The work with ESG reporting is reflected in the Annual Report and Half Year Report for 2020.
- In 2020, Lyse updated our green framework for bond and bank loans. The framework has been given a dark green classification by Cicero, and the framework now reflects the total width of the business. In December, within this green framework, the group raised 750 million in a 7-year floating-rate bond and 500 million in an 8-year fixed-rate bond.
- The corona pandemic has had a limited effect on the Lyse Group, and full operation has been carried out throughout the year. Lyse continuously monitors the situation around the corona pandemic and implements measures when necessary.
- The coronavirus pandemic has emphasized the importance of stability and capacity in the telecommunications infrastructure. Altibox's national fibre network has seen a marked increase in data traffic during the day and the Altibox partnership has seen an increase in demand for fibre broadband.
- In April, Lyse paid a dividend of NOK 600 million based on the Annual Accounts for 2019, an increase of NOK 50 million compared to 2019. Lyse thus maintained the dividend in line with the original dividend forecast.

### Financial performance

Profit before tax in 2020 was NOK 617 million compared to NOK 1 689 million in 2019. Profit after tax amounted to NOK 354 million compared to NOK 928 million the year before.

The operating profit for the Energy business of 301 million is 1 250 million weaker than in 2019. The reduction is primarily explained by a reduction in underlying operations of 755 million and 580 million in negative development in unrealized value on financial instruments.

The group's annual result is characterized by low power prices. The average spot price for the year (NO2) was 9.80 øre / kWh for 2020, which is a reduction of 75% compared to last year. The low power price was to an extent dampened by the fact that we achieved a slightly better price than the spot price by actively using our flexible hydropower resources and by securing the power price of parts of the production. The actual average power price achieved (incl. hedging) in 2020 was 18.90 øre / kWh, which is a reduction of 56% compared to last year, while it is 93% better than the spot price in 2020.

Low power prices are also partially offset by higher power production. Hydropower production ended in 2020 at 6.1 TWh (billion kilowatt hours). This is a significant increase from 2019, when hydropower production was 4.6 TWh (average production in 2020 was 5.9 TWh).

Lyse is well positioned with an adjustable hydropower production in southern part of Norway. In October 2020, Lyse together with Hydro announced the merger of Hydro's hydropower resources in Røldal-Suldal with most of Lyse's hydropower resources. The merger will take effect from 31.12.2020, and the new hydropower company will be called Lyse Kraft DA and will be among the country's largest hydropower players.

The gas / biogas and district heating / district cooling businesses, both delivered a weaker result in 2020 than in 2019. A mild winter resulted in lower volumes, while low power prices affected the margin for district heating / district cooling negatively (prices for district heating follow electricity prices). The business of electricity sales achieved a satisfactory result in 2020, somewhat higher than in 2019.

The telecommunications business continues to grow and has strengthened its market position through organic customer growth. At the end of the year, the company had 708,913 Altibox customers (own and partners' fibre). The operating profit for the telecommunications business in 2020 was 558 million, an improvement of 73 million compared with 2019. The improvement is due to continued strong customer growth and high demand for our content products combined with cost control.

The operating profit for the Grid business in 2020 was 305 million, an improvement of 115 million compared to 2019. The improvement is due to good underlying operations, as well as reduced costs for grid losses due to lower power

prices. The business continues with a stable operating situation in 2020, and the disruption costs were a modest NOK 19 million, which is a slight improvement from 2019.

Other activities, which include support functions, had a reduction in operating profit from 2019 to 2020 of 16 million.

In 2020, the Group's operations yielded a return of 3.3% measured by operating profit in relation to average capital employed. Return on book equity was 2.4%.

For Lyse AS, the Group's parent company, the annual profit was NOK 270 million, compared with NOK 491 million in 2019.

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

### Underlying operations

The operating profit in 2020 was NOK 1,042 million. Profit from underlying operations is operating profit adjusted for unrealized changes in the value of financial positions on power contracts and significant non-recurring items. Lyse focuses on results from underlying operations in financial reporting and it is therefore mainly underlying operations that are commented on in the review of operating profit and business segments.

<i>(Amounts in NOK millions)</i>	2020	2019
Underlying operating income	8 156	9 275
Underlying operating costs	6 906	7 461
<b>Underlying operating profit</b>	<b>1 250</b>	<b>1 814</b>
Unrealised gains and (losses) on financial instruments	- 304	276
Non-recurring items (gains +)	96	0
<b>Operating profit</b>	<b>1 042</b>	<b>2 090</b>

The underlying operating profit in the Group was NOK 1,250 million in 2020, a reduction of NOK 564 million from 2019.

Underlying operating income was NOK 8,156 million, compared with NOK 9,275 in 2019. The Lyse Group's underlying income is in 2020 distributed as follows between the business segments: Energy NOK 2,067 million,

Telecommunication NOK 4,529 million, Power Grid NOK 1,403 million and Other NOK 156 million. The reduction in the Group's revenues from 2019 to 2020 is primarily explained by reduced turnover in the energy segment due to a major reduction in power prices, slightly offset by increased turnover from the Telecommunications business.

The increase in underlying salaries and other operating costs is primarily linked to the Telecommunications segment and is explained by higher sales activity and consolidation of some less acquired fibre companies.

Depreciation for the year amounts to NOK 1,574 million, compared with NOK 1,474 million in 2019. The increase is primarily due to an increased depreciation basis in the Telecommunications segment due to large investments.

Underlying EBITDA (operating profit before depreciation and amortization) for the Group was NOK 2,920 million against NOK 3,323 million in 2019.

Significant unrealized changes in value that have been adjusted for when calculating the underlying operating profit amount to a negative effect on profit of NOK 304 million. This mainly relates to unrealized changes in the value of financial instruments used for price and currency hedging of future power production.

Significant non-recurring items that have been adjusted for when calculating the underlying operating profit result in a profit effect of NOK 96 million. This includes a reversal of previous write-downs of the power plants in the Jørpeland watercourses.

### CASH FLOW

The Group's operations generated a cash flow of NOK 1 945 million in 2020, compared to NOK 1 937 million in 2019.

The Lyse Group invested NOK 3 475 million in 2020, compared to NOK 2 718 million in 2019, an increase of NOK 757 million. The investments are distributed as follows between the business segments:

<i>(Amounts in NOK millions)</i>	2020	2019
Energy	474	408
Telecommunications	2 265	1 679
Power grid	611	573
Other	125	59
<b>Gross investments (shares and fixed assets)</b>	<b>3 475</b>	<b>2 718</b>

Net liquidity change from financing was NOK 910 million. At the end of the year, net external interest-bearing debt including financial lease was NOK 13,817 million, an increase of NOK 2,568 million compared to 2019.

Subordinated loans to the owners of Lyse AS amount to NOK 1,800 million. Total new interest-bearing debt was NOK 3,550 million in 2020, repayment including financial lease was NOK 2,013 million.

It is an overall goal to maintain a capital structure that ensures the Group long-term financing and strong credit quality, while maintaining its growth potential. The Group's financial strategy shall maintain 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 on various loan sources. The average remaining term of the Group's external loan portfolio (including subordinated loans) as of 31 December 2020 is 5.5 years, compared with 5.8 years as of 31 December 2019.

Free cash and cash equivalents at the end of the year were NOK 4,106 million, a reduction of NOK 612 million compared to 2019. In addition, the Group has drawing facilities totalling NOK 1,800 million, so that the Group's liquidity reserve was 5,906 million at the end of the year. Withdrawal rights established with a syndicate of Nordic banks, of NOK 1,500 million, were extended by one year in 2020 and fall due in September 2024. Free cash and cash equivalents must, according to the Group's financial strategy, ensure financing of a minimum of six months of operations including investments and loan maturities. The Group's liquidity situation is considered to be very good.

At the end of 2020, the Group had an equity with a book value of NOK 19.6 billion, of which NOK 14.2 billion has been allocated to the Company's shareholders. The corresponding figures at the beginning of the year were 9,967 million and 9,147 million. The Hydro transaction

mainly explains the increase. The equity ratio is 38% of total capital. In total, equity and subordinated loans make up 42% of total capital. The equity ratio must be assessed in light of the fact that the book value of the Group's power production is NOK 1.51 per kilowatt hour, which is significantly lower than the market value. The book value of the Telecommunications business is also considered to be significantly lower than the assumed market value.

## BUSINESS SEGMENTS

In the table below the underlying operating profit per business segments is presented.

<i>(Amounts in NOK millions)</i>	2020	2019
Energy	509	1 264
Telecommunications	558	483
Power Grid	305	199
Other	-122	-132
<b>Underlying operating profit per segment</b>	<b>1 250</b>	<b>1 814</b>

A further description of the business segments follows below.

### Energy

The Energy business segment consists of the operations of the fully owned subsidiaries Lyse Produksjon AS (which administrates the ownership interests in Sira-Kvina Kraftselskap, Ulla-Førre Verkene, and Jørpeland Kraft AS), Lyse Energisalg AS, Lyse Neo AS, Smartly AS and Lyse Kraft DA which was established in the 4<sup>th</sup> quarter. In addition, the 22.5% ownership in NorthConnect is included in the segment.

In the autumn of 2020, Lyse and Hydro established a new large power company in Western Norway, Lyse Kraft DA. The new company has its headquarter in Stavanger and is 74.4% owned by Lyse and 25.6% by Hydro. The agreement between the two energy producers brings together Hydro's nine power plants in Røldal-Suldal (RSK) as well as Lyse's fully owned and partly owned power plants with the exception of Jørpeland Kraft AS in the newly established company Lyse Kraft DA. The company will have an average annual production of about 9.5 TWh. The power plant portfolio is located in the area from Haukeli to Åna Sira. The transaction was completed on 31 December 2020, which meant that Lyse's fully owned power plant, the

ownership interests in Sira Kvina Kraftselskap and the Ulla Førre plants were transferred to Lyse Kraft DA. In the same way, the Røldal-Suldal plants were added to this company. The transaction increases Lyse's annual average production in the order of 750 GWh.

According to the agreement, Lyse is responsible for all water allocation and market operations for power production in Lyse Kraft DA. The agreement means that Lyse strengthens its marketing apparatus. Hydro takes over operation and maintenance of Lyse's fully owned power plant through an operator agreement. The change means that 35 employees belonging to external operations and maintenance were transferred from Lyse to Hydro at the turn of the year.

The operating profit from underlying operations was NOK 509 million, compared with NOK 1,264 million in 2019. Hydropower production delivered an underlying operating profit after resource rent tax of NOK 368 million, which is NOK 427 million weaker than last year. Power production and market prices for power are crucial for the business segment's profit development, and this year's power production was 6.1 TWh. In comparison, power production the year before was 4.6 TWh. Low power production in 2019, in combination with an unusually rainy and mild 2020, resulted in a high reservoir filling at the beginning of 2021.

A snowy and mild winter led to an increasing hydrological surplus in the Nordic region, which meant that spot prices gradually weakened throughout the first quarter of the year. The mild and wet weather persisted, which resulted in record high inflows and a significant power surplus in the Nordic region. In such surplus situations, the market price of power is set independently of the price of thermal power production, as the alternative for power producers is to lose water. For large parts of the year, this affected the market price, which was then lower than EUR 10 per MWh and periodically equivalent and lower than the marginal costs for hydropower production. Even with a high hydropower production in 2020, the water loss is estimated at 17 TWh for Norway and Sweden combined. Installed wind power capacity increased by 3300 MW during the year, which further strengthened last year's power surplus. During periods of mild, wet and windy weather, wind power production becomes increasingly important for the spot price. In 2020, wind power production in Norway, Sweden and Finland amounted to 44.1 TWh, corresponding to

11.8% of total power production. The international connection NorLink between Tonstad and Germany started the power exchange in early December, which means that our price area NO2 in particular is linked more closely to the continental power system.

The average spot price in the Nordic region was 9.8 øre per kWh, which is as much as 28.6 øre / kWh lower than for 2019. In the price area of southwestern Norway, where Lyse sells its power production, the area price was equal to the average price for the Nordic region, but as high as 28,9 øre per kWh weaker than the year before.

The international connection NorthConnect applied for a license in June 2017. NVE's assessment of the application prior to the MPE's license processing had a consultation deadline of 10 March 2020. NVE confirmed good socio-economic profitability on the Norwegian side and that the cable connection will not cause operational problems for the Norwegian power system. The MPE nevertheless chose to postpone the processing of the license application and justified the postponement on the grounds that there was not a sufficient basis under the Energy Act to make a decision in the case. According to the MPE's assessment, such a basis will be available when experience has been gained from the two cable connections NorLink and NorthSeaLink. The Board is concerned that the licensing process for a profitable and environmentally good project is postponed. On the British side, NorthConnect has received all the necessary permits to start the realization of the cable connection. The owners of NorthConnect have continued the project. In 2020, Lyse has contributed NOK 7 million to the project. In total, the Lyse Group has invested NOK 75 million in the project.

Underlying operating profit from the gas and heating business was a loss of NOK 20 million, which is NOK 84 million weaker than in 2019. The prices of gas and heating are linked to customers' alternative energy carriers and must be competitive over time. Last year's record low electricity prices weakened EBITDA from the district heating business by NOK 54.2 million compared with 2019. A total of 652 GWh of gas and district heating was delivered, which is a reduction of 41 GWh from 2019. Delivery volumes are characterized by an unusually mild winter, which reduces the demand for both gas and heating products. Of the total delivered gas volume of 481 GWh, the biogas deliveries account for 38 GWh. New sales were 9 GWh district heating and 6 GWh gas. The district heating

deliveries are based on heat from waste incineration, biogas and electricity. The district heating delivered in the network connected to the incineration plant at Forus is climate neutral. The expansion of the district heating network towards Stavanger was put into operation just before Christmas. This provides access to new customer volumes and enables a reduction of CO<sub>2</sub> emissions by phasing out decentralized local heating units in this area. Lyse distributes and sells all biogas IVAR produces. It is an objective to stimulate the establishment of circular value chains that reduce local climate emissions and increase access to biogas.

The end-user market for electricity is characterized by fierce competition and a development where electricity is offered to customers together with other products. Several nationwide suppliers compete for customers in our domestic market. The market share has been maintained at a stable level throughout the year. Lyse offers energy solutions in the form of solar cell products together with battery packs, electric car charging including consumption control for villas, housing associations and industry as well as energy measurement and billing of energy carriers. Energy metering is primarily delivered to commercial buildings and residential condominiums. The development of infrastructure for fast charging for the private and commercial markets continues, and at the end of the year, 55 charging points had been established regionally. Operating profit from the end-user business, including the energy services provided by Smartly, was 44 million.

Investments in the energy business segment amount to NOK 474 million. The investment in the hydropower business of NOK 340 million is mainly related to the rehabilitation and reinforcement of dams in fully owned and partly owned power plants. The gas and heating business invested NOK 89 million, of which the expansion of the district heating and cooling infrastructure to Stavanger is the most significant infrastructure project.

### Telecommunications

Lyse's telecommunications business consists of the fully owned digital TV and internet providers Altibox AS and Altibox Danmark AS as well as ownership in a number of fibre companies throughout Norway. Altibox provides internet and digital entertainment and services to households and companies in Norway and Denmark, primarily delivered via fibre networks.

The fibre companies that distribute Altibox services are often referred to as the Altibox partnership, and consist of 36 fibre companies in Norway and Denmark, where Lyse has full or partial ownership to about 63% of the customers.

Lyse's fibre ownership is gathered in the company Lyse Fiberinvest AS. Lyse Fiberinvest owns, among others, Lyse Fiber AS (100%), Viken Fiber AS (65%), Signal Bredbånd AS (100%), Bergen Fiber AS (37%), Istad Fiber AS (50%), Nordvest Fiber AS (50 %) and Altifiber AS (34%). Viken Fiber is Norway's largest fibre company and in December reached the milestone of 200,000 customers.

The broadband and entertainment services provided by Altibox score high on customer satisfaction. For the eleventh year in a row, the independent organization EPSI measured the Altibox customers to be the most satisfied broadband customers in the country. Altibox also scored the highest on customer satisfaction on TV in the same EPSI survey and was also named the TV distributor with the best customer service in a survey conducted by Kantar.

According to Nkom statistics as of 30 June 2020, Altibox has a market share of fixed internet over fibre in Norway of 47.3%. With a market share of 20.9% in TV services, Altibox is Norway's second largest TV distributor. In addition to the private business, Altibox has deliveries in the professional market. Altibox's professional deliveries consist of communication services to companies and the newly established business area Altibox Carrier.

Altibox Carrier provides international communication services to the data center business and the operator and corporate market. Altibox Carrier is in the process of establishing a comprehensive European network structure that connects Norway with the central data traffic hubs on the continent.

Through Altibox' fully owned subsidiary Altibox Fiber Assets AS, the ownership of the companies Skagenfiber AS (100%) and NO-UK Com Holding AS (37%) is managed. In the late summer of 2020, the new subsea fibre connection Skagenfiber between Larvik and Hirtshals was completed, and the connection was ready for operation in November. During the summer, seabed surveys were also carried out for the NO-UK cable between Rennesøy and Newcastle, which will be completed in 2021.



In 2020, Altibox has industrialized its deliveries within sensor services. Through the Altibox partnership, the sensor network is nationwide and covers over one million households. The sensor network is a sensible extension of the fibre network and is beneficial to use for continuous collection of data that can be analyzed and used for improvements in companies. Smart solutions delivered over the sensor network help to create smarter and more sustainable cities.

Lyse's telecommunications business had a turnover of NOK 4,529 million in 2020, compared with 3,886 the year before - a growth of 16%. The growth is mainly due to customer growth and high demand for high-speed internet and digital entertainment services.

The Altibox partnership gained 83,566 new customers in 2020. The Altibox partnership has a total of 708,913 customers at the end of the year, compared with 625,265 at the beginning of the year. Out of these, Lyse has 391,772 fibre customers in Norway through fully and partly owned companies at the end of 2020, a net increase of 43,168 from 2019. Altibox Denmark has 46,604 customers at the end of the year, an increase of 8,449 from last year. In total, Lyse has ownership interests in 63% of the customers in the Altibox partnership.

The business achieved a positive underlying operating profit before depreciation (EBITDA) of NOK 1,672 million, compared with NOK 1,449 million the year before, an increase of 16% or NOK 225 million. The business segments result is characterized by good underlying operations and strong customer growth. The business continues its efficiency program and reduces operating costs per customer. Underlying operating profit was NOK 558 million in 2020, NOK 75 million higher than in 2019, an improvement of 16%. Depreciation totals NOK 1,114 million as a result of a continued high level of investment.

In 2020, Lyse had record-high investments in socially critical infrastructure. Investments in telecom amounted to NOK 2,265 million in 2020, compared with NOK 1,679 million in 2019. The coronavirus pandemic emphasized the need for high bandwidth both at home and at work, and stable communication services. This led to a strengthening of an already offensive investment plan for 2020.

## Power grid

The company's main task is to ensure its customers a stable and secure energy supply, combined with the most efficient operation and development of the power grid in the company's license area.

Lyse Elnett is the owner of electricity networks in both regional and distribution networks. The company operates and maintains systems from low voltage, 230 / 400V, and up to and including 132 kV. The power grid consists of 54 transformer stations, 3,933 substations and 13,470 km of lines and cables.

Lyse Elnett AS is a monopoly company subject to special regulatory control of Norway's watercourses and the Norwegian Energy Directorate (NVE), which sets the framework for grid operations, including a frame for permitted income.

Delivered energy in 2020 was 5,110 GWh, corresponding to 4,914 GWh in 2019. Lack of deliveries due to errors in Lyse Elnett's transmission network in 2020 was 832 MWh, a small increase from 757 MWh in 2019, which gives a regularity of 99.984% in relation to delivered energy. The Board is satisfied with the delivery security the company has shown in recent years.

The Power Grid business had a turnover of NOK 1,403 million in 2020, a reduction from NOK 1,411 million in 2019. Grid income increased by NOK 29 million as a result of growth in the number of customers and electricity consumption, while income from other activities had a net reduction. Low power prices have reduced the costs of purchasing power to cover transmission losses in the power grid and delivery obligation by NOK 81 million, and a high cost focus throughout the organization has resulted in an underlying operating profit of NOK 305 million, compared with NOK 189 million in 2019. The company achieved a return on net capital of 7.5% in 2020, compared with 5.3% in 2019.

At the beginning of the year, Lyse Elnett had a net lower income of NOK 70 million, at the end of the year it will be reduced to NOK 35 million, in line with the fact that over time it will be managed towards 0.

The interruption costs for the year (KILE costs) were NOK 19 million, of which NOK 6 million were planned and NOK

13 million unplanned interruptions. The corresponding figure for 2019 was NOK 23 million. The average annual KILE cost for the last three years is NOK 21 million.

In 2020, a total of NOK 611 million was invested, compared with NOK 573 million in 2019. The investments for the year relate to new construction for residential and commercial buildings, as well as the strengthening and renewal of the regional and distribution network. Public infrastructure projects in the area also entail a need for increased investments in the network.

At the end of the year, the business had 158,508 customers, compared with 153,706 customers the year before. The increase in the number of customers is due to a sustained underlying growth in the number of customers in the region, as well as a split up in street lighting nodes.

From 1 January 2020, the street lighting business was separated into a separate company which has been named Lyse Lux AS, 100% owned by Lyse AS and reported under other areas.

### Other areas

Other areas include support functions, which in addition to Lyse AS also include Lyse Dialog AS, Lyse Lux AS and the real estate companies Lyse Eiendom Mariero AS, Lyse Eiendom Jørpeland AS and Lyse Eiendom Ullandhaug AS.

## FINANCIAL ITEMS

Net financial expenses before impairment of financial assets amounted to NOK 433 million in 2020, an increase of NOK 3 million compared with 2019. Interest on subordinated loans to Lyse's owners was NOK 49 million, compared with NOK 71 million in 2019.

Interest expenses on the Group's external interest-bearing debt (including subordinated loans) amounted to NOK 420 million in 2020, a reduction of NOK 54 million from 2019. The reduction is mainly due to lower market interest rates through 2020.

Net interest-bearing debt (incl. financial lease) has increased by NOK 2.6 billion through 2020. Net interest-bearing debt (excl. financial lease) has increased by NOK 2.7 billion through 2020.

Short-term market interest rates, such as 3-month NIBOR, fell from an average level of 1.55% in 2019 to 0.70% in 2020. In line with the Group's financial strategy, the Group's annual result is not sensitive to changes in market interest rates in the short and medium term. Of the Group's net interest-bearing debt (excluding financial lease debt) of NOK 12,969 million, NOK 10,151 million is interest-hedged through interest rate swaps or fixed-rate loans. In addition, the Group's interest rate exposure has been reduced through inherent interest rate hedging in the Power Grid business and the resource rent tax.

In December 2020, Lyse's green financing framework was updated, with an overall classification of dark green from Cicero. In connection with the update, two new green bonds totalling NOK 1,250 million were also issued. The total outstanding amount in green bonds was 1,750 million at the end of 2020.

## TAX

The tax cost was reduced by NOK 497 million from 2019, and amounted to NOK 263 million. Tax payable amounts to NOK 368 million for 2020, compared with NOK 680 million in 2019.

Power production generated a resource rent tax cost of NOK 118 million in 2020, which corresponds to 45% of the Group's tax cost. The corresponding amount in 2019 was NOK 406 million and 53% of the tax cost. Payable resource rent tax is NOK 73 million in 2020, compared with NOK 368 million in 2019. The reason for the reduction is primarily significantly lower hydropower production in 2020 compared to the previous year.

Through the national budget for 2021, it was decided that the resource rent tax from and including 2021 will be designed as a cash flow tax. The introduction of cash flow tax represents improved investment incentives compared to the current model, and will probably make it more attractive to invest in upgrading and expanding old power plants. Unfortunately, no changes were made to the current resource rent tax model for completed investments, so that investments made before 2021 will continue to be extremely heavily taxed.

## RISK AND INTERNAL CONTROL

The main risk factors for the Lyse Group are related to market operations, financial management, project activities, operating activities and framework conditions. Risk management is central to value creation and an integrated part of business operations. Risk management is followed up in the business areas through procedures for risk monitoring up to goals and risk limits set by the Board.

Lyse is exposed to changes in both the physical and the financial power market, the foreign exchange, interest rate and financing markets. The Board annually assess the framework for the risk exposure. Internal authorizations 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 that assess profitability and risk associated with major individual investments in the group before an investment decision is made at company level.

For Lyse, there is a significant volume and price risk associated with production and trade in power. In the Nordic power market, precipitation conditions, demand and market prices for coal, oil and CO<sub>2</sub> quotas are important for the market price of power. In the power market, the group uses 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 NASDAQ are traded in euros. Future income in euros is hedged over a set period, so that the hedging share is increased towards the time of delivery.

A central finance department in the parent company coordinates and manages the risk associated with interest rates, currency and liquidity, including refinancing and new borrowings. The finance department exercises its mandate in accordance with the current financial strategy. This sets the framework for the Group's refinancing risk and liquidity so that loan maturities and capital requirements for carrying out planned operating and investing activities 6 months ahead at any given time shall at all times be covered by available liquidity. In addition to available liquidity, the group has established credit facilities through a banking syndicate.

The Group's framework for interest rate risk aims to stabilize the Group's annual profit after tax. The interest

rate risk is managed by ensuring that the annual profit after tax is not weakened beyond the set risk limits by a change in the market interest rate of 1 percentage point. Exposures are followed up against adopted frameworks in the financial strategy and are reported regularly to the Group Management and the Board.

Lyse has counterparty risk through power trading and investment of excess liquidity. Prior to entering into agreements, the creditworthiness of the counterparties is assessed, and the credit risk towards individual counterparties is limited through the financial strategy by risk 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 implementation are exposed to operational risk in the form of personal injury, damage to the environment, loss of reputation and financial loss. The Group works systematically and with a risk approach to manage operational risk. On a daily basis, risk is managed by means of procedures, routines for non-compliance reporting, contingency plans and insurance coverage.

Lyse has a system for internal control that will contribute to reliable financial reporting. Internal control in financial reporting is followed up on an ongoing basis through the audit committee's work.

Climate change and adaptations to climate change constitute both opportunities and threats for Lyse. A milder and wetter climate will give hydropower an increasingly important role through the ability to delay and redistribute floods, which will place increasing demands on our facilities. In addition, hydropower's ability to regulate production will become more important when a larger share of power production will take place through 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, Lyse Elnett actively takes into account the expected sea level when locating facilities and has decided to switch to composite masts that can withstand more precipitation and extreme weather.

## RESEARCH, DEVELOPMENT AND INNOVATION

The Group's research, development and innovation are mainly aimed at four areas. We will improve the customer experience, increase our competence, develop tools for efficient operations, and we will find new business opportunities. The Group is especially looking for new opportunities at the intersection of energy and telecommunications. Also in 2020, there has been work on developing concepts within consumption of entertainment, charging, control of energy and power, as well as the Internet of Things and smart cities.

Through the Elnett21 project, Lyse, Avinor, Forus Næringspark and the Stavanger Region Port are collaborating to develop solutions to meet the growing need for power in the society. The project started in 2019 and will end in 2024.

In addition to giving Lyse new insight into existing or new business opportunities, these activities contribute to strengthening local companies, owner municipalities, as well as universities and educational institutions.

Lyse has the opportunity to invest in early-stage companies and funds within technology and renewable energy. We offer the companies valuable expertise and experience and want to help further develop companies and good ideas. We view carefully selected early-stage investments within our business areas as an opportunity to help create new businesses and jobs, while also creating value for our owners.

## CORPORATE SOCIAL RESPONSIBILITY AND EXTERNAL ENVIRONMENT

### Sustainability management

An important part of Lyse's purpose is to create value for society. Lyse's assignment from the owners is to run a business with a stable return at the same time as the Group is to be a regional development player. Lyse is concerned that the operation will benefit future generations. This is ensured by building long-term and future-oriented 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 built into Lyse's assignments and the Group reports on sustainability as an

integral part of the annual report. The report has been prepared in accordance with international standards for sustainable reporting, GRI - Global Reporting Initiative (after what is called the 'core option').

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

In Lyse, each leader is responsible for ensuring that sustainability is raised and included in decision-making processes. In 2021, a sustainability team will be established across the Group to assist in this work.

Lyse supports the UN's sustainability goals, and wants to contribute where we can to achieve these. You can read more about how we contribute on our website [lysekonsern.no](http://lysekonsern.no).

### Supply chain management

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

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

The supply chain covers several sectors. Lyse emphasizes uncovering the risk of damage and negative impact on the climate and environment as early as possible in the procurement process. In 2020, 44.6% of the suppliers were located in one of our owner municipalities, and in total these accounted for 22.4% of the values associated with procurement.

## Stakeholder involvement

As a provider of socially critical infrastructure, Lyse is dependent on a large degree of trust and interaction with stakeholders. Important stakeholders include owners, customers, the local community, employees, organizations and financial institutions. For more information on how we interact with our stakeholders, see [lysekonsern.no](http://lysekonsern.no).

## Significant focus areas

According to the Global Reporting Initiative (GRI Core), Lyse reports under four categories where significant topics are addressed:

### Organization, health, environment and safety

- Employee relationships
- EHS
- Equality / discrimination
- Training and competence development

### Business ethics

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

### Environmental impact

- Environmental impact
- Greenhouse gas emissions

### Impact on the local community

- Value creation
- Security of supply

The sustainability key figures are consolidated in the same way as the consolidated financial statements.

Measures and changes within these areas are described below, and more information about materiality and management method can be found at [lysekonsern.no](http://lysekonsern.no).

## Organisation, health, environment and safety

It is important that Lyse is an attractive, fair and good employer for all employees to thrive and do their best at work every day, and for Lyse to attract the best and most qualified workforce in the future. In order for Lyse to achieve our strategic goals, the trust of all Lyse's stakeholders must be high for the Group to work

purposefully to ensure equal treatment of employees through fair processes for recruitment, determination of pay and working conditions and development. Lyse recruits new employees based on the need for competence and has objective recruitment processes regardless of gender, age, orientation, political affiliation or ethnicity.

Targeted work is being done to ensure the Group the right competence through strategic competence management, training and development of employees. Good processes will be established for succession planning and individual competence plans to retain and develop our own employees. An important part of the organizational work is the facilitation of a common Lyse culture characterized by a good working environment and capacity for change in accordance with our vision and our values.

Annual employee surveys are conducted in the Lyse Group per company. The surveys generally show that employees in Lyse are well satisfied with Lyse as an employer. In addition, there are regular arrangements for conducting employee interviews. Work is now underway to implement a new HR system which, among other things, shall ensure follow-up and measurement of completed employee interviews. In order to be able to measure Lyse's attractiveness internally and externally, work is underway to ensure systematic measurements.

Lyse has a graduate program lasting over two years with placements in various business areas to ensure a comprehensive insight and a broad competence across the companies. There were five graduates in 2020. A trainee program has been established at company level with a duration of more than two years to develop a holistic approach within specific subject areas. There were four trainees in 2020. Lyse has a talent program with six talents at any given time. The purpose of the program is to give highly talented employees inspiration and development opportunities for further careers in Lyse. At the end of 2020, there were 26 apprentices in the electrical fitter and sales areas. Lyse will work continuously to look at opportunities for taking in more apprentices in relevant areas.

In the Lyse Group, no task or activity shall be given priority over health, safety and the environment. Continuously, there is compliance with statutory EHS requirements for the various companies. Lyse has implemented procedures for secure job analyzes related to the internal performance of operational tasks or in collaboration with other partners and

suppliers. Absence due to illness in the group has been 3% in 2020, compared with 3.86% the year before. During 2020, there were three injuries that resulted in sick leave, with a total of 31 days. In 2019, there were two injuries that resulted in sick leave for a total of five days. The Group has a goal that sickness absence should be below 3.5%. The Board is satisfied that sickness absence in isolation is relatively low, and below the set target. The Board will continue to follow the development closely. The Board is emphasizing the importance of that the Group has a proactive approach to EHS, and is at the forefront of risk analyzes and other measures.

Turnover in the group is still relatively low. For 2020, turnover is 3.88% against 5.32% the year before.

Of the total number of employees, at the end of 2020, 29.48% were women and 70.52% men, which is equivalent to the previous year. Three out of seven in the group management are women, while in the Board of directors there are four men and four women. There are 1387 permanent employees in 2020 and of these, 28.88% are women and 71.12% men. Of these, 31 are part-time employees and 54.83% are women and 45.17% are men. Lyse has traditionally been a workplace with a high proportion of men, and recruitment and management appointments focus on gender equality. Action plans will be prepared for more systematic work to ensure a better gender balance.

The Lyse Group is concerned with ensuring equal pay. The salary ratio among all employees is 0.92 and among managers 1. There is also a focus on ensuring equal pay for equal work in the Lyse Group. In the case of wage settlements, regular reports are made on wage supplements women vs. men. The framework for the wage settlement in 2019 was 3.3% and the distribution was then 3.35% men and 3.30% women. For 2020, the corresponding number is 1.65% for both sexes. A new job placement system will now be introduced, which will be a useful tool for further ensuring equal pay for equal work.

The degree of organization in Lyse in 2020 is 52%, compared with 55% in 2019. Lyse as an employer encourages employees to organize and wants an increased degree of organization. Together with employee organizations, measures will be put in place for an increased degree of organization and increased focus on tripartite cooperation.

COVID-19 has marked large parts of the working year 2020. There has been a high level of preparedness and close cooperation with Occupational Health Service to ensure the care of all employees during the pandemic. The focus has been on compliance with the authorities' infection control requirements, stable operations and deliveries. Group-wide guidelines have been provided, with the possibility of adaptation to operation / location within the current infection control rules. Employees have adapted to the situation in a very good and flexible way. There has been one registered case of infection in the Lyse Group.

### Business ethics

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

The work of safeguarding the privacy rights of customers and employees is safeguarded by established routines for handling breaches of personal data security. For 2020, there have been no breaches of personal data security that have been of such a nature that they have been reported to the Norwegian Data Protection Authority. No inspections have been carried out by the Norwegian Data Protection Authority during the period.

Although no breaches have been identified and reported to the Norwegian Data Protection Authority, the companies in the Group are continuously working to map minor discrepancies and possible improvements to ensure correct processing of personal data and prevent future discrepancies. The companies in the Group also respond to inquiries from customers related to privacy.

In 2020, there have been no cases related to corruption or breaches of laws and regulations.

### Environmental impact

The Lyse Group provides renewable energy, infrastructure and innovative services that enable climate savings for our customers. Electrification and digitalization are crucial factors in achieving local as well as global climate goals, and the Group's broad reach 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 emissions 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.

To achieve climate neutrality, all own direct emissions must be cut (Scope 1). In 2020, the local heating system on Urban Sjøfront has been connected to the district heating network, which releases biogas and means that natural gas consumption can be reduced elsewhere. This reduces direct emissions by approx. 2,000 tonnes of CO<sub>2</sub> per year. Work is continuing on reducing own direct emissions through the conversion of several local heating systems and car fleets.

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

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

Perhaps Lyse's most important climate goal is to be an engine for green change and contribute to emission reductions in the region. In 2020, a study of carbon capture from the region's largest emission point, Forus Energigjenvinning, was initiated together with IVAR, and cooperation has begun with IVAR and Felleskjøpet RA to reduce emissions from agriculture through biogas production from livestock manure.

No violations of the rules or significant adverse events within environmental impact have been registered.

### Impact on the local community

As special as the year 2020 has been, our contribution to the local community has become even more important. Among other things, we have ensured that there has been electricity, TV channels and lightning-fast internet to the home office, digital teaching, digital social gatherings and the many hours during a day where we have been at home.

Read more about how we affect the local community at [lysekonsern.no](http://lysekonsern.no)

### OWNERSHIP AND CORPORATE GOVERNANCE

In our business operations, Lyse is dependent on trust and acceptance from customers, owners and society in general. A tool for achieving and maintaining trust is clear and good corporate governance. The Group follows the Norwegian Code of Practice for Corporate Governance within the framework set by the company's organizational form and ownership. Deviations from these principles are mainly related to the negotiability and issuance of shares, as well as capital increases and principles that must be followed if there is an offer on the business. The Group's guidelines for corporate governance are available at [www.lysekonsern.no](http://www.lysekonsern.no).

The Board of Lyse AS (Group Board) consists of eight members with personal deputies. The Board, including the chairman and deputy chairman, is appointed by the corporate assembly. Two of the Board members are appointed by and belong to the company's employees. The members of the Board are appointed for two years at a time. The Board conducts an annual self-evaluation of working methods, competence and cooperation with management. The Board has appointed the subcommittees compensation committee and audit committee.

### DIVIDENDS AND ALLOCATION OF PROFIT FOR THE YEAR

The Board will, in the Annual General Meeting on 22 April 2021, propose that an ordinary dividend of NOK 624.39 per share will be distributed from Lyse AS for the financial year 2020, a total of NOK 630 million. The profit for the year after tax is NOK 270 million (Lyse AS accounts). In order to pay a dividend of NOK 630 million, the board proposes that NOK 360 million be covered from other equity in Lyse AS.

## OUTLOOK

After a 2020 where the focus has been on the Corona pandemic and low power prices, the Board hopes 2021 will have a different and more optimistic focus. 2021 has started with several bright spots, where the authorities firm hand on the pandemic combined with hopes of a fully vaccinated population gives reason for optimism. So far in 2021, power prices have been significantly higher than normal, which gives reason to expect an annual result in the energy area at a more normal level than in 2020.

Lyse aims to contribute to digitalization and electrification, both regionally and nationally.

In 2020, we connected more private and corporate customers to the lightning-fast and robust fibre network than ever before. Both in our own market areas and among our Altibox partners, interest and the need for a robust fibre network have been growing, stimulated by the pandemic and the use of home offices, and more and more companies are moving their IT systems to the "cloud".

This development confirms Lyse / Altibox's position as the most important Norwegian - owned challenger in the Norwegian telecommunications market. Together with the other partners in the Altibox partnership, we will continue to challenge competitors with outstanding technological solutions combined with a local presence throughout the country.

The authorities are now preparing itself on how to ensure that households and businesses can be connected even in areas where it is difficult to develop fiber under normal commercial conditions. It is important that the authorities stimulate this type of development in a way that competitively does not put individual companies or special technologies in a more favorable position than others.

The Board plans to continue the strong growth in the coming years, with the ambition of a growing market share until all the country's households and businesses have access to high-speed broadband. Combined with a robust national fibre network, this ensures reasonable competition combined with ensuring that the nation has several robust national networks in an emergency situation. As before, the growth will be a combination of organic growth and acquisitions / mergers.

In 2020, Altibox put into operation a new fibre connection from Hirtshals in Denmark to Larvik and Oslo. In the summer of 2021, a new fibre connection will be laid between Stavanger and Newcastle. This is done in collaboration with good partners, and will together with the connection to Denmark ensure Norway a fast and secure connection to the larger internet hubs in Europe. This will also open up the market for the development of more data centers in Norway. Combined with renewable energy, of which there is a surplus in the Nordic region, this could mean significant reductions in the climate footprint of this type of power processing industry.

The Board expects steadily increasing results from the telecommunications business in the years to come.

The agreement between Lyse and Norsk Hydro in 2020 to merge Lyse's power production with production at Hydro's power plant in Røldal-Suldal means that this part of the business in Lyse has been significantly strengthened. In addition to an increase in Lyse's power production to over 7 TWh, the agreement means that all market operations for the newly established company Lyse Kraft DA shall (and must) be handled by Lyse. This entails a significant strengthening of Lyse for market operations, which is now responsible for more than 9.5 TWh. At the same time, Hydro will be the operator of all the power plants in Lyse Kraft DA, including those that were previously operated by Lyse itself. This entails significant synergy effects that will come to fruition over the next few years.

This also strengthens Lyse's position in the important price area NO2, with more power exchange cables abroad. The commissioning of new exchange capacity to Germany in 2020 confirms the theory that the cable will stabilize the price picture in our price range. In the period so far, this has reduced the highest prices in the area through imports from Germany, while we expect correspondingly somewhat increased prices in periods with very low prices. This does not entail any significant disadvantages for our customers, at the same time as it gives power companies with regulation opportunities increased opportunities to take advantage of price peaks in a probably more volatile market and opens up for the development of more renewable energy in our neighbouring countries.

The Board expects increased results from the power generation business in 2021. Further development after this



will depend on power prices in an increasingly volatile market.

The Board has an ambition that the Lyse Group will continue to be present throughout the value chain in both the energy and telecommunications areas. Lyse now has more than 400,000 fiber customers and more than 100,000 electricity customers. By offering customers total solutions through increased digitalization and new innovative services and products, the Group's ambition is to increase our national market shares in both communication and energy products. This work will be intensified in 2021.

The Group's work to strengthen and modernize the power grid continues. The Group has an extensive investment program in the next few years in all nine municipalities where we operate the power grid. The largest investments are at regional network level, but significant investments are also being prepared in the distribution network. These investments are a prerequisite for the significant electrification that is a prerequisite for being able to reduce climate emissions in southern part of Rogaland. The investments are not least important in order to be able to establish new business based on renewable energy in the region. At the moment, there are unfortunately significant restrictions on new establishments in large parts of the network area, which the Board regrets.

New central grid connection from Lysebotn to Kalberg in Time municipality will significantly improve security of supply and access to renewable power. This new line will be operational in 2023. However, Lyse will already now take initiative versus Statnett to further strengthen its supply to the region. Adequate access to renewable energy will be an important piece in the transition of the region to a future with a smaller oil and gas sector.

At the end of 2020, Lyse Elnett entered into a letter of intent with the grid companies in BKK and Skagerak Energi to assess the possibilities for a collaboration to extract economies of scale in specific areas where the opportunity seems great. The work will be concluded during 2021. In line with the expectations of Lyse as a regional driving force in the development of new business activities, the Board has taken the initiative to increase activity within business development of major industrial projects across the business areas in the Group. Such a unit will be

operational during 2021, and will significantly strengthen the Group's (and the region's) ability to handle larger and more complex industrial projects. Examples of such projects can be hydrogen, biogas, carbon capture and storage, offshore wind, new power-intensive industry, mobile communication solutions, etc.

On behalf of Lyse, the consulting company Thema Consulting prepared a report in 2019 that compiled all climate emissions in southern part of Rogaland, ranked them by cost of measures and summarized where Lyse could contribute in the most effective way. The report has contributed to the debate on possible measures. In 2021, a new and updated report will be presented, this time in collaboration with Haugaland Kraft, which has conducted a similar review for the northern part of Rogaland. Thus, we can jointly present a report for the whole of Rogaland, which hopefully can be an important contribution to the discussion about measures.

Lyse will continue the work of taking initiatives for measures that can reduce emissions in the southern part of Rogaland. Central here is electrification, charging, shore power, increased production of biogas and carbon capture from the waste incineration plant at Forus in Sandnes municipality.

In the annual report for 2020, the Group has significantly increased its focus on sustainability reporting. This work will be continued and strengthened in 2021. In parallel with this, the focus will be increased on the contributions from own operations in the work of reducing greenhouse gas emissions. This is also in line with the owners' expectations of Lyse. Lyse follows developments with regard to European climate policy. The focus in Europe is on sustainable finance and taxonomy based on environmental criteria. In 2021, Lyse will prioritize being in line with the EU's new taxonomy for sustainable finance. The Board expects it to be more attractive to invest in renewable energy compared to fossil fuels.

The Board expects that the financial results for the Group will be better in 2021 than in 2020, and that the long-term strategy will ensure growth in the coming years as well, with the volatility that will always be within hydropower production.

Stavanger, March 25<sup>st</sup> 2021



Harald Espedal  
Chairman of the Board



Stine Rolstad Brenna  
Deputy Chair



Kate Hilde  
Board member



Jonas Skrettingland  
Board member



Svein Gjedrem  
Board member



Irene Grastveit  
Board member



Arne M. Sele  
Board member



Karen Ommundsen  
Board member



Eimund Nygaard  
Group CEO

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

We confirm to the best of our knowledge that the consolidated financial statements for 2020 have been prepared in accordance with IFRS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that the financial statements for the parent company for 2020 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that the information presented in the financial statements gives a true and fair view of the Company's and Group's assets, liabilities, financial position and result for the period viewed in their entirety, and in all material aspects and that the Board of directors' report gives a true and fair view of the development, performance and financial position of the Company and Group, and includes a description of the key risks and uncertainties the companies are faced with.

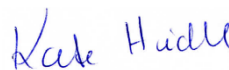
Stavanger, March 25<sup>st</sup> 2021



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Deputy Chair



Kate Hilde  
Board member



Jonas Skrettingland  
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Board member



Arne Sele  
Board member



Karen Ommundsen  
Board member



Eimund Nygaard  
Group CEO

## Consolidated statement of profit and loss

<i>(In NOK thousands)</i>	Note	2020	2019
Sales revenue	9	8 088 961	9 226 099
Net gain from sale of business	5	0	4 226
<b>Operating revenue</b>		<b>8 088 961</b>	<b>9 230 325</b>
Cost of sales	10	2 838 968	3 698 318
Salaries and payroll costs	11,12,32	1 106 860	1 065 865
Depreciation and impairment	17,18	1 573 918	1 474 383
Net other operating income and expenses	13	236 400	-320 296
Licence fees and property tax		182 595	172 445
Other operating costs	14,17,30,31	1 107 909	1 049 982
<b>Operating profit</b>		<b>1 042 310</b>	<b>2 089 627</b>
Share of profit in equity accounted investments	4,5,19	7 523	25 470
Financial income	15	73 760	120 985
Financial expenses	15	506 341	550 107
Impairment of non-current financial assets	15	188	-2 917
<b>Profit before tax</b>		<b>617 064</b>	<b>1 688 891</b>
Income taxes	16	145 843	354 686
Resource rent tax	16	117 533	405 857
<b>Tax expense</b>		<b>263 376</b>	<b>760 543</b>
<b>Profit for the period</b>		<b>353 688</b>	<b>928 348</b>
<b>Allocated to:</b>			
Shareholders		289 757	893 807
Non-controlling interests		63 931	34 541

# Consolidated statement of comprehensive income

<i>(In NOK thousands)</i>	Note	2020	2019
<b>Profit for the period</b>		<b>353 688</b>	<b>928 348</b>
<b>Items that will not recycle over profit and loss in future periods</b>			
Other pension effects	12,16	-67 941	26 412
<b>Items that will recycle over profit and loss in future periods</b>			
Cash flow hedging, currency forward contracts	8, 13	-35 061	72 692
Cash flow hedging, interest swap contracts	8, 13	-28 534	8 801
Cash flow hedging Euro loans	8, 13	-129 909	9 453
Changes in cash flow reserve	13	-593	1 127
Currency translation differences, subsidiaries		3 345	-946
<b>Total of items that will recycle over profit and loss in future periods</b>		<b>-190 751</b>	<b>91 127</b>
<b>Statement of comprehensive income for the period</b>		<b>-258 694</b>	<b>117 538</b>
<b>Total comprehensive income for the period</b>		<b>94 995</b>	<b>1 045 887</b>
<b>Allocated to:</b>			
Shareholders		31 655	1 009 523
Non-controlling interests		63 340	36 364
<b>Total comprehensive income for the period</b>		<b>94 995</b>	<b>1 045 887</b>
<b>Earnings per share of comprehensive income allocated to shareholders</b>		<b>31</b>	<b>1 001</b>

# Consolidated statement of financial position

## ASSETS

<i>(In NOK thousands)</i>	Note	2020	2019
<b>Non-current assets</b>			
Waterfall rights	17	8 417 301	105 301
Other intangible assets	17	7 733 742	2 261 665
Deferred tax asset (resource rent)	16	34 141	73 608
Tangible fixed assets	18, 29	25 960 275	22 076 556
Right-of-use asset	18, 30	965 112	916 389
Equity accounted investments	19	778 861	581 699
Other non-current financial assets	7	54 569	30 056
Derivatives	6, 7, 23	360 269	636 091
Other non-current receivables	7, 12, 22	94 691	114 135
<b>Total non-current assets</b>		<b>44 398 961</b>	<b>26 795 499</b>
<b>Current assets</b>			
Inventory	21	200 737	258 208
Trade receivables and other receivables	7, 22	2 408 868	1 733 981
Derivatives	6, 7, 23	47 792	33 091
Current financial assets	7, 24, 25	279 000	639 760
Cash and cash equivalents	7, 24, 25	3 827 274	4 078 294
<b>Total current assets</b>		<b>6 763 672</b>	<b>6 743 334</b>
<b>Total assets</b>		<b>51 162 633</b>	<b>33 538 833</b>

## EQUITY AND LIABILITIES

<i>(In NOK thousands)</i>	Note	2020	2019
<b>Equity</b>			
Share capital and premium reserve	28	1 275 592	1 275 592
Other equity and retained earnings		12 907 480	7 871 691
<b>Equity allocated to the company's shareholders</b>		<b>14 183 072</b>	<b>9 147 283</b>
Non-controlling interests		5 394 830	819 561
<b>Total equity</b>		<b>19 577 901</b>	<b>9 966 844</b>
<b>Liabilities</b>			
Non-current interest-bearing liabilities	7, 25	15 802 583	13 797 776
Non-current lease liability	30	680 124	790 552
Deferred tax liability	16	3 648 972	1 332 028
Deferred tax liability (resource rent)	16	4 750 578	1 314 815
Pension liabilities	12	230 730	154 939
Derivatives	6, 7, 23	141 827	123 327
Provisions	26	55 861	49 063
Other non-current liabilities	26	1 571 589	1 452 126
<b>Total non-current liabilities</b>		<b>26 882 264</b>	<b>19 014 626</b>
Current interest-bearing liabilities	7, 25	1 273 104	1 235 590
Current lease liability	30	167 870	143 773
Accounts payable and other current liabilities	27	2 814 489	2 424 154
Tax payable	16	368 072	679 818
Derivatives	6, 7, 23	68 932	59 028
Provisions	27	10 000	15 000
<b>Total current liabilities</b>		<b>4 702 467</b>	<b>4 557 363</b>
<b>Total liabilities</b>		<b>31 584 732</b>	<b>23 571 989</b>
<b>Total equity and liabilities</b>		<b>51 162 633</b>	<b>33 538 833</b>

Stavanger, March 25<sup>st</sup> 2021



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Arne Sele  
Board member



Karen Ommundsen  
Board member



Eimund Nygaard  
Group CEO



## Consolidated statement of cash flows

<i>(In NOK thousands)</i>	Note	2020	2019
<b>Cash flow from operations</b>			
Profit before tax		617 064	1 688 891
Net gain from sale of business	4	0	-4 226
Depreciation and impairment	17, 18	1 573 918	1 474 383
Gain/losses on sales of tangible fixed assets		0	-2 193
Other gains/losses net classified as operations	13	236 400	-320 296
Unrealised effects against comprehensive income		53 125	0
Change in pension liabilities	12	-13 047	2 107
Net financial costs	15	432 769	426 205
Profit/loss from equity accounted investments	4, 19	-7 523	-25 470
Change in trade receivables and other current receivables		-689 588	312 502
Change in accounts payable and other current liabilities		432 752	-277 608
Change in inventory		57 471	-87 514
Cash Hydro transaction		-130 330	0
Other changes**		439 492	326 639
<b>Net cash flows from operating activities</b>		<b>3 002 503</b>	<b>3 513 420</b>
Interest paid	15	-405 012	-365 189
Tax paid	16	-652 424	-1 210 776
<b>Net cash flow from operating activities</b>		<b>1 945 067</b>	<b>1 937 455</b>
<b>Cash flow from investment activities</b>			
Payments on purchase of tangible fixed assets and intangible assets	17, 18	-3 160 568	-2 646 689
Receipts from sale of tangible fixed assets		0	313 120
Net receipts and payments, loans to associated companies and joint ventures	19	0	-522
Net receipts and payments, shares in subsidiaries		-77 400	-98 695
Net receipts and payments, shares of associated companies and joint ventures	19	-211 441	-30 027
Net receipts and payments, other financial investments		-26 086	-109 274
Cash effect disposal of subsidiaries		0	-5
<b>Net cash flows from investment activities</b>		<b>-3 475 495</b>	<b>-2 572 092</b>

## Consolidated statement of cash flows cont.

<i>(In NOK thousands)</i>	Note	2020	2019
<b>Cash flow from financing activities</b>			
Payment of equity from non-controlling ownership shares		0	14 511
Borrowings	25	3 550 000	2 210 434
Repayment of interest-bearing liabilities	25	-1 661 228	-1 267 599
Payment of financial lease liabilities **		-351 553	-147 888
Dividends paid to company shareholders		-627 223	-562 062
<b>Net cash flow from financing activities</b>		<b>909 996</b>	<b>247 396</b>
<b>Change in cash and cash equivalents</b>		<b>-620 432</b>	<b>-387 241</b>
Cash and cash equivalents as at 1 January		4 718 054	5 105 295
Cash from acquisitions of subsidiaries		8 652	0
<b>Cash and cash equivalents at end of period*</b>	<b>24</b>	<b>4 106 274</b>	<b>4 718 054</b>

\*) Including short-term financial investments

\*\*) Comparative figures for 2019 have been restated accordingly

# Consolidated statement of changes in equity

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2020

<i>(In NOK thousands)</i>	Note	Share capital and premium reserve	Other reserves - not recognised	Other equity	Equity allocated to the company's shareholders	Non-controlling ownership interests	Total equity
<b>Equity 1 January 2020</b>		<b>1 275 592</b>	<b>-30 491</b>	<b>7 902 182</b>	<b>9 147 283</b>	<b>819 561</b>	<b>9 966 844</b>
Profit for the year		0	0	289 757	289 757	63 931	353 688
<b>Statement of other comprehensive income</b>							
Cash flow hedging	13	0	-193 505	-139	-193 644	139	-193 505
Translation differences		0	3 345	0	3 345	0	3 345
Changes in cash flow reserve		0	-593	0	-593	0	-593
Other pension effects	12	0	-67 941	730	-67 211	-730	-67 941
Total other comprehensive income after tax		0	-258 694	591	-258 103	-591	-258 694
<b>Comprehensive income after tax</b>		<b>0</b>	<b>-258 694</b>	<b>290 348</b>	<b>31 656</b>	<b>63 340</b>	<b>94 994</b>
Dividends		0	0	-600 000	-600 000	-27 223	-627 223
Investments in equity accounted investments	19	0	0	-12 047	-12 047	0	-12 047
Equity increase		0	0	-11	-11	4 000	3 989
Addition through subsidiary		0	0	5 616 628	5 616 628	4 535 156	10 151 785
Other changes recorded directly against equity		0	0	-434	-435	-5	-438
<b>Equity 31 December 2020</b>		<b>1 275 592</b>	<b>-289 185</b>	<b>13 196 665</b>	<b>14 183 072</b>	<b>5 394 830</b>	<b>19 577 901</b>

## SPECIFICATION OF OTHER RESERVES

<i>(In NOK thousands)</i>	Note	Translation differences	Hedging	Change in Cash flow reserve	Pensions	Total other reserves
<b>Balance 1 January 2020</b>		<b>3 216</b>	<b>-203 454</b>	<b>593</b>	<b>169 154</b>	<b>-30 491</b>
Other pension effects	12	0	0	0	-92 933	-92 933
Tax effect pension	12, 16	0	0	0	24 992	24 992
Cash flow hedge	13	0	-248 082	0	0	-248 082
Tax effect on cash flow hedge	16	0	54 578	0	0	54 578
Change in cash flow reserve	13	0	0	-761	0	-761
Tax effect on change in cash flow reserve	16	0	0	168	0	168
Currency translation differences subsidiaries		3 344	0	0	0	3 344
<b>Balance 31 December 2020</b>		<b>6 560</b>	<b>-396 958</b>	<b>0</b>	<b>101 212</b>	<b>-289 185</b>

## DIVIDENDS

<i>(In NOK thousands)</i>	<b>2020</b>
Proposed dividend	630 000
Proposed dividend per share	624

# Consolidated statement of changes in equity

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2019

<i>(In NOK thousands)</i>	Note	Share capital and premium reserve	Other reserves - not recognised	Other equity	Equity allocated to the company's shareholders	Non-controlling ownership interests	Total equity
<b>Equity 1 January 2019</b>		<b>1 275 592</b>	<b>-148 029</b>	<b>7 456 538</b>	<b>8 584 101</b>	<b>568 829</b>	<b>9 152 930</b>
Profit for the year		0	0	893 807	893 807	34 541	928 348
<b>Statement of other comprehensive income</b>							
Cash flow hedging	13	0	90 946	-1 361	89 584	1 361	90 946
Translation differences		0	-946	0	-946	0	-946
Changes in cash flow reserve		0	1 127	0	1 127	0	1 127
Other pension effects	12	0	26 412	-462	25 950	462	26 412
Total other comprehensive income after tax		0	117 538	-1 823	115 715	1 823	117 539
<b>Comprehensive income after tax</b>		<b>0</b>	<b>117 538</b>	<b>891 984</b>	<b>1 009 522</b>	<b>36 364</b>	<b>1 045 887</b>
Dividends		0	0	-550 000	-550 000	-12 062	-562 062
Investments in equity accounted investments	19	0	0	522	522	0	522
Equity increase		0	0	0	0	14 511	14 511
Addition through subsidiary		0	0	101 370	101 370	211 609	312 979
Other changes recorded directly against equity		0	0	1 768	1 768	310	2 078
<b>Equity 31 December 2019</b>		<b>1 275 592</b>	<b>-30 491</b>	<b>7 902 182</b>	<b>9 147 283</b>	<b>819 561</b>	<b>9 966 844</b>

## SPECIFICATION OF OTHER RESERVES

<i>(In NOK thousands)</i>	Note	Translation differences	Hedging	Change in cash flow reserve	Pensions	Total other reserves
<b>Balance 1 January 2019</b>		<b>4 162</b>	<b>-294 399</b>	<b>-534</b>	<b>142 742</b>	<b>-148 029</b>
Other pension effects	12	0	0	0	26 412	26 412
Cash flow hedge	13	0	116 596	0	0	116 596
Tax effect on cash flow hedge	16	0	-25 650	0	0	-25 650
Change in cash flow reserve	13	0	0	1 444	0	1 444
Tax effect on change in cash flow reserve		0	0	-317	0	-317
Share of other comprehensive income, associates	19	0	0	0	0	0
Currency translation differences subsidiaries		-946	0	0	0	-946
<b>Balance 31 December 2019</b>		<b>3 216</b>	<b>-203 454</b>	<b>593</b>	<b>169 154</b>	<b>-30 491</b>

## DIVIDENDS

<i>(In NOK thousands)</i>	2019
Proposed dividend	600 000
Proposed dividend per share	595

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## 1 General information

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

Lyse is owned by 14 municipalities in the southern part of Rogaland in Norway. Its head office is located at Breiflåtveien 18 in Stavanger. The Group's bonds and short-term debt instruments are listed on the Oslo Stock Exchange. The consolidated financial statements were approved by the Board of Directors on 25 March 2021.

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. Unless otherwise indicated in the description, these policies have been applied in the same way for all periods presented.

### 2.1 Basic policies

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations from International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. The consolidated financial statements have been prepared based on a going concern assumption and the consolidated financial statements are based on the historical cost principle except for certain financial assets classified as held for sale and financial assets and commitments (including financial derivatives) that are recognized 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 2020 the following new and revised standards have been adopted:

- Conceptual Framework (amendment) - References in IFRS Standards
- IFRS 3 (amendment) - Definition of a Business
- IAS 1 and IAS 8 (amendment) - Definition of Material
- COVID-19 related lease concessions (changes in IFRS 16)
- Annual improvements to IFRS Standards 2015-2017 cycle

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:

- Annual improvements to IFRS Standards 2018-2020 cycle
- The benchmark interest rate reform - phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Classification of liabilities as current or non-current (amendments to IAS 1)
- Loss contracts - costs of completing a contract (amendments to IAS 37)
- Property, plant and equipment: income before intended use (amendment to IAS 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.

## 2.2 Consolidation policies

### a) Subsidiaries

Subsidiaries are all the units over which the Group has control. Control of a unit occurs when the Group is exposed to variability in returns from the unit and is able to affect these returns by using its power over the unit. Subsidiaries are consolidated from the date on which the control occurs and deconsolidated once that control ceases.

Business combinations are recognised in compliance with the acquisition accounting method. The consideration is measured at the fair value of acquired assets and liabilities. Also included in the consideration is the fair value of contingent assets and liabilities. Costs for business combinations are recognised as expenses. Identifiable assets and liabilities are recorded at fair value on the date of acquisition. 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. If the total of the consideration, the amount of non-controlling shareholders recorded on the balance sheet and the fair value on the date of acquisition of previous interests exceed the fair value of identifiable net assets in the acquired company, the difference will be capitalised as goodwill, see note 2.6. If the total is lower than the company's net assets, the difference will be recorded as a gain in the income statement. Internal group transactions, outstanding and unrealised earnings and losses between group companies will be eliminated. The accounting principles in subsidiaries are revised when necessary to harmonise with the Group's accounting policies.

When a share less than 100% has been acquired in a company, a non-controllable asset arises. Lyse chooses to recognize and measure non-controllable assets pro-rata of the fair value of net identifiable assets. Any difference between the cost price of shares and identifiable net assets and the fair value of acquired assets, liabilities and contingent liabilities is capitalized as goodwill or recognized as income if the cost price is the lowest.

Deferred tax and deferred tax assets shall be recognized in accordance with IAS 12 Income Taxes. This means that the acquiring business at the time of acquisition must 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 recognized in the income statement when they occur. If the mergers take place in stages, the fair value of the current ownership interest must also be calculated when the actual control is transferred to Lyse. Changes in fair value are recognized 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 shares' relative share of net assets in the subsidiary is recognized against equity for the parent company's shareholders. Gains or losses on sales to non-controlling shareholders will be recognized, 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 recognized 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**

Associates are units in which the Group has a significant influence but not control. Significant influence normally applies to investments in which the Group has between 20 % and 50 % of the voting shares.

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 recognised according to 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 recognized at their acquisition cost. The Group's share of the result from associates and joint ventures is recognized 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 2.7 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 recognized 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.

### **2.3 Segment information**

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

### **2.4 Conversion of foreign currency**

#### **a) Functional currency**

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

#### **b) Presentation currency**

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

## 2.5 Tangible non-current assets

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

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

Energy Facilities	3 - 75 years
Broadband facilities	3 - 25 years
Power Grid facilities	15 - 40 years
Other buildings	33 - 50 years
Machinery and equipment	3 - 12 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 2.7).

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.

### 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.

## 2.6 Intangible assets

### a) Research and development

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

### b) Waterfall rights

Waterfall rights are capitalised at their historical acquisition cost. There is no right of reversion and the waterfall rights are therefore assessed having perpetual life and are not depreciated. Waterfall rights are tested annually for impairment. In the

event of indications of possible impairment, impairment tests are performed immediately. If the impairment tests indicate that the book values can no longer be defended, a write-down is made to the recoverable amount. Impairment tests are performed by identifying cash flows associated with the cash-generating units and discounting them using a risk-adjusted, market discount rate.

### **c) Goodwill**

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

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

### **d) 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.

### **e) Customer portfolios**

Customer portfolios are recorded on the balance sheet at historic acquisition cost minus depreciation. Customer portfolios have a limited useful life and are amortised on a straight-line basis over their expected useful lifetime.

### **f) Operating rights**

Any operating rights purchased are recorded at historic acquisition cost minus deductions for depreciation. Operating entitlements have a limited useful life and are amortised on a straight-line basis over their expected useful lifetime.

## **2.7 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 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. 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). On each reporting date, the possibility of reversing previous impairments of non-financial assets (except goodwill) is evaluated.

## **2.8 Inventory**

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

## **2.9 Share capital and premium reserve**

Ordinary shares are classified as shareholders' equity.

## 2.10 Tax payable and deferred tax

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

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

### **Taxation of the power production business segment**

In addition to general corporation tax, energy generation is subject to property tax, natural resource tax and resource rent tax.

#### **Resource rent tax**

Resource rent tax constitutes 37 % of net resource rent income for each power plant. Resource rent income is calculated on the basis of each power plant's generation, hour by hour, multiplied by the spot price for the corresponding hour. For supplies of concession power and for power on long-term contracts over 7 years, actual contract price is used. To arrive at net resource rent income, the calculated income is reduced by the actual operating costs, depreciation and an uplift. The uplift is set annually, based on the taxable value of the plant and machinery in the power plant multiplied by an interest rate norm.

A negative resource rent income occurring in a power plant can, as of 2007, 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 15-year period.

#### **Natural resource tax**

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

#### **Property tax**

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

## 2.11 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.

## 2.12 Provisions

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

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

## 2.13 Revenue recognition

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

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

### *Revenues from Energy*

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

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

### *Revenue recognition for sale of energy*

When other parties are involved in providing goods or services to Lyse's customers, Lyse has to determine whether its performance obligation is to provide the good or service itself (i.e. Lyse is a principal) or to arrange for those goods or services to be provided by another party (i.e. Lyse is an agent). In assessing whether Lyse is an agent or principal, Lyse considers its contractual rights to direct the use of the hydropower, balancing risk, discretion prices of the deliveries and whether Lyse acts as the primary obligor of the deliveries. Lyse is considered a principal and therefore present gross the consideration received from the customer. The corresponding energy purchase is also presented gross in the profit and loss statement.

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

### *Revenue from Telecommunications*

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

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

### **Revenue from Power Grid**

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

### **Monetary contributions from customers to infrastructure assets**

During 2018 and as a part of the implementation of IFRS 15 the method applied for revenue recognition of monetary contributions from customers to infrastructure assets has been further assessed. This applies to the different types of monetary contributions from customers to infrastructure assets described above for the business segments.

Lyse changed to recognise all revenue upon invoicing to deferring revenue upon invoicing and to recognise revenue over the lifetime of the underlying assets.

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

Revenue from the sale of goods and services is assessed at the fair value of the payment, net after deducting VAT, returned items, discounts and reductions. Intragroup sales are eliminated. Sales are entered into the income statement once revenue can be measured reliably, once it is probable that the financial benefits linked to the transaction will flow to the Group and once special criteria linked to the forms of sale have been fulfilled. Sales are not assessed as being reliably measurable until all conditions linked to the sale have been fulfilled. The Group bases estimates for its financial statements on history, an assessment of the type of customer and transaction, and any special conditions linked to the specific transaction.

### **Interest income and dividends**

Interest income for instruments measured at amortised cost is measured using the effective interest rate method. For current financial positions measured at fair value through other comprehensive income, interest income is recognised when earned, or alternatively an interest premium or discount that occurs at the time of the acquisition is recognised over the instrument's lifetime. Dividends are recognized when the right to receive dividends occurs.

## 2.14 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.

## 2.15 Concessionary power, licence fees and compensation

Concessionary power is recognised as income on delivery in compliance with a set licensed energy price. As at 31 December 2020, the Group has not licensed energy agreements that are settled financially. Annual licence fees are paid to the State and municipalities for the increase in generation capacity gained through regulation and water transmission. Concessionary fees are recognised as expenses when they accrue.

The Group pays compensation to landowners for usage rights for waterfalls and land. In addition, compensation is paid to other parties for any damage to forests, land etc. The compensation payments can be either one-off payments or ongoing payments or obligations to deliver compensatory power/free electricity. The present value of liabilities linked to annual compensation payments and compensatory energy/free electricity are classified as provisions (see note 26). Annual payments are presented as 'other operating costs', whereas one-off settlements are recognized in the liability.

## 2.16 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.

## 2.17 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.

## 2.18 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. The largest shares of financial instruments are classified as energy trades and financing activities. In addition, the Group has financial instruments classified as trade receivables, accounts payable, contracts, current liquidity positions and equity investments.

Financial instruments are made use of when trading energy. 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-standardized products. Financial instruments used when trading energy mainly consist of financial and physical agreements on the acquisitions and sale of power, coal, CO<sub>2</sub>-quotas and environmental concessionaries.



Financial instruments are used to secure a continuous optimization of future revenue from expected production volumes. Recognized derivatives are shown on separate lines on the balance sheets and are valued at fair value with changes in value recognized through profit and loss. As the Group's future production of power cannot be recognized 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 amortized cost. Certain loan terms where interest rate has been changed from fixed to floating (fair value hedging) are recognized as hedging for accounting purposes. The change in value of financial instruments that is not recognized as hedging for accounting purposes will result in volatility in profit and loss without it necessary reflecting underlying operations.

Financial instruments are recognized when the Group agrees to contractual terms related to the instrument. The Group classifies financial instruments into the following 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 measurement category is determined at the initial recognition of the asset. The classification depends on the Group's business model for managing its financial instruments and the characterisation of the cash flows of the individual instrument. Equity instruments must as a starting point be measured at fair value through profit and loss. A company can choose to present changes in value through other comprehensive income, but the choice is binding and in the event of a subsequent sale the gain/loss cannot be classified to profit and loss. An impairment due to credit risk must now be recognised based on the expected losses unlike in the previous model where losses had to be incurred. The categories are described below.

#### **a) Financial instruments at fair value through profit and loss**

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if it has been acquired primarily with the purpose of profiting from short-term price fluctuations. Derivatives are classified as being held for trading unless they are part of an accounting hedge (see the category below). 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.
- Other financial instruments held for trading.

Other non-current financial assets where Lyse is not in control or does not have significant influence, and where Lyse has opted for recognition at fair value. 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 a designated hedging instrument used for a cash flow hedge, and which qualifies for hedge accounting, is classified in this category. Hedging instruments are measured at fair value as at the date of entering into the hedge contract, and then at the current fair value as at each balance sheet date. The subsequent recognition of gains and losses is described in section 2.19. The following financial instruments have been value 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

### c) Financial instruments valued as amortized cost

This entry includes trade receivables and other receivables, bank deposits, interest-bearing liabilities, accounts payable and other current liabilities.

Cash and cash equivalents consist of cash, bank deposits and revolving credit. Revolving credit is recognised as a current loan in the balance sheet.

Receivables are financial assets that are not classified as derivatives and that incur fixed payments that are not traded in open market. These are classified as current assets unless the due date falls beyond 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 are recognised at initial invoice value and is subject to impairment in the case of an incurred loss that can be measured reliably and that will have effect on the payment of the receivable. Trade receivables are therefore measured at amortized cost by use of the effective interest-rate method. The interest rate element is not taken into consideration if not material, which is the case for the majority of the Group's trade receivables.

The Group impairs financial assets based on the expected loss on existing receivables. See also note 22.

Loans are recognised at fair value when payment of the loan takes place, less transaction costs. Loans are recognised at amortized cost in the subsequent period by use of the effective interest-rate method. The difference between loan payments (less transaction costs) and the outstanding value of the loan is recognised throughout the life-time of the loan.

Loans are classified as current liabilities unless there exists an unconditional right to postpone down payments of the loan for more than 12 months from the balance sheet date.

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

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

#### **Presentation of derivative in profit and loss and on the balance sheet**

Derivatives are presented on separate lines as assets and liabilities, respectively. Derivatives are presented as current if expected to be settled within 12 months and as non-current if otherwise. Financial power contracts held for trading are always presented as current. Derivatives are presented at gross value on the balance sheet unless there exists a legal offsetting right and the offset is by contract subject to continuous settlement by cash. In the case of the latter, the relevant contracts are also presented at net-value on the balance sheet. Changes in fair value of derivatives is presented on a separate line in the profit and loss as operations, other revenue or costs. Changes in value that have been classified as either a finance cost or income are specified in note 15.

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.

## 2.19 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 23. 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 6 and 13 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 remains as equity and is reclassified through profit and loss at the same time as the planned transaction is recognised. If a hedged transaction is no longer expected to be implemented, the book amount in equity will be reversed immediately to the income statement as other income and costs.

## b) Fair value hedging

Changes in the fair value of derivatives entered into and 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 commitment. Any gain or loss associated with the part that is not effective is recognised on the income statement as other income and costs. If the hedge no longer fulfils the criteria for hedge accounting, the recorded hedging effect for hedge objects entered as amortised cost, will be amortised over the period up to the instrument's due date.

## 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 other income and costs. This will also be relevant to all the Group's agreements for purchases and sales of non-financial objects 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.

## 2.20 Lease agreements

### *Lyse's leases mainly comprise the following types of assets*

The agreements that will essentially affect the accounting of lease obligations and right-of-use assets in accordance with IFRS 16 are agreements on the lease of property and warehouse, as well as to a limited extent the lease of machinery and equipment. In addition, agreements on rental of line / network and tele hosting.

Lyse has applied IFRS 16 with effect from 01.01.2019. IFRS 16 introduced new or amended requirements related to the accounting of leases. This has led to significant changes in the tenant's accounts. The distinction between operating and financial leases has been removed, while leases with right-of-use assets and lease obligations are recognized at start-up. However, it is possible to apply exemptions for short-term leases and leases of low-value assets. Lyse has applied IFRS 16 using the modified retrospective approach.

On the date of accession to a lease, Lyse recognized as a lessee the liability at the present value of future lease payments and a corresponding asset that reflects the right to use the underlying asset during the lease term (the right-of-use asset). The standard includes a number of voluntary exceptions for initial recognition. The tenant must show interest costs on the lease obligation and depreciation costs on the right-of-use asset separately in the income statement.

Landlord's accounting in accordance with IFRS 16 is essentially unchanged from previous accounting in accordance with IAS 17. Landlord will continue to classify all leases according to similar criteria as before.

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

The change in the definition of a lease is mainly related to the concept of control. IFRS 16 stipulates whether a contract contains a lease on the basis of whether a customer has the right to control the use of an identified asset for a period against consideration. This is in contrast to IAS 17 and IFRIC 4, which focus on risk and reward. At the time of the initial recognition of IFRS 16, the Group has, in accordance with the transitional rules, recognized a lease obligation for similar leases previously classified as operating leases in accordance with IAS 17. The lease obligation will be measured at the

present value of remaining lease payments discounted using marginal borrowing rate per 1 January 2019. Lyse has used the voluntary exception given in the standard to continue the previous assessment of the identification of leases. The right-of-use asset will further be measured individually at a value corresponding to the lease obligation adjusted for any advance payments and / or deferred lease payments. Depreciation of right-of-use assets and interest costs on lease obligations is recognized in the income statement. The total cash payment is divided into principal and interest part in the cash flow statement (both effects are presented as a change in liquidity from financing).

***The following practical approaches and voluntary exceptions related to leases that have previously been classified as operational leases are used as a basis for the time of first use on 01.01.2019:***

- Exemption from accounting for leases that are terminated within 12 months
- Exclude contracts that are clearly immaterial
- Exclude all direct expenses for entering into an agreement when measuring the right-to-use asset
- Instead of performing an impairment test in accordance with IAS 36, the assessment of whether the lease is a loss-making contract is based on IAS 37. If the lease contains a loss-making contract, the right-of-use asset is adjusted accordingly.
- Intangible assets have been chosen to be excluded from IFRS 16. Leased licenses or payments for licenses 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 security 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. Upon implementation, agreements for the lease of office buildings that contain options are accounted for without taking into account any option periods. 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 capitalized amount.

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

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

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

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

#### ***Transition***

Lyse has implemented IFRS 16 in accordance with the modified retrospective approach. The weighted annual discount rate used is 3.01%.

The implementation of IFRS 16 had no direct effect on equity as of 01.01.2019.

## 3

## Important accounting estimates and discretionary assessments

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 the carrying value of material assets and liabilities are discussed below. Also refer to the referenced notes for further details.

### FINANCIAL STATEMENT LINE ITEM

<i>(In NOK thousands)</i>	Note	Carrying value
Tangible fixed assets (incl. Assets held for sale)*	18, 30	26 948 058
Associate companies and joint ventures	19	778 861
Intangible assets*)	17	16 151 043
Deferred tax assets, resource rent	16	34 141
Financial instruments not traded in an active market (fair value hierarchy levels 2 and 3)	7	240 242
Pension liabilities	12	230 730
Pension funds	12	6 909

\*) Including the effects of the Hydro transaction (see note 4)

### Important accounting estimates

#### Tangible fixed assets, useful life

Tangible fixed assets are depreciated over its expected useful life. This forms the basis for annual depreciation in the income statement. Expected useful life is estimated on the basis of 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.

#### Intangible assets

The hydropower business has perpetual licenses and purchased waterfall rights are therefore considered to be indefinite and will not be amortized. 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 utilize future precipitation and snow-melting to produce power.

The access in 2020 of waterfall rights and goodwill mainly applies to the acquisition of the RSK power plants in connection with the transaction with Hydro Energi. The transaction is discussed in note 4 and below.

#### Impairment losses related to non-current assets

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

### **Fair value of derivatives and other financial instruments, including shares**

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

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

### **Pension liabilities**

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

### **Deferred tax, resource rent**

Deferred tax assets are capitalised when it is expected that it will be possible to make use of the negative resource rent within a 15-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 3-15 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.

## The Hydro transaction - RSK power plants

On 31 December 2020, Lyse and Hydro completed the merger of their respective hydropower production resources in the southern part of Norway into the company Lyse Kraft DA. The company is controlled by Lyse with an ownership interest of 74.4% with Hydro as a co-owner with a non-controlling interest of 25.6%. Hydro contributed with its assets in Røldal-Suldal Kraft (RSK) and Lyse contributed with most of its power production portfolio towards settlement in shares in Lyse Kraft DA. The assets that Lyse transferred to Lyse Kraft DA in the transaction were transferred using book values. The transaction is discussed in note 4.

The transaction is a swap transaction. Consideration received and transferred in the transaction mainly consists of shares, facilities, waterfall rights and cash. The values of the shares exchanged in the transaction were determined as a result of valuations by both parties. External advisors are used to assist in the calculation. The shares that are exchanged are not listed on the stock exchange and consequently have no observable market value. Valuation models based on discounted cash flows have therefore been used. Valuation is based on methods, estimates and assumptions set by Hydro and Lyse. Estimation of fair value includes inherent uncertainty.

Important estimates used in calculations are production profiles, power prices and exchange rates. Valuation of fixed assets and intangible assets is made per power plant and goodwill is allocated at discretion.



## 4

## Acquisitions and divestments

### Business combinations and asset acquisitions in 2020

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

Lyse and Hydro announced in October 2020 that they planned to merge parts of their respective hydropower production in the southern part of Norway into a joint hydropower company. The transaction was completed on 31 December 2020. As part of the transaction the companies have merged power generation resources in the south-western part of Norway through the establishment of a new company, Lyse Kraft DA ('LKDA'), which includes Hydro's assets in Røldal-Suldal Kraft (RSK) and most of Lyse's power generation portfolio. Hydro is transferring the power plants in Røldal-Suldal and receiving a 25.6 per cent stake in LKDA. Lyse transfers its power portfolio (apart from shares in Jørpeland Kraft AS) and receives an ownership interest of 74.4% in LKDA. The agreement is based on the framework stipulated in the Waterfall Rights Act and means that the RSK facilities will not be repatriated at the end of 2022.

At the time of establishment, the participants have contributed capital and / or property contributions in accordance with the ownership interests that reflect the valuation of the contributions that the participants agree on. The participants' responsibility for LKDA's obligations is divided in the same proportion as the company shares. In the same respect, the participants share LKDA profit and loss, as well as equity or underbalance upon resignation, exclusion or dissolution of the company. Lyse has control through ordinary majority requirements.

The transaction is mainly a swap transaction which for the Group has resulted in the following. On the implementation date, 31 December 2020, Lyse Produksjon will invest its shares in the Sira-Kvina DA plants (owned together with Statkraft, among others), the right to production in Ulla-Førre (owned together with Statkraft) and wholly owned power plants in an asset transaction. Shares in Jørpeland Kraft AS are not included.

Hydro contributes 100% of its shares in RSK Holding AS as a contribution in kind to LKDA. Prior to the transaction, the RSK facilities (power plants in Røldal-Suldal) are organized as an internal company in which the participants RSK Holding AS and RSK AS are regarded as tax owners of their shares in the facilities. RSK Holding AS and RSK AS are similar companies.

The acquisition of shares in RSK Holding AS is considered to be a business combination with Lyse Produksjon AS as the acquiring party (Lyse Produksjon AS is 100% owned by Lyse AS). This means that Lyse Kraft DA will recognize the shares in RSK Holding at fair value in the company balance sheet, which then represents Lyse Kraft DA's cost price for the shares.

This also means that the contribution from Lyse Produksjon AS in Lyse Kraft DA (share of balance sheet items in Sira-Kvina and Ulla-Førre, as well as wholly owned power plants) is accounted for at continuity (book values). RSK becomes the transferring party, and the contribution in kind from Hydro in the form of shares in RSK Holding AS is made at fair value.

## PURCHASE PRICE ALLOCATION FOR ACQUISITIONS MADE IN 2020

in NOK thousand	
Acquisition date	31.12.2020
Voting rights / ownership share acquired	74,4%
Total voting rights / ownership share after the acquisition	74,4%
Non-controlling interest in Lyse Kraft DA	25,6%
Non-controlling interest in RSK AS	4,8%

<b>Net book value of acquired assets</b>	<b>757 000</b>
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Allocation of excess values:	
Waterfall rights	8 306 000
Tangible fixed assets	1 141 000
<b>Gross excess values</b>	<b>9 447 000</b>
Technical goodwill *)	5 513 000
Deferred tax on excess values	-5 513 000
<b>Net excess values</b>	<b>9 447 000</b>
<b>Fair value of net acquired assets</b>	<b>10 204 000</b>

\*) Goodwill in this transaction can be explained in its entirety by the deferred tax effect of identified excess values related to fixed assets and waterfall rights for Hydro that are allocated per power plant. Goodwill is not deductible for tax purposes.

Net assets contributed to Lyse Produksjon AS (continuity)	7 890 653
Contribution in kind of RSK Holding AS business (at fair value)	10 204 000
<b>Net value</b>	<b>18 094 653</b>

Allocation of values:	
Majority share	13 098 879
Non-controlling interests	4 995 774
<b>Total</b>	<b>18 094 653</b>

**BOOK VALUE OF NET ACQUIRED ASSETS IN 2020 (NOK Millions)**

	Book value	Excess values	Book value after allocation of excess values
Waterfall rights	12	8 306	8 318
Other intangible assets	8	0	8
<b>Total intangible assets</b>	<b>20</b>	<b>8 306</b>	<b>8 326</b>
<b>Total fixed assets</b>	<b>935</b>	<b>1 141</b>	<b>2 076</b>
Total financial non-current assets	332	0	332
Total receivables	62	0	62
<b>Total assets</b>	<b>1 348</b>	<b>9 447</b>	<b>10 795</b>
Total long-term debt	474	0	474
Total short-term debt	116	0	116
<b>Total debt</b>	<b>591</b>	<b>0</b>	<b>591</b>
<b>Net value acquired assets</b>	<b>757</b>	<b>9 447</b>	<b>10 204</b>

Cost price allocation on the acquisition is based on preliminary figures and assessments and may be subject to change within 12 months after the transaction. Ownership interests have been agreed based on a valuation as of 31.12.2019. The consideration consists of assets transferred to LKDA and a cash settlement of NOK 130 million. The cash settlement of NOK 130 million represents an adjustment for the cash flow from operations and investments in 2020 as well as net interest-bearing debt correspondingly. Based on the pro-contra calculations, the cash settlement is expected to be approximately NOK 15 million lower. Lyse expects that the final settlement will be booked during the first half of 2021.

The significant assets acquired in the transaction are power plants and waterfall rights. The fair value / enterprise values for each individual power plant have been calculated to arrive at the fair value of acquired assets and liabilities. Estimated value of fall rights is estimated per power plant.

If the takeover of the RSK hydropower plants had taken place on 1 January 2020, the Group's pro forma sales revenues and profit before tax would have been NOK 376 million and NOK 138 million, respectively, for continuing operations. These amounts are calculated using Hydro's results (pro forma) with the following adjustment:

- Depreciation of identified surplus values in the period 1 January to 31 December 2020.

**Acquisition of infrastructure from Bodø Energi AS**

In January 2020, the Lyse Group acquired Bodø Energi's fibre infrastructure. The purchase price for the fibre network was NOK 236 million.

### **Acquisition of Senjanett AS**

On 5 June 2020, the Lyse Group bought all the shares in the fibre company Senjanett AS. The consideration for the shares was agreed at NOK 38 million. The company will be merged into the subsidiary Signal Bredbånd AS from 1 January 2021.

### **Acquisition of Tveco.net AS**

On 30 October 2020, the Lyse Group acquired all the shares in the fibre company Tveco.net AS from an ownership constellation consisting of companies and private individuals. The consideration for the shares was agreed at NOK 36 million. The company will be merged into the subsidiary Viken Fiber AS from 1 January 2021.

### **NO-UK Com Holding**

In January 2020, the Lyse Group bought shares in NO-UK Com Holding AS and owns 37.4% of the shares in the company at the end of 2020. Several capital increases have been carried out in the company during 2020 and the Lyse Group has subscribed for a total of NOK 170 million in shares.

## **Business combinations and asset acquisitions in 2019**

### **Acquisition of Fiber 1 AS**

On 22 March 2019, Lyse entered into an agreement with Glitre Energi AS, Hadeland Energi AS and Lier Elverk, where the parties agreed to transfer the remaining 75% shares in Fiber 1 AS to Lyse. This meant that 100% of the shares in Fiber 1 AS was transferred to the Lyse group subsidiary Viken Fiber Holding AS as of the effective date 6 May 2019. The total consideration consisted of 8,4% of the shares in Viken Fiber Holding AS, offset by a capital increase in Viken Fiber Holding AS of NOK 14.5 million from the selling party. Following the transaction, Lyse recognised a gain of NOK 22.9 million in the consolidated income statement, related to the change in control category from associated company to subsidiary. The objective of the transaction was to expand existing operations in the telecom segment.

In conjunction with the acquisition, the Group temporarily allocated NOK 125 million to excess value fibre infrastructure, NOK 38 million to customer relations and NOK 30 million to Goodwill. There were also NOK 580 million recognised in PP&E, NOK 19 million in current assets and NOK 2 million in other assets. At the time of the transaction NOK 261 million was recognised as debt to financial institutions, NOK 70 million as deferred tax, NOK 7 million as other non-current debt and NOK 37 million as other current debt. The carrying value of the equity interest in Fiber 1 AS immediately before the transaction was NOK 82 million.

In September 2019, Fiber 1 AS was merged with the Lyse group subsidiary Viken Fiber AS.

### **Acquisition of Nornett AS**

On 28 March 2019, the Lyse Group acquired all shares in Nornett AS from an owner constellation consisting of companies and private individuals. The consideration for the shares was NOK 36.2 million, with a further contingent consideration based on future financial performance targets in the acquired company. The company will be merged with the Lyse group subsidiary Signal Bredbånd AS 1 January 2020.

### **Sale of Nordvest Fiber AS (formerly Stayon AS)**

On 3 May 2019, the Lyse group sold all shares in Stayon AS to Nordvest Fiber Holding AS. Nordvest Fiber Holding AS is owned 50% by Lyse and 50% by NTE Marked AS. The consideration for the sale of the shares was NOK 23.5 million. Lyse

recognised a gain of NOK 4.2 million in the consolidated income statement related to the sale of the shares, and the change in control category from subsidiary to joint venture.

### ***Acquisition of Ullandhaugstårnet***

On 25 November 2019, Lyse entered into an agreement with Telenor Eiendom Holding AS in regards to transfer ownership of the telecommunications equipment at Ullandhaug in Stavanger. The agreement comprises the Ullandhaug tower and its associated infrastructure. In conjunction with the purchase, Lyse founded a property company, Lyse Eiendom Ullandhaug AS. The effective date of the transaction, and the related hand-over of equipment, will be 1 April 2020. The agreed upon consideration amounts to NOK 9.8 million.

### ***Acquisition Skagenfiber AS***

On 28 November 2019 the Lyse group entered into an agreement with LFY invest AS to acquire 100% of the shares in the company Skagenfiber AS. The effective date of the transaction was 16 December 2019. The consideration for the shares was NOK 5 million, with an additional contingent consideration of NOK 89 million. The purpose of the transaction is to expand the Group's existing business activity in the telecom segment.

In connection with the acquisition the Lyse group temporarily allocated NOK 106 million excess value to rights and concept, NOK 14 million to intangible assets and NOK 2 million to current assets. There were also temporarily allocated NOK 41 million to current debt and NOK 86 million to non-current debt. No other significant assets or debts were recognised as part of the acquisition.

### ***Sale of assets to Eidsiva Bredbånd AS***

On 30 November 2018, the Lyse group entered into an agreement with Eidsiva Bredbånd AS concerning the sale of fibre infrastructure and related assets. The effective date of the transaction was 6 June 2019, and the consideration amounting to NOK 310 million was received on this date.

### ***Acquisition of business from Forsand Elverk***

On 12 November 2018, the Lyse group entered into an agreement with Forsand Elverk KF concerning the acquisition of the power grid operations of Forsand Elverk. The effective date of the transaction was 2 January 2019 and the consideration amounted to NOK 35.3 million. The business acquisition is recognised in the power grid segment and is mainly presented as tangible fixed assets in the consolidated balance sheet as of 31 December 2019.

## 5

## Segment information

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

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

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

### Energy

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

Smartly is part of the Energy business segment. Smartly develops and delivers sustainable, innovative and turnkey energy solutions for housing companies and businesses.

#### KEY FIGURES, ENERGY

		2020	2019
Mean generation	GWh	5 921	5 921
Reservoir capacity	GWh	5 249	5 249
Hydroelectricity production	GWh	6 004	4 579
System price NO2	øre/kWh	9,80	38,66
Actual price attained (excl. hedging)	øre/kWh	24,73	45,60
Book value of hydroelectricity per kWh	kr/kWh	1,51	1,48
Electricity supply, end-user	GWh	2 536	2 622
Supplied volume, natural gas, biogas and fuel	GWh	481	519
Supplied volume, district heating and cooling	GWh	171	174

## Telecommunications

The Telecommunications business segment offers products and services within broadband and owns the fibre infrastructure within the Group.

### KEY FIGURES, TELECOMMUNICATIONS

		2020	2019
Capital employed	NOK mill	10 380	9 604
EBITDA	NOK mill	1 672	1 449
EBITDA margin	%	36,9 %	37,3 %
Carrying value tangible fixed assets and equity accounted investments	NOK mill	9 603	8 129
Number of kilometres of fibre optic network	km	52 212	42 370
Number of active fibre optic customers in the Altibox partnership		708 913	625 265
Number of active fibre customers owned by Lyse *)		391 772	348 604

\*) including subsidiaries and joint operations owned by Lyse

## Power Grid

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

### KEY FIGURES, POWER GRID

		2020	2019
Number of electricity grid customers		158 508	153 706
Supplied energy (total consumption in the area)	GWh	5 110	4 914
Power Grid capital (NVE capital) used as a basis in revenue cap	NOK mill	4 168	3 790
KILE costs	NOK mill	19,00	22,68

## Other

The "Other" item includes Lyse AS, Lyse Eiendom Mariero AS, Lyse Eiendom Jørpeland AS, Lyse Eiendom Ullandhaug AS Lyse Dialog AS and Lyse Lux AS.

Smartly AS and SEdevices AS is included in the business area energy from 1 January 2019. SEdevices AS and Nornett AS have been discontinued during 2020. Innlandet Fiber AS was discontinued on 12.11.2020.

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

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

Lyse Lux AS business are within construction, operation and maintenance of outdoor lightning in the southern part of Rogaland.

For more information about additions and disposals of subsidiaries, see Note 4 on business combinations.

## Number of full-time equivalents per segment

	2020	2019
Energy	144	144
Telecommunications	567	500
Power Grid	364	348
Other	283	275
Total number of full-time equivalents	1 359	1 266



## INCOME STATEMENT 2020

<i>(Amounts in NOK millions)</i>	Energy	Telecomm-unications	Power grid	Other segments	Elimina-tions	Group
Sales revenue	2 022	4 544	1 550	597	-625	<b>8 089</b>
Inter-segment sales	-23	-15	-147	-441	625	<b>0</b>
Operating revenues and other income	2 000	4 529	1 403	156	0	<b>8 089</b>
EBITDA*)	515	1 672	551	-97	-26	<b>2 616</b>
Cost of sales	617	1 685	617	84	-164	<b>2 839</b>
Depreciation and impairment	214	1 114	246	36	-36	<b>1 574</b>
Other operating income and expenses	236	0	0	0	0	<b>236</b>
Operating profit	301	558	305	-133	11	<b>1 042</b>
Share of profit/loss in equity accounted investments**)	4	4	0	0	0	<b>8</b>
Financial income	15	17	3	243	-204	<b>74</b>
Financial expenses	167	148	40	363	-210	<b>506</b>
Impairment of non-current financial assets	0	0	0	0	0	<b>0</b>
Profit before tax	153	431	268	-252	17	<b>617</b>
Tax expense	161	95	59	-55	4	<b>263</b>
Profit for the year	-7	336	209	-197	13	<b>354</b>
Of which income (+) / cost (-):						
Unrealised changes in value, financial instruments (after tax)	240	0	0	0	0	<b>240</b>
Non-recurring items (after tax)	76	0	0	0	0	<b>76</b>
Lower revenue in the period, recognised (after tax)	0	0	0	0	0	<b>0</b>

\*) EBITDA is defined as: operating profit/loss + depreciation and impairments

\*\*\*) Income from the share of the result in equity accounted investments (+), losses on the result in equity accounted investments (-)

## INCOME STATEMENT 2019

<i>(Amounts in NOK million)</i>	Energy	Telecomm-unications	Power grid	Other segments	Elimina-tions	Group
Sales revenue	4 000	3 908	1 530	493	-700	<b>9 230</b>
Inter-segment sales	-122	-22	-119	-437	700	<b>0</b>
Operating revenues and other income	3 878	3 886	1 411	55	0	<b>9 230</b>
EBITDA*)	1 819	1 449	403	-108	0	<b>3 564</b>
Cost of sales	1 829	1 402	676	3	-212	<b>3 698</b>
Depreciation and impairment	267	964	214	41	-12	<b>1 474</b>
Other operating income and expenses	-320	0	0	0	0	<b>-320</b>
Operating profit	1 551	485	189	-149	12	<b>2 090</b>
Share of profit/loss in equity accounted investments**)	3	23	0	0	0	<b>25</b>
Financial income	18	14	2	332	-244	<b>121</b>
Financial expenses	158	186	64	386	-244	<b>550</b>
Impairment of non-current financial assets	0	0	0	-3	0	<b>-3</b>
Profit before tax	1 413	337	127	-201	12	<b>1 689</b>
Tax expense	707	68	29	-45	3	<b>761</b>
Profit for the year	707	269	99	-156	9	<b>928</b>
Of which income (+) / cost (-):						
Unrealised changes in value, financial instruments (after tax)	216	0	0	0	0	<b>216</b>
Non-recurring items (after tax)	-8	2	-9	-5	0	<b>-19</b>
Lower revenue in the period, recognised (after tax)	0	0	0	0	0	<b>0</b>

\*) EBITDA is defined as: operating profit/loss + depreciation and impairments

\*\*\*) Income from the share of the result in equity accounted investments (+), losses on the result in equity accounted investments (-)

## BUSINESS AREA'S ASSETS AND LIABILITIES 2020

<i>(Amounts in NOK millions)</i>	Energy	Telecomm unications	Power Grid	Other segment	Elimi- nations	Group
Deferred tax asset	80	18	0	20	-84	34
Other intangible assets	13 944	2 206	1	0	0	16 151
Tangible fixed assets (incl. right-of-use assets)	12 839	8 936	4 966	437	-253	26 925
Equity accounted investments	112	667	0	0	0	779
Other non-current financial assets	0	1	0	54	0	55
Other financial fixed assets	407	117	25	14 983	-15 076	455
Current assets	746	1 029	385	6 020	-1 417	6 764
<b>Total assets</b>	<b>28 127</b>	<b>12 974</b>	<b>5 377</b>	<b>21 514</b>	<b>-16 830</b>	<b>51 163</b>
Equity	12 575	3 967	1 343	6 342	-4 650	19 578
Deferred tax liability	7 751	491	261	0	-103	8 400
Non-current interest-bearing liabilities (incl. non-current lease liability)	37	3 066	55	13 474	-151	16 483
Other non-current liabilities	6 062	3 348	3 010	89	-10 510	2 000
Current liabilities (incl. non-current lease liability)	1 702	2 101	708	1 608	-1 417	4 702
<b>Total equity and liabilities</b>	<b>28 127</b>	<b>12 974</b>	<b>5 377</b>	<b>21 514</b>	<b>-16 830</b>	<b>51 163</b>
Investments in tangible fixed assets	468	1 982	611	99	0	3 161
Investments in shares and interests	7	283	0	25	0	315

## BUSINESS AREA'S ASSETS AND LIABILITIES 2019

<i>(Amounts in NOK millions)</i>	Energy	Telecomm unications	Power Grid	Other segment	Elimi- nations	Group
Deferred tax asset	197	18	8	4	-153	74
Other intangible assets	125	2 240	1	0	0	2 367
Tangible fixed assets (incl. right-of-use assets)	10 503	7 660	4 586	372	-127	22 993
Equity accounted investments	112	469	0	0	0	582
Other non-current financial assets	0	1	0	28	0	30
Other financial fixed assets	661	90	34	12 791	-12 826	750
Current assets	1 053	1 204	707	6 532	-2 752	6 743
<b>Total assets</b>	<b>12 652</b>	<b>11 682</b>	<b>5 336</b>	<b>19 728</b>	<b>-15 859</b>	<b>33 539</b>
Equity	2 578	4 046	1 226	6 705	-4 588	9 967
Deferred tax liability	2 081	505	235	3	-177	2 647
Non-current interest-bearing liabilities	371	2 794	47	11 377	0	14 588
Other non-current liabilities	5 370	2 026	2 685	40	-8 341	1 779
Current liabilities	2 252	2 311	1 144	1 603	-2 752	4 557
<b>Total equity and liabilities</b>	<b>12 652</b>	<b>11 682</b>	<b>5 336</b>	<b>19 728</b>	<b>-15 859</b>	<b>33 539</b>
Investments in tangible fixed assets	390	1 634	573	50	0	2 647
Investments in shares and interests	18	45	0	619	-610	71

## 6

## Financial risk management

### Financial risk factors

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

#### (a) Market risk

##### (i) Price risk

The Lyse 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. For everything beyond the base hedge, there is a defined sales strategy consisting of a fixed sales program and a trading portfolio based on a fundamental market view. The hedging portfolio has an ongoing time horizon of 3 years beyond the current year. The Board of Lyse Produksjon AS decides the effectuation of the fixed sales program and the trading portfolio. The Board of Lyse Group determines the base hedge level. Hedge accounting is not applied, the portfolio is measured at fair value through profit and loss.

In the portfolio the company has financial price derivatives as futures, forwards and options which are classified on the balance sheet as derivatives at fair value with valuation effect through profit and loss. The portfolio value of financial energy contracts entered into varies according to current forward prices on the Nordic energy market.

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

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

##### (ii) Currency risk

Through its business activities, Lyse 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. Lyse's foreign currency risk should 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 Lyse 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 currency. Purchases of equipment and machinery in the Telecommunications business area are partially exposed to changes in USD. To mitigate the foreign currency risk in the Group, the Board has adopted a strategy of hedging future foreign currency cash flows. Forward contracts are mainly used for hedging future exchange rates. Additionally, Lyse has five long-term loans that amount to EUR 252 million that as per 31 December 2020 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 the short term cash flow. At year end, a minimum of 70% 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 hedge accounted instruments with changes in value booked in the comprehensive income statement. At the end of 2020, NOK -98,7 million was recognised in equity (NOK -63,2 million in 2019).

The Lyse 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 interest rate risk**

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

Fixed rate loans are recorded at amortised cost so that changes in fair value are not recognised. In the case of loans that are 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 value of hedging instruments are recognised through profit or loss together with changes in value of the hedged item. The value hedge that Lyse had expired in accordance to the agreement in January 2019.

Hedges of floating interest rate exposure with swap (variable to fixed rates) are accounted for in accordance with the principles for cash flow hedging, where the effective part of the change in value of the interest rate swaps is entered in the hedging reserve in equity. As of 31.12.20, NOK -21.9 million has been recognized in equity (NOK 6.6 million in 2019). For information on the amounts and interest terms for the interest rate swaps, see note 8 and note 23.

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 are recognised at fair value through profit or loss.

The Board's frameworks is 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 31.12.20	Limits in financial strategy	Target attainment
Duration of the liquidity reserve measured against estimated funding need (number of months)	24 months	6 months	Within target
Actual liquidity reserve (*) compared with capital requirement for next 6 months	NOK 4 009 mill.	NOK 1 251 mill.	Within target
<b>Interest risk</b>			
Simulation of change in net financial expense after taxes given a 1 percentage point interest rate rise (NOK millions)			
Next 12 months	0	25	Within target
12-24 months	10	40	Within target
24-36 months	22	50	Within target
36-48 months	12	60	Within target

\*) Liquidity is excluded credit draw down and overdraft facilities

## Sensitivity analyses market risk

The tables below present partial analyses of the sensitivity of the financial instruments in which the isolated effects of each individual risk on the profit/loss and equity are estimated. They are based on selected hypothetical changes in various market parameters on the Group's balance sheet as at 31 December 2020. 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. For example:

- When hedging signed contracts, the change in value of the hedging instrument impacts the 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 or 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

(In NOK thousands)	Energy price change	
	30%	-30%
As at 31 December 2020	-8 908	8 908
As at 31 December 2019	-37 539	37 539

If the exchange rate for NOK in relation to other currencies was weaker (+10%) or stronger (-10%), 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**

(In NOK thousands)	Exchange rate change	
	10%	-10%
As at 31 December 2020	294 693	-294 693
As at 31 December 2019	328 982	-328 982

**IMPACT ON EQUITY OF CHANGE IN EXCHANGE RATE**

(In NOK thousands)	Exchange rate change	
	10%	-10%
As at 31 December 2020	-497 458	497 458
As at 31 December 2019	-513 519	513 519

If the interest rate increased or decreased by 50 basis points, 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. This is based on the changed present value of contracts and changed net interest expense.

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

(In NOK thousands)	Interest rate change	
	+50 bp	-50 bp
As at 31 December 2020	-17 738	15 843
As at 31 December 2019	-15 903	12 970

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

(In NOK thousands)	Interest rate change	
	+50 bp	-50 bp
As at 31 December 2020	-23 842	24 547
As at 31 December 2019	-21 273	21 891

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

**(b) Credit risk**

Credit risk arises in connection with selling to customers, trade 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 small 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. As at 31 December 2020, NOK 14,7 million has been allocated to cover losses (2019: NOK 36,6 million). This constitutes around 0,9% of trade receivables (2019: 2,7%). Please also refer to note 22 trade receivables.

### **Counterparty risk - financial energy contracts**

Of the financial energy contracts entered into in 2020 almost all 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 Financial Supervisory Authority of Norway. For contracts settled on a bilateral basis, the counterparty is a major, well-known Norwegian/Nordic company, or a well known solid company.

### **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.

## **(c) Liquidity risk**

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

In line with the Group's financial strategy Lyse maintains a considerable liquidity reserve. It is a requirement that the liquidity reserve be large enough to cover payments due and to finance planned operations for a 6-month rolling period. Besides the liquidity reserve, the Group has NOK 1,800 million in drawing facilities available to cover further financing needs. Borrowing must have a diversified maturity structure. In 2017, Lyse was awarded an official rating of BBB+ by Scope ratings. The rating was updated in May 2020 and unchanged. The official rating confirms Lyses solid 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 2020

<i>(In NOK thousands)</i>	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 *)	-596 807	-450 223	-858 565	-1 015 619	-774 802	-3 696 016
Other derivatives	-29 565	-7 003	-12 490	-3 372	-87 855	-140 285
<b>Non-derivative financial liabilities:</b>						
Non-current liabilities and short-term debt instruments	-1 101 057	-577 882	-1 939 665	-5 310 026	-10 502 280	-19 430 910
Accounts payable and other current liabilities	-2 798 918	0	0	0	0	-2 798 918
Total non-derivative liabilities	-3 899 975	-577 882	-1 939 665	-5 310 026	-10 502 280	-22 229 828
<b>Total financial liabilities</b>	<b>-4 526 347</b>	<b>-1 035 108</b>	<b>-2 810 720</b>	<b>-6 329 017</b>	<b>-11 364 937</b>	<b>-26 066 129</b>
<i>Financial currency derivatives settled gross (inflows)</i>	571 205	435 885	845 771	1 010 841	824 077	3 687 779

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

### MATURITY ANALYSIS OF FINANCIAL LIABILITIES – REMAINING TERM AS AT 31 DECEMBER 2019

<i>(In NOK thousands)</i>	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 *)	-651 011	-542 509	-887 742	-1 085 018	-818 695	-3 984 975
Other derivatives	-24 801	-437	-2 325	-1 799	-95 209	-124 571
<b>Non-derivative financial liabilities:</b>						
Non-current liabilities and short-term debt instruments	-840 556	-927 774	-1 994 222	-3 837 922	-10 282 834	-17 883 308
Accounts payable and other current liabilities	-2 424 154	0	0	0	0	-2 424 154
Total non-derivative liabilities	-3 264 710	-927 774	-1 994 222	-3 837 922	-10 282 834	-20 307 462
<b>Total financial liabilities</b>	<b>-3 940 522</b>	<b>-1 470 720</b>	<b>-2 884 289</b>	<b>-4 924 739</b>	<b>-11 196 738</b>	<b>-24 417 008</b>
<i>Financial currency derivatives settled gross (inflows)</i>	654 445	548 916	904 043	1 124 444	881 378	4 113 226

\*) 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.

As a financial platform for the Group's financing activities a subordinated loan has been established, where the creditors are the shareholders in Lyse AS. The loan agreement, guarantees the Groups with long-term predictable financing and reduces the Group's refinancing risk and interest rate risk. The instalment structure has been adapted to the Group's long-term industrial objectives.

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

The fair value of a loans is estimated based on the best possible observable data, so that the assessment is as realistic/fair as possible. Long-term financial liabilities in EUR are measured at the prevailing exchange rate on the balance sheet date. Long term loans are not recognised at fair value and are categorised as level 2 in the valuation hierarchy below.

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

The fair value hierarchy has the following levels:

#### Level 1

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

#### Level 2

The input data in level 2 is input data, other than quoted prices included in level 1, which are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). For products in the energy market, discounted closing prices are used. 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.

Lyse has entered into significant long-term industrial contracts, 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 23 for more information. The calculation of fair value is based on best estimate related to determine future exchange rate related to currency derivatives. The fair value is sensitive to which exchange rate curve is used.

The company also 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 2020

<i>(In NOK thousands)</i>	Note	Assets at fair value through profit and loss	Assets at fair value through other comprehensive income	Derivatives as hedging instrument	Assets at amortised cost	Total	Fair value
Non-current receivables	22	0	0	0	94 691	94 691	94 691
Other non-current financial assets		54 569	0	0	0	54 569	54 569
Derivatives	6,23	407 756	0	0	0	407 756	407 756
Derivatives - hedge accounting	6,8,23	0	0	305	0	305	305
Bonds - short term financial investments	24	0	279 000	0	0	279 000	279 000
Trade receivables and other current receivables	22	0	0	0	2 407 638	2 407 638	2 407 638
Bank deposits, cash and cash equivalents	24	0	0	0	3 827 274	3 827 274	3 827 274
<b>Total assets</b>		<b>462 325</b>	<b>279 000</b>	<b>305</b>	<b>6 329 603</b>	<b>7 071 233</b>	<b>7 071 233</b>

## CARRYING VALUE PER MEASUREMENT CATEGORY – LIABILITIES 31 DECEMBER 2020

<i>(In NOK thousands)</i>	Note	Liabilities at fair value through profit and loss	Derivatives as hedging instrument	Liabilities at amortised cost	Total	Fair value
Loans	25	0	0	14 436 892	14 436 892	14 659 580
Non-current financial liabilities in EUR, designated hedging instruments	6,8,25	0	0	2 638 795	2 638 795	2 932 134
Derivatives	6,23	56 132	0	0	56 132	56 132
Derivatives - Hedge accounting	6,8,23	0	154 628	0	154 628	154 628
Accounts payable and other current liabilities	27	0	0	2 798 918	2 798 918	2 798 918
<b>Total liabilities</b>		<b>56 132</b>	<b>154 628</b>	<b>19 874 605</b>	<b>20 085 365</b>	<b>20 601 392</b>

## FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE, 31 DECEMBER 2020

<i>(In NOK thousands)</i>	Level 1	Level 2	Level 3	Total 31 December 2020
Investments in funds / shares	11 629	0	42 940	54 569
Derivatives, measured at fair value through profit and loss	0	9 205	398 551	407 756
Derivatives, measured at fair value through other comprehensive income	0	305	0	305
Bonds - short term financial investments	279 000	0	0	279 000
<b>Total assets</b>	<b>290 629</b>	<b>9 510</b>	<b>441 491</b>	<b>741 630</b>
Derivatives, measured at fair value through profit and loss	0	22 562	33 569	56 131
Derivatives, measured at fair value through other comprehensive income	0	154 628	0	154 628
<b>Total liabilities</b>	<b>0</b>	<b>177 190</b>	<b>33 569</b>	<b>210 759</b>

## CARRYING VALUE PER MEASUREMENT CATEGORY – ASSETS 31 DECEMBER 2019

<i>(In NOK thousands)</i>	Note	Assets at fair value through profit and loss	Assets at fair value through other comprehensive income	Derivatives as hedging instrument	Assets at amortised cost	Total	Fair value
Non-current receivables	22	0	0	0	114 135	114 135	114 135
Other non-current financial assets		30 056	0	0	0	30 056	30 056
Derivatives	6,23	655 555	0	0	0	655 555	655 555
Derivatives - hedge accounting	6,8,23	0	0	13 627	0	13 627	13 627
Bonds - short term financial investments	24	0	639 760	0	0	639 760	639 760
Trade receivables and other current receivables	22	0	0	0	1 733 981	1 733 981	1 733 981
Bank deposits, cash and cash equivalents	24	0	0	0	4 078 294	4 078 294	4 078 294
<b>Total assets</b>		<b>685 611</b>	<b>639 760</b>	<b>13 627</b>	<b>5 926 410</b>	<b>7 265 408</b>	<b>7 265 408</b>

**CARRYING VALUE PER MEASUREMENT CATEGORY – LIABILITIES 31 DECEMBER 2019**

<i>(In NOK thousands)</i>	Note	Liabilities at fair value through profit and loss	Derivatives as hedging instrument	Liabilities at amortised cost	Total	Fair value
Loans	25	0	0	12 441 492	12 441 492	12 666 374
Non-current financial liabilities in EUR, designated hedging instruments	6,8,25	0	0	2 591 875	2 591 875	2 726 721
Derivatives	6,23	95 937	0	0	95 937	95 937
Derivatives - Hedge accounting	6,8,23	0	86 418	0	86 418	86 418
Accounts payable and other current liabilities	27	0	0	2 424 154	2 424 154	2 424 154
<b>Total liabilities</b>		<b>95 937</b>	<b>86 418</b>	<b>17 457 521</b>	<b>17 639 876</b>	<b>17 999 604</b>

**FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE, 31 DECEMBER 2019**

<i>(In NOK thousands)</i>	Level 1	Level 2	Level 3	Total 31 December 2020
Investments in funds / shares	11 071	0	18 985	30 056
Derivatives, measured at fair value through profit and loss	0	4 780	0	4 780
Derivatives, measured at fair value through other comprehensive income	0	13 627	650 775	664 402
Bonds - short term financial investments	639 760	0	0	639 760
<b>Total assets</b>	<b>650 831</b>	<b>18 407</b>	<b>669 760</b>	<b>1 338 998</b>
Derivatives, measured at fair value through profit and loss	0	26 911	69 026	95 937
Derivatives, measured at fair value through other comprehensive income	0	86 418	0	86 418
<b>Total liabilities</b>	<b>0</b>	<b>113 329</b>	<b>69 026</b>	<b>182 355</b>

## 8

## Hedge accounting

Lyse has financial instruments that are accounted for as cash flow hedge or fair value hedge in accordance with the hedge accounting principles and requirements set forth by IFRS. 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 about hedging.

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 that 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 31.12.20	2021-2027	2021-2044
The information below concerns the period (where the information is the most applicable in regards to the prevailing hedging strategy)	2021-2027	
Value of future hedging instruments 31.12.2020	EUR 428 million	
Adhering value of hedging objects 31.12.20	EUR 1.040 million	
Degree of hedging 31.12.20	41 %	
Hedging price / Rate 31.12.20	10,45 (average rate, future years)	9,15 EUR (average drawdown rate)
Value of future hedging instruments 31.12.2019	EUR 505 million	
Adhering value of hedging objects 31.12.19	EUR 1.034 million	
Degree of hedging 31.12.19	49%	
Hedging price / Rate 31.12.19	10,18 (average rate, future years)	9,15 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 2021 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 / recognized hedging inefficiencies in 2020	NOK -1,7 million	No (same change in value of hedging object as of hedging instrument)
Exposed / recognized hedging inefficiencies in 2019	No (same change in value of hedging object as of hedging instrument)	No (same change in value of hedging object as of hedging instrument)
Fair value of hedging instruments 31.12.2020	NOK – 127 million	NOK –2.639 million (initial loan amount valued in applicable EUR currency rate on the balance sheet date)
Fair value of hedging instruments 31.12.2019	NOK -81 million	NOK –2.592 million (initial loan amount valued in applicable EUR currency rate at the balance sheet date)
Effect of realized hedge accounting recognized in 2020's profit and loss	Amounts to NOK 65,9 million in the accounting line item Sales revenue	Hedging (income and costs in the same currency) does not result in any recognized hedging effects.
Effect of realized hedge accounting recognized in 2019's profit and loss	Amounts to NOK 32,5 million in the accounting line item Sales revenue	Hedging (income and costs in the same currency) does not result in any recognized hedging effects.
Effect of unrealized hedge accounting recognized in profit and loss, other comprehensive income and in the balance sheet	Hedging instruments are recognized at fair value in the balance sheet as Derivatives and are included as other comprehensive income. See "Changes in other comprehensive income" for information regarding the effect on other comprehensive income. See notes 6, 7 and 23 for further information.	Hedging instruments are recognized 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 "Changes in other comprehensive income" for information regarding the effect on other comprehensive income. See notes 6, 7 and 25 for further information.



<b>Category:</b>	<b>Cash flow hedging SEK</b>	<b>Cash flow hedging NOK</b>
<b>Future risk exposed cash flow</b>	<b>Interest on borrowings with floating interest rate</b>	<b>Interest on borrowings with floating interest rate</b>
<b>Hedging instrument:</b>	<b>Interest rate swap</b>	<b>Interest rate swap fixed interest rate</b>
Management's risk strategy	The intention of the hedge is to buy SEK currency contracts to avoid exposure to changes in the SEK currency on the time of settling renewable energy certificates.	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 31.12.20	2021	2021-2025
The information below concerns the period (where the information is the most applicable in regards to the prevailing hedging strategy)	2021	2021-2025
Value of future hedging instruments 31.12.2020	SEK 3,3 million	NOK 1.200 million
Adhering value of hedging objects 31.12.20	SEK 8 million	NOK 1.800 million
Degree of hedging 31.12.20	41 %	67 %
Hedging price / Rate 31.12.20	SEK 95.6 (average price future years)	Lyse pay a fixed interest rate between 1,15 - 2,00 % and receive a floating interest rate on these deals (future years).
Value of future hedging instruments 31.12.2019	SEK 41 million	NOK 1.800 million
Adhering value of hedging objects 31.12.19	SEK 55 million	NOK 2.500 million
Degree of hedging 31.12.19	75 %	72 %
Hedging price / Rate 31.12.19	SEK 95.1 (average price future years)	Lyse pay a fixed interest rate between 1.15 – 2.14% % and receive a floating interest rate on these deals (future years).

Category	Cash flow hedging SEK	Cash flow hedging NOK
<b>Future risk-exposed cash flow, hedging object</b>	<b>Interest on borrowings with floating interest rate</b>	<b>Interest on borrowings with floating interest rate</b>
<b>Hedging instrument:</b>	<b>Interest rate swap</b>	<b>Interest rate swap fixed interest rate</b>
Profile of hedging degree for future periods	The hedging occurs in 2021	All the years in the period have hedges. The periods profile is gradually declining.
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	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 / recognized hedging inefficiencies in 2020	No (same change in value of the hedged object as the hedging instrument)	No (same change in value of the hedged object as the hedging instrument)
Exposed / recognized hedging inefficiencies in 2019	No (same change in value of the hedged object as the hedging instrument)	No (same change in value of the hedged object as the hedging instrument)
Fair value of hedging instruments 31.12.2020	NOK 0.3 million	NOK -28,1 million
Fair value of hedging instruments 31.12.2019	NOK -0.1 million	NOK 8,5 million
Effect of realized hedge accounting recognized in 2020's profit and loss	NOK 3.1 million on accounting line item cost of sales	NOK 14,3 million on accounting line item finance cost
Effect of realized hedge accounting recognized in 2019's profit and loss	No recognized impact on the 2019 P&L	NOK 2,1 million on accounting line item finance cost
Effect of unrealized hedge accounting recognized in profit and loss, other comprehensive income and in the balance sheet	Hedging instruments are recognized at fair value in the balance sheet as Derivatives and are included as other comprehensive income. See notes 6, 7 and 23 for further information.	Hedging instruments are recognized at fair value in the balance sheet as Derivatives and are included as other comprehensive income. See notes 6, 7 and 23 for further information.

Category:	Fair value of hedging in NOK
Future risk exposed cash flow	Value of loans with fixed interest rate
Hedging instrument:	Interest rate swaps with floating interest rate
Management's risk strategy	"Hedging is carried out with the aim of avoiding that the value of bond loans fluctuate 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."
Sum of future hedging instruments 31.12.2020	The hedge expired at maturity in 2019
Sum of hedging objects 31.12.2020	The hedge expired at maturity in 2019
Degree of hedging 31.12.2020	The hedge expired at maturity in 2019
Sum of future hedging instruments 31.12.2019	The hedge expired at maturity in 2019
Sum of hedging objects 31.12.2019	The hedge expired at maturity in 2019
Degree of hedging 31.12.2019	The hedge expired at maturity in 2019
Period of hedging instruments	2017-2019
Profile of hedging degree for future periods	The hedge expired at maturity in 2019
Renewal of expired hedges	Both loans and hedging instruments expired in January 2019. Potential new fair value hedges are entered into in accordance to the current financial 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
Exposed / recognized hedging inefficiencies in 2020	The hedge expired at maturity in 2019
Exposed / recognized hedging inefficiencies in 2019	No (same change in value of the hedged object as the hedging instrument)
Fair value of hedging instruments 31.12.2020	The hedge expired at maturity in 2019
Fair value of hedging instruments 31.12.2019	The hedge expired at maturity in 2019
Effect of realized hedge accounting recognized in 2020's profit and loss	The hedge expired at maturity in 2019
Effect of realized hedge accounting recognized in 2019's profit and loss	Amounts to NOK 0,4 million in Finance expense
Effect of unrealized hedge accounting recognized in profit and loss, other comprehensive income and the balance sheet *)	*) The hedging instrument is recognized at fair value in the balance sheets as Derivatives. The contra account "Non-current interest-bearing liabilities" is increased accordingly. The net effect on profit and loss is NOK 0. See notes 6, 7, 23 and 25 for further information.

The table below summarizes the effects in the financial statement

<i>(In NOK thousands)</i>	2020				2019			
	Nominal hedge value	Fair value	P&L	Regognized hedge reserve	Nominal hedge value	Fair value	P&L	Regognized hedge reserve
<b>Cash flow hedge</b>								
Energy contracts EUR futures	353	-127	-66	-99	404	-81	-33	-63
<b>Cash flow hedge</b>								
Energy contracts EUR loans	75	-2 639	0	-277	101	-2 592	0	-147
<b>Cash flow hedge</b>								
Electricity certificates SEK	3	0	3	0	41	0	0	0
<b>Cash flow hedge</b>								
Interest rate swaps NOK	1 200	-28	-14	-22	1 800	9	-2	7
<b>Sum</b>	<b>1 631</b>	<b>-2 794</b>	<b>-77</b>	<b>-397</b>	<b>2 346</b>	<b>-2 665</b>	<b>-35</b>	<b>-203</b>

### Movement in hedge reserve

The table below shows movement in the hedging reserve for 2019-2020:

#### CHANGE IN HEDGE RESERVE

<i>(In NOK thousands)</i>	2020	2019
<b>Carrying value 1 January</b>	<b>-203</b>	<b>-294</b>
Change currency futures	-35	73
Change foreign currency loans	-130	9
Change interest rate swaps	-29	9
<b>Carrying value 31 December</b>	<b>-397</b>	<b>-203</b>

## 9 Sales revenue

### SALES REVENUE 2020

<i>(Amounts in NOK million)</i>	Energy	Telecom- munications	Power Grid	Others and eliminations	Group
<b>Retail sales</b>					
Energy	483	0	0	0	483
Power Grid	0	0	26	0	26
TV, fiber and other telecom revenues	0	2 913	0	0	2 912
Spot sales of hydro power	1 181	0	0	0	1 181
Partner revenues	0	1 352	0	0	1 352
Transmission income	0	0	1 227	0	1 227
Income natural gas, district heating and district cooling	278	0	0	0	279
Other revenues	58	264	129	178	629
Eliminations *)	23	15	168	-206	0
<b>Sales revenue</b>	<b>2 022</b>	<b>4 544</b>	<b>1 550</b>	<b>-28</b>	<b>8 089</b>

\*) Intragroup transactions in the Telecommunications segment have been eliminated in shown income figures.

### SALES REVENUE 2019

<i>(Amounts in NOK million)</i>	Energy	Telecom- munications	Power Grid	Others and eliminations	Group
<b>Retail sales</b>					
Energy	1 288	0	0	0	1 288
Power Grid	0	0	41	0	41
TV, fiber and other telecom revenues	0	2 576	0	0	2 576
Spot sales of hydro power	2 179	0	0	0	2 179
Partner revenues	0	1 105	0	0	1 105
Transmission income	0	0	1 205	0	1 205
Income natural gas, district heating and district cooling	374	0	0	0	374
Other revenues	37	205	165	55	462
Eliminations *)	122	22	119	-262	0
<b>Sales revenue</b>	<b>4 000</b>	<b>3 908</b>	<b>1 530</b>	<b>-207</b>	<b>9 230</b>

\*) Intragroup transactions in the Telecommunications segment have been eliminated in shown income figures.

## 10 Cost of goods sold

### COST OF GOODS SOLD 2020

<i>(Amounts in NOK million)</i>	<b>2020</b>
Energy purchases	604
Transfer costs	420
Digital content services	1 343
Fibre grid and other telecom related cost	188
Cost of sales telecom equipment	63
Other	220
<b>Total</b>	<b>2 839</b>

### COST OF GOODS SOLD 2019

<i>(Amounts in NOK million)</i>	<b>2019</b>
Energy purchases	1 795
Transfer costs	412
Digital content services	789
Fibre grid and other telecom related cost	318
Cost of sales telecom equipment	252
Other	132
<b>Total</b>	<b>3 698</b>

## 11 Salaries and payroll cost

### SALARIES AND PAYROLL COST

	Note	2020	2019
Salaries		975 168	852 631
Employers' National Insurance contributions		137 759	131 729
Pension costs - defined benefit plans	12	28 740	65 792
Pension costs - defined contribution plans	12	78 948	60 509
Capitalized salary cost		-321 667	-305 281
Other payroll costs		207 913	260 485
<b>Total salaries and payroll cost</b>		<b>1 106 860</b>	<b>1 065 865</b>
Average number of full-time equivalents		1 365	1 266

## 12 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	454	182	31 187	30 018
Defined contribution pension and early retirement pension		1 251	78 948	80 295
Pensions funded through operations		38	2 554	2 466
<b>Total</b>	<b>0</b>	<b>0</b>	<b>112 689</b>	<b>112 779</b>

### Defined contribution scheme

The company's defined contribution scheme covers a total of 1 251 people as at 31 December 2020. 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 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 2020. This means that in accordance with IAS 19 no liability for the AFP scheme is recognised as at 31 December 2020.

The contribution to the AFP scheme is recognised as personnel costs and next year's premium is estimated to be NOK 11.6 million.

## Regulation changes in public sector occupational pensions

In June 2019, the Government passed amendments to several laws that regulate pensions in the public sector, which have a bearing on the content of the pension promise. In addition, the Government adopted new coordination rules in 2018 to adapt the current OfTP to the new National Insurance Scheme. KLP incorporated these changes in its statutes in 2019 and the change therefore applies to everyone with OfTP at KLP. Guidance from the Norwegian Accounting Foundation concluded that the effects of the legislative amendments are a pension plan curtailment and therefore accounted through the income statement in June 2019 in accordance with IAS 19.

### 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 636 people, of which 182 are active employees and 454 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, widow, early retirement, AFP and contingent occupational pension. The members born before 1963 are secured early retirement and AFP 62-67 years. The yearlings born from 1963 are secured conditional occupational pension or life-long AFP. When the regulations demanded it, the pensions are coordinated with payments from the National Insurance Scheme. 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 who 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.

New rules have been introduced for the calculation of the public retirement pension (supplementary pension) from 01.01.2020 for the members born in 1963 or after. The retirement pension is calculated according to rules very similar to the National Insurance, comes in addition to the National Insurance and there is no coordination with the National Pension's retirement pension. For the members born in 1963, the gross retirement pension rules are continued with coordination with the National Insurance Scheme. The accounting effect of this change has been incorporated in the 2019 numbers.

### 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 applies equal 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.



## 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:

<i>(In NOK thousands)</i>	2020	2019
<b>Liabilities recognised on balance sheet:</b>		
Defined benefit plans	223 821	143 936
<b>Pension cost recognised in income statement during the year: *)</b>		
Defined benefit plans	31 187	72 078
Defined contribution plans	78 948	60 509
Pensions funded through operations	2 554	2 611
<b>Pension effects through consolidated other comprehensive income:</b>		
Estimate deviation before tax	92 933	-39 943
Tax effect	24 992	-13 531
<b>Other pension effects after tax</b>	<b>67 941</b>	<b>-26 412</b>

\*) 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

<i>(In NOK thousands)</i>	2020	2019
Present value of accrued pension liabilities for defined benefit plans in fund-based schemes	1 641 972	1 493 879
Fair value of pension funds	-1 433 809	-1 363 219
<b>Actual net pension liabilities for defined benefit plans in fund-based schemes</b>	<b>208 163</b>	<b>130 660</b>
Net present fund-based pension liabilities recognised in the balance sheet	215 487	141 664
Net present fund-based pension funds recognised in the balance sheet	6 909	11 003
Pensions funded through operations	15 244	13 275
<b>Net pension liabilities on the balance sheet *)</b>	<b>223 822</b>	<b>143 936</b>

\*) Employers' contributions are included in net pension liabilities and pension funds.

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

<i>(In NOK thousands)</i>	2020	2019
<b>Pension liabilities 1 January</b>	<b>1 493 879</b>	<b>1 441 234</b>
Pension accruals for the year	25 316	28 481
Interest cost	34 717	40 725
Pension plan curtailment	0	35 352
Changes to estimates	138 968	-14 792
Employers' National Insurance contributions on contributions	-5 344	-8 851
Changes to estimates	-45 564	-44 472

Disposal subsidiary	0	-6 459
Pension obligations resulting from mergers (note 4)	0	22 662
<b>Pension liabilities 31 December</b>	<b>1 641 972</b>	<b>1 493 879</b>

### CHANGES IN PENSION FUND'S FAIR VALUE:

<i>(In NOK thousands)</i>	2020	2019
<b>Fair value of pension funds 1 January</b>	1 363 219	1 270 549
Actual return on funds in relation to recognised interest income	31 271	34 860
Changes to estimates	46 446	25 151
Administration and financial costs	-4 714	-4 539
Total contributions	43 151	67 507
Total payments from fund	-45 564	-44 472
Disposal subsidiary	0	-2 896
Change due to merger (note 4)	0	17 059
<b>Fair value of pension funds as at 31 December</b>	<b>1 433 809</b>	<b>1 363 219</b>

### UNFUNDED PENSION LIABILITIES

<i>(In NOK thousands)</i>	2020	2019
<b>Pension liabilities 1 January</b>	13 275	11 087
Deposits for the year	1 914	1 559
Interest cost	238	365
Employers' National Insurance contributions	303	271
Reversals	0	-8
Benefits paid	-486	0
<b>Pension liabilities 31 December</b>	<b>15 244</b>	<b>13 275</b>

### THE FOLLOWING FINANCIAL ASSUMPTIONS WERE USED

	30.06.2020	31.12.2020	2019
Discount rate	1,50%	2,30%	2,30%
Expected return on pension funds	1,50%	2,30%	2,30%
Salary increase	2,00%	2,25%	2,25%
Pension adjustments	0,99%	1,24%	1,24%
Adjustment of National Insurance basic amount	1,75%	2,00%	2,00%
Employers' National Insurance contributions *)	14,10%	14,10%	14,10%
Estimated exploitation of AFP at 62	42,50%	42,50%	42,50%
Mortality tables	K2013BE	K2013BE	K2013BE

\*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%

\*) Assumptions as per 30.06.2019 are used as part of the calculation of the curtailment/ change in plan

\*\*) Employers contribution in the subsidiary Signal Bredbånd equals 6.9%

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:

	2020	2019
New pensioners at end of the financial year:		
- Men	22	22
- Women	26	26
New pensioners in 25 years:		
- Men	25	25
- Women	28	28

### SENSITIVITY ANALYSIS:

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

Change in discount rate	-0,50%	points	0,50%	points
Change in percentage gross pension liabilities	9,20%		-8,00%	
Change in wages growth	0,50%	points		
Change in percentage gross pension liabilities	0,50%			

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:

	2020	2019
Present value of this year's pension accruals	25 318	28 511
Interest cost *)	3 431	5 853
Expenditures	4 501	4 539
Employees' pension deductions	-2 063	-2 178
Plan changes	0	35 352
Pensions funded through operations	2 554	2 611
<b>Pension costs, defined benefit plans</b>	<b>33 741</b>	<b>74 688</b>
Employer's contributions to the defined contribution scheme	67 380	49 915
Premiums from AFP LO/NHO scheme	11 568	10 594
<b>Pension costs, defined contribution plans</b>	<b>78 948</b>	<b>60 509</b>
<b>Total pension costs</b>	<b>112 689</b>	<b>135 197</b>

\*) Interest costs are recognised as financial costs.

The weighted average duration of the liability is 15.9 years.

The expected contribution to the defined benefit scheme is NOK 72 million for 2021.

The expected contribution to the defined contribution scheme is NOK 69 million for 2021.

### PENSION FUNDS COMPRISE:

	2020		2019	
Liquidity/Money market	54 485	4%	72 251	5%
Bonds bought	184 961	13%	166 313	12%
Construction bonds	414 371	29%	407 602	30%
Short-term bonds	242 314	17%	222 205	16%
Property	190 697	13%	162 223	12%
Shares and alternative investments	346 982	24%	332 625	24%
<b>Fair value, pension funds</b>	<b>1 433 810</b>		<b>1 363 219</b>	

## 13 Other operating income and expenses

Other income and expenses consist of unrealised changes in value in financial instruments. The note covers other operating income and expenses that are recognised through profit and loss and items recognised in total comprehensive income.

Other income and expenses are presented as operating expenses in the income statement. Net income is therefore presented as a negative cost in the income statement by use of a minus notation. The note presents the effects of income and costs on the profit/loss for the year and on other comprehensive income. Therefore, income is presented with a plus notation and costs with a minus notation.

### OTHER INCOME AND COSTS RECOGNISED IN PROFIT AND LOSS FOR THE YEAR

<i>(In NOK thousands)</i>	2020	2019
<b>Positive contributions to the result are presented with a '+' notation (cost -, income +)</b>		
<b>Unrealised changes in value, financial instruments</b>		
<b>Financial instruments at fair value through profit and loss</b>		
Financial energy contracts – held for hedging purposes	-57 504	214 224
Currency derivatives in long-term physical industry contracts in EUR	-184 786	114 024
Currency derivatives – held for hedging purposes	0	2 739
<b>Other unrealised changes in value</b>		
Long-term financial energy contracts	5 890	-10 691
<b>Other unrealised changes in value for financial instruments recognised through profit and loss</b>	<b>-236 400</b>	<b>320 296</b>
<b>Net other operating income and costs</b>	<b>-236 400</b>	<b>320 296</b>
Total tax effect of other operating income and costs.	63 502	-60 061
<b>Net other operating income and costs recognised in profit/loss for the year</b>	<b>-172 898</b>	<b>260 235</b>

## OTHER INCOME AND COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

<i>(In NOK thousands)</i>	2020	2019
<b>Other unrealised changes in value for financial instruments recognised through other comprehensive income</b>		
Cash flow hedge, currency forward contracts	-35 061	72 692
Cash flow hedge, interest swap contracts	-28 534	8 801
Cash flow hedge liabilities in EUR	-129 909	9 453
Change in cash flow hedge reserve	-593	1 127
<b>Other income and costs recognised in other comprehensive income</b>	<b>-194 097</b>	<b>92 073</b>
<b>Other income and costs recognised in total comprehensive income</b>	<b>-366 995</b>	<b>352 308</b>

## 14 Other operating costs

## OTHER OPERATING COSTS

<i>(In NOK thousands)</i>	2020	2019
External services	261 860	313 265
Office costs	71 337	40 517
Other operating costs, related to partly-owned hydro power stations	46 428	62 564
Repair and maintenance cost	346 392	314 791
Cost related to property, machine hire, equipment and other hire costs	73 293	55 333
Sales and advertising costs	228 751	142 458
Other operating costs	79 848	121 069
<b>Total other operating costs</b>	<b>1 107 909</b>	<b>1 049 982</b>

## 15 Financial items

### NET FINANCIAL COSTS

<i>(In NOK thousands)</i>	Note	2020	2019
<b>Interest costs:</b>			
Subordinated loans		54 602	78 218
Bond loans and certificate loans		232 857	224 985
Interest hedge		14 274	343
Interest costs, energy sale agreements and free energy		40 384	47 947
Other interest costs		117 841	170 391
<b>Total interest costs</b>	25	<b>459 958</b>	<b>521 884</b>
<b>Other financial expense</b>			
Disagio		21 354	12 079
Impairment of financial assets		-188	-2 917
Finance element, pension costs	12	6 269	8 897
Other financial expense		18 759	7 247
<b>Total financial expense</b>		<b>506 153</b>	<b>547 190</b>
<b>Financial income:</b>			
Other interest income		49 058	106 040
Gains through realisation of securities		0	0
Dividends		646	436
Agio		14 846	8 296
Other financial income		9 209	6 212
<b>Total financial income</b>		<b>73 760</b>	<b>120 985</b>
<b>Net financial items</b>		<b>432 393</b>	<b>426 205</b>

## 16 Taxes

### Tax expense and tax payable

#### SPECIFICATION OF TAX EXPENSE

<i>(In NOK thousands)</i>	2020	2019
Tax payable	140 150	311 858
Change in deferred tax	5 381	3 233
Resource rent tax payable	73 167	367 958
Change in deferred tax resource rent	44 367	36 212
Over/underprovision relating to previous years, resource rent	-1	0
Over/underprovision relating to previous years	312	54 016
Other items, resource rent tax	0	-13 750
Other items	0	1 017
<b>Total tax expense</b>	<b>263 376</b>	<b>760 543</b>

#### SPECIFICATION OF TAX PAYABLE ON BALANCE SHEET

<i>(In NOK thousands)</i>	2020	2019
Income taxes payable	213 336	230 265
Natural resource tax payable	81 319	81 595
Resource rent tax payable	73 417	367 958
<b>Total tax payable on balance sheet</b>	<b>368 072</b>	<b>679 818</b>

## RECONCILIATION FROM NOMINAL TO ACTUAL TAX RATE

<i>(In NOK thousands)</i>	2020	2019
Ordinary profit/loss before tax	617 064	1 688 891
Expected income taxes at nominal tax rate (22 %)	135 754	371 556
<b>Tax effect of:</b>		
Net non-deductible income and costs	9 778	-4 307
Natural resource tax	81 319	81 595
Offset natural resource tax	-81 319	-81 595
Resource rent tax (37 %)	117 533	405 856
Over/underprovision relating to previous years	311	-14 251
Other items	0	1 689
<b>Tax expense on ordinary profit/loss</b>	<b>263 376</b>	<b>760 543</b>
Effective tax rate	43%	45%

## Deferred tax

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

## ITEMS THAT ARE RECOGNISED AT NET VALUE

<i>(In NOK thousands)</i>	2020	2019
Deferred tax asset	84 533	289 365
Deferred tax	3 733 505	1 621 393
<b>Net deferred tax</b>	<b>3 648 972</b>	<b>1 332 028</b>

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

<i>(In NOK thousands)</i>	Note	2020	2019
<b>Carrying value 1 January</b>		<b>1 332 028</b>	<b>1 175 267</b>
Acquisition of subsidiaries	4	0	110 603
Hydro transaction	4	2 391 577	0
Recognised through profit and loss in the period		5 381	-11 690
Tax recognised in other comprehensive income		-72 965	33 152
Tax recognised in other equity		-7 049	24 696
<b>Carrying value 31 December</b>		<b>3 648 972</b>	<b>1 332 028</b>



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

<i>(In NOK thousands)</i>	Note	2020	2019
<b>Carrying value 1 January</b>		<b>1 241 207</b>	<b>1 201 244</b>
Hydro transaction	4	3 434 660	0
Recognised through profit and loss in the period		44 367	35 712
Remeasurements of pensions		-3 797	4 251
<b>Carrying value 31 December</b>		<b>4 716 437</b>	<b>1 241 207</b>

**CHANGE IN DEFERRED TAX, OTHER COMPREHENSIVE INCOME**

<i>(In NOK thousands)</i>	2020	2019
Cash flow hedges	-54 746	25 967
Remeasurements of pensions	-18 219	7 185
<b>Net change in deferred tax, other comprehensive income</b>	<b>-72 965</b>	<b>33 152</b>

**DEFERRED TAX**

<i>(In NOK thousands)</i>	Intangible assets	Property, plant and equipment*	Derivatives	Deferred tax asset not recognised on the balance sheet	TOTAL
1 January 2019	133 105	1 267 407	122 483	10 401	1 533 396
Recognised through profit and loss in the period	33 982	-44 324	-46 023	-16 905	-73 270
Recognised in other comprehensive income	0	0	25 967	0	25 967
Recognised in other equity	0	24 696	0	0	24 696
Acquisition of subsidiaries	0	110 603	0	0	110 603
<b>31 December 2019</b>	<b>167 087</b>	<b>1 358 382</b>	<b>102 427</b>	<b>-6 504</b>	<b>1 621 393</b>
Recognised through profit and loss in the period	-2 841	-200 146	-16 254	1 571	-217 670
Recognised in other comprehensive income	0	0	-54 746	0	-54 746
Recognised in other equity	0	-7 049	0	0	-7 049
Hydro transaction	2 102 725	288 852	0	0	2 391 577
<b>31 December 2020</b>	<b>2 266 971</b>	<b>1 440 039</b>	<b>31 427</b>	<b>-4 933</b>	<b>3 733 505</b>

\* Property, plant and equipment include natural resource tax on carry-overs, which is expected to be offset in the coming years.

**DEFERRED TAX ASSET**

	Loans and liabilities	Investments	Pensions	Current assets	Tax losses carried forward	Deferred tax foreign subsidiaries	TOTAL
<i>(In NOK thousands)</i>							
1 January 2019	231 672	2 757	14 164	67 897	34 803	6 837	358 129
Recognised through profit and loss in the period	-21 585	3 425	9 825	-55 152	1 969	-62	-61 580
Recognised in other comprehensive income	0	0	-7 185	0	0	0	-7 185
Recognised in other equity	0	0	0	0	0	0	0
Acquisition of subsidiaries	0	0	0	0	0	0	0
<b>31 December 2019</b>	<b>210 087</b>	<b>6 182</b>	<b>16 804</b>	<b>12 745</b>	<b>36 772</b>	<b>6 775</b>	<b>289 365</b>
Recognised through profit and loss in the period	-189 297	-5 319	-22 941	-11 644	6 150	0	-223 051
Recognised in other comprehensive income	0	0	18 219	0	0	0	18 219
Recognised in other equity	0	0	0	0	0	0	0
Acquisition of subsidiaries	0	0	0	0	0	0	0
<b>31 December 2020</b>	<b>20 790</b>	<b>863</b>	<b>12 082</b>	<b>1 101</b>	<b>42 922</b>	<b>6 775</b>	<b>84 533</b>

**DEFERRED TAX, RESOURCE RENT TAX**

	Property, plant and equipment	Pensions	Gain and loss account	Tax losses carried forward, resource rent tax	TOTAL
<i>(In NOK thousands)</i>					
1 January 2019	1 278 965	3 497	-1 500	0	1 280 961
Recognised through profit and loss in the period	36 023	-2 312	143	0	33 854
<b>31 December 2019</b>	<b>1 314 988</b>	<b>1 184</b>	<b>-1 357</b>	<b>0</b>	<b>1 314 815</b>
Recognised through profit and loss in the period	5 204	-3 552	-549	0	1 103
Hydro transaction	3 436 071	-1 222	-189	0	3 434 660
<b>31 December 2020</b>	<b>4 756 263</b>	<b>-3 590</b>	<b>-2 095</b>	<b>0</b>	<b>4 750 578</b>

**DEFERRED TAX ASSET, RESOURCE RENT TAX**

	Derivatives	Property, plant and equipment	Pensions	Gain and loss account	Tax losses carried forward, resource rent tax	Deferred tax asset not recognised on the balance sheet	TOTAL
<i>(In NOK thousands)</i>							
1 January 2019	11 968	9 108	880	865	74 243	-17 347	79 717
Recognised through profit and loss in the period	827	7 833	3 857	227	-14 242	-360	-1 858
Recognised in other comprehensive income	0	0	-4 251	0	0	0	-4 251
<b>31 December 2019</b>	<b>12 795</b>	<b>16 941</b>	<b>486</b>	<b>1 092</b>	<b>60 001</b>	<b>-17 707</b>	<b>73 608</b>
Recognised through profit and loss in the period	-1 232	-36 955	-3 234	1 101	-2 423	-521	-43 264
Recognised in other comprehensive income	0	0	3 797	0	0	0	3 797
<b>31 December 2020</b>	<b>11 563</b>	<b>-20 014</b>	<b>1 049</b>	<b>2 193</b>	<b>57 578</b>	<b>-18 228</b>	<b>34 141</b>

# 17 Intangible assets

## FINANCIAL YEAR 2020

<i>(In NOK thousands)</i>	Waterfall rights	Goodwill	Other intangible assets	Total
Carrying value 1 January	105 301	808 232	1 453 434	2 366 966
Transferred from assets under construction	0	0	1 298	1 298
Additions	0	2 000	177 174	179 174
Acquisition subsidiary	8 312 000	5 534 595	22 013	13 868 608
Disposal	0	0	-36 901	-36 901
Reclassification intangibles from tangible fixed assets	0	0	-4 714	-4 714
Amortisation and impairment charge for the year	0	0	-223 390	-223 389
<b>Carrying value 31 December</b>	<b>8 417 301</b>	<b>6 344 827</b>	<b>1 388 915</b>	<b>16 151 043</b>
<b>Balance 31 December</b>				
Acquisition cost*	8 417 301	6 350 947	2 042 722	16 810 969
Accumulated depreciation and impairment losses*	0	-6 120	-653 807	-659 927
<b>Carrying value 31 December</b>	<b>8 417 301</b>	<b>6 344 827</b>	<b>1 388 915</b>	<b>16 151 043</b>

\*) Accumulated acquisition cost and accumulated depreciation are in 2020 adjusted by the same amount.

0-15 years  
Straight-line

## FINANCIAL YEAR 2019

<i>(In NOK thousands)</i>	Waterfall rights	Goodwill	Other intangible assets	Total
Carrying value 1 January	105 301	763 810	1 034 796	1 903 907
Transferred from assets under construction	0	0	265 697	265 697
Additions	0	0	196 327	196 327
Acquisition subsidiary	0	44 422	176 338	220 760
Disposal	0	0	41	41
Reclassification intangibles from tangible fixed assets	0	0	0	0
Amortisation and impairment charge for the year	0	0	219 683	219 683
<b>Carrying value 31 December</b>	<b>105 301</b>	<b>808 232</b>	<b>1 453 434</b>	<b>2 366 966</b>
<b>Balance 31 December</b>				
Acquisition cost	105 301	810 534	1 954 875	2 870 710
Accumulated depreciation and impairment losses	0	2 302	501 441	503 743
<b>Carrying value 31 December</b>	<b>105 301</b>	<b>808 232</b>	<b>1 453 434</b>	<b>2 366 966</b>

Lifetime

0-15 years  
Straight-line

Waterfall rights recognized on the balance sheet are booked in the Energy business segment. Lyse and Hydro announced in October 2020 that they planned to merge parts of their respective hydroelectricity production in southern part of Norway into a joint hydropower company. The transaction was completed on 31 December 2020. Refer to note 4 for more information. The access to fall rights and goodwill comes mainly from this transaction.

Other goodwill and other intangible assets are mainly allocated to the Group's Telecommunications business area. Other intangible assets are mainly linked to excess value associated with branded goods, customer portfolios and purchased operating rights. These intangible assets are depreciated over 3, 13-15 and 6-8 years, respectively.

The book value of customer relationships as of 31 December 2020 amounts to NOK 568 million.

### EXPENSED RESEARCH AND DEVELOPMENT COSTS

	2020	2019
Expensed R&D	5 926	6 498

### 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 flow generating unit. Fair value is determined on the basis of the average production of cash flow-generating units multiplied by an industry norm for sales value. As at 31 December 2020, the total book value of hydroelectricity amounted to NOK 1.51 per kWh. This is significantly lower than estimated sales value. The excess value is largely assumed to be connected to waterfall rights. It is therefore not regarded as necessary to carry out any further testing for any possible impairment of waterfall rights. The valuation was categorised as level 3.

### Goodwill

Goodwill is not depreciated but is subject to an annual impairment test and is mainly a result of business acquisitions. A recoverable sum of a cash generating unit is calculated based on the value that the asset would produce and is estimated on the basis of the value of future cash flows. The majority of goodwill is linked to the Energy and Telecommunications business segments. It is expected that it will take time for companies belonging to this business area to achieve operational stability as this is industries that will require substantial investments in the near future. Future cash flows are based on business plans and are calculated for periods between 5-10 years plus terminal value. The discount rate applied is 4.5% nominal after tax linked to the Telecommunications business segment and 4,4% for the Energy business segment.

# 18 Tangible fixed assets

## FINANCIAL YEAR 2020

<i>(In NOK thousands)</i>	Energy Facilities	Broadband facilities	Power Grid facilities	Other buildings	Machinery and equipment	Land	Leased property and machinery	Facilities under construction	Total
Carrying value 1 January	10 067 189	6 417 434	3 927 072	469 377	341 224	19 731	916 389	834 527	22 992 945
Remeasurement and other changes	0	0	0	0	0	0	84 451	0	84 451
Additions	118 979	1 395 061	348 661	16 870	145 895	214	291 232	957 724	3 274 636
Acquisition subsidiary	1 662 843	50 732	0	391 997	7 078	0	0	13 964	2 126 614
Transferred from assets under construction	267 100	324 533	263 822	495	5 556	0	0	-861 506	0
Disposals	36 682	0	0	-348	12 355	0	188 933	-3	237 619
Reclassification	55 466	-28 825	165 724	-278 091	-23 153	35 372	0	108 398	34 891
Depreciation charge for the year	274 599	705 195	196 762	19 336	88 979	0	138 027	0	1 422 898
Impairment charge	-133 096	6 048	0	36 842	148	0	0	17 689	-72 369
<b>Carrying value 31 December incl. assets held for sale</b>	<b>11 993 392</b>	<b>7 447 692</b>	<b>4 508 517</b>	<b>544 818</b>	<b>375 118</b>	<b>55 317</b>	<b>965 112</b>	<b>1 035 421</b>	<b>26 925 389</b>
Carrying value 31 December									
Acquisition cost	16 908 729	11 941 125	8 292 298	1 123 446	1 728 810	19 945	1 320 831	1 050 965	42 386 150
Accumulated depreciation and impairment losses	4 915 337	4 493 433	3 783 781	578 628	1 353 692	-35 372	355 719	15 544	15 460 762
<b>Carrying value 31 December incl. assets held for sale</b>	<b>11 993 392</b>	<b>7 447 692</b>	<b>4 508 517</b>	<b>544 818</b>	<b>375 118</b>	<b>55 317</b>	<b>965 112</b>	<b>1 035 421</b>	<b>26 925 388</b>

Lifetime  
Depreciation method

3-75 years  
Straight-line

3-25 years  
Straight-line

15-40 years  
Straight-line

33-50 years  
Straight-line

3-25 years  
Straight-line

See note 30

## FINANCIAL YEAR 2019

(In NOK thousands)	Energy Facilities	Broadband facilities	Power Grid facilities	Other buildings	Machinery and equipment	Land	Leased property and machinery	Facilities under construction	Total
Carrying value 1 January	10 057 510	5 644 836	3 631 261	335 862	311 574	17 486	282 364	872 544	21 153 439
Implementation effect IFRS 16	0	0	0	0	0	0	749 211	0	749 211
Additions	193 188	1 014 756	288 535	124 102	69 081	2 245	117 453	641 002	2 450 362
Acquisition subsidiary	0	707 131	0	47 337	5 097	0	10 700	8 837	779 102
Transferred from assets under construction	39 616	139 719	176 842	130	27 101	0	0	-649 106	-265 697
Disposals	200	442 905	2 575	2 408	6 882	0	33 535	38 750	527 255
Divestment subsidiary	0	0	0	0	1 998	0	89 432	0	91 430
Depreciation charge for the year	257 925	635 587	166 991	35 646	56 675	0	120 372	0	1 273 196
Impairment charge	-35 000	10 516	0	0	6 074	0	0	0	-18 410
<b>Carrying value 31 December incl. assets held for sale</b>	<b>10 067 189</b>	<b>6 417 434</b>	<b>3 927 072</b>	<b>469 377</b>	<b>341 224</b>	<b>19 731</b>	<b>916 389</b>	<b>834 527</b>	<b>22 992 945</b>
Carrying value 31 December									
Acquisition cost	14 841 023	10 170 799	7 679 815	713 736	1 582 636	19 731	1 134 081	940 780	37 082 602
Accumulated depreciation and impairment losses	4 773 834	3 753 365	3 752 743	244 359	1 241 412	0	217 692	106 253	14 089 658
<b>Carrying value 31 December incl. assets held for sale</b>	<b>10 067 189</b>	<b>6 417 434</b>	<b>3 927 072</b>	<b>469 377</b>	<b>341 224</b>	<b>19 731</b>	<b>916 389</b>	<b>834 527</b>	<b>22 992 945</b>

Lifetime  
Depreciation method

3-75 years  
Straight-line

3-25 years  
Straight-line

15-40 years  
Straight-line

33-50 years  
Straight-line

3-25 years  
Straight-line

See note 30

## Capitalised interest on facilities under construction

Additions concerning the capitalisation of interest on building loans amounted to NOK 22 million in 2020. The interest rate applied was 3.0%.

## Impairments

Tangible fixed assets are tested for impairment when indications of impairment exists. Impairments effectuated where the book value is higher than the recoverable amount. See note 3. The valuations are categorised as level 3 due to imperative discretionary assumptions. 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.

An impairment test of Jørpelandsvassdraget has been conducted due to changes in price assumptions. The test resulted in a reversal of previous year's impairments amounting to NOK 96 million. The facility belongs to the Energy business segment.

## 19 Investments in joint ventures and associates

The Group has the following investments in joint ventures and associates:

Entity	Office location	Segment	Ownership	Voting share	2020	2019
<b>Associates:</b>						
NO-UK COM Holding AS	Hjelmeland	Telecom	37%	37%	164 799	0
Altifiber AS	Hauge i Dalane	Telecom	34%	34%	60 114	54 211
Other					62 906	58 265
<b>Carrying value associates</b>					<b>287 819</b>	<b>112 476</b>
<b>Joint ventures:</b>						
Bergen Fiber AS	Bergen	Telecom	37%	50%	323 783	320 223
Forus Energiggjenvinning Holding AS	Stavanger	Energy	50%	50%	58 500	64 353
Istad Fiber AS	Molde	Telecom	50%	50%	69 743	69 499
Nordvest Fiber Holding AS	Ålesund	Telecom	50%	50%	39 017	15 146
<b>Carrying value joint ventures</b>					<b>491 042</b>	<b>469 223</b>
<b>Carrying value associates and joint venture companies</b>					<b>778 861</b>	<b>581 699</b>
<b>Joint operating arrangements:</b>						
Sira-Kvina kraftselskap DA	Tonstad	Energy	41%	41%		
Ulla Førre verkene	Sauda	Energy	18%	18%		

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

No contingent liabilities are associate with the investments.

## Significant investments for Lyse

Bergen Fiber AS is material joint venture investment, based on an overall assessment where size and complexity are considered.

### Bergen Fiber AS

Bergen Fiber is a supplier of fiber to the private, residential / condominium / developer market in the Bergen region. With local roots, Bergen Fiber delivers the Altibox product to Bergen and Vestland, and the company has over 55,000 private customers today. The Lyse group has a 37% stake in the company.

	Joint venture company	
	Bergen Fiber	
	2020	2019
Operating income	381 294	341 646
Profit from continuing operations	19 068	8 190
Comprehensive income	19 068	8 190
<b>The Group share of the comprehensive income</b>	<b>7 112</b>	<b>3 055</b>
The groups ownership in the equity	203 300	197 880
+ Goodwill	81 464	81 464
+ Excess value	37 324	40 879
+ /- other adjustments	0	0
<b>= Carrying value</b>	<b>322 089</b>	<b>320 223</b>



**CARRYING VALUE OF INVESTMENTS IN ASSOCIATES**

	Note	2020	2019
<b>Carrying value as at 1 January</b>		<b>112 476</b>	<b>164 811</b>
Additions - new acquisitions		176 441	19 754
Disposals through change in definition of control		0	-82 261
Share of profit and loss		10 889	11 126
Dividend distributed		-7 020	-3 510
Recognised in other equity and retained earnings		-4 967	2 556
<b>Carrying value as at 31 December</b>		<b>287 819</b>	<b>112 476</b>
Amortisation of excess value during the year		0	-326
Impairment of excess value during the year		0	0
Excess values as at 31 December		-10 790	-10 790

**CARRYING VALUE OF INVESTMENTS IN JOINT VENTURES**

	Note	2020	2019
<b>Carrying value as at 1 January</b>		<b>469 223</b>	<b>461 387</b>
Additions		35 000	40 794
Disposals through change of control category		0	-22 149
Share of profit and loss		-3 366	-8 774
Recognised through consolidated profit and loss		-4 000	0
Recognised in other equity and retained earnings		-5 815	-2 035
<b>Carrying value as at 31 December</b>		<b>491 042</b>	<b>469 223</b>
Amortisation of excess values during the year		-3 662	-3 665
Impairment of excess value during the year		0	0
Excess values as at 31 December		-128 003	-131 666

## Shares in partly-owned power plants

Lyse Kraft DA (Lyse Produksjon AS until 31.12.2020) owns a 41.1% share in Sira-Kvina Kraftselskap DA. In addition, Lyse Kraft DA (Lyse Produksjon AS until 31.12.2020) has co-ownership rights amounting to 18.0% in Ulla-Førre Power Facility, 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. The increase in shares transferred from Rogaland County Council has been completed and financed by Lyse. The participation in Ulla-Førre Power Facility is based on an agreement with Statkraft SF regarding a 'right of co-ownership'. Statkraft SF holds the lawful license 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 proportionate share of the costs. The extraction of physical power from partly-owned power plants is included as part of ordinary power sales and corresponds the treatment of energy generated in the company's own plants. There is an exception made for imposed sales of concession power and operating income that is 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.

	2020		2019	
	Sira-Kvina	Ulla-Førre	Sira-Kvina	Ulla-Førre
Energy sales	285 398	67 220	642 561	267 211
Share of operating income	65 196	1 016	97 157	449
Share of transmission costs	68 474	12 311	97 828	16 135
Share of payroll costs	37 073	4 000	58 177	3 399
Share of fees	28 898	10 126	28 673	9 162
Share of ordinary depreciation	53 592	28 632	49 215	28 757
Share of property tax and other operating costs	72 064	42 033	88 230	44 622
Share of net financial profit and loss	-464	8 622	-125	0
<b>Share of profit and loss in partly-owned power plants (before tax)</b>	<b>90 957</b>	<b>-37 488</b>	<b>417 720</b>	<b>165 585</b>

### Ulla-Førre Power Facility

The 18.0% share in Ulla-Førre power facility is recognised as a tangible fixed asset on Lyse Kraft DA's balance sheet (Lyse Produksjon AS until 31.12.2020). No entries have therefore been made on the balance sheet for the shares in Ulla-Førre power facility. At the end of the financial year, the book value of tangible fixed assets in the Ulla-Førre power facility was NOK 741 million, and the book value of waterfall rights was 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.

	2020	2019
Share of waterfall rights	29 747	29 747
Share of tangible fixed assets	1 756 445	1 667 460
Share of pension funds	6 909	11 003
Share of receivables	63 105	59 575
Share of bank deposits, cash and cash equivalents	35 402	43 257
<b>Share of assets</b>	<b>1 891 608</b>	<b>1 811 042</b>
Share of accounts payable	11 699	18 972
Share of other current liabilities	73 391	84 932
<b>Share of liabilities</b>	<b>85 090</b>	<b>103 904</b>

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.

## 20 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. The other shareholders have a stake that is less than 20% and are therefore, according to current guidance, not a related party. See notes 28 and 33 for more information on owners 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

	2020	2019
Associates	85 096	76 122
Joint ventures	198 846	161 480
Municipality of Stavanger	123 828	99 711
<b>Total sale of goods and services</b>	<b>407 770</b>	<b>337 313</b>

#### PURCHASES OF GOODS AND SERVICES

	2020	2019
Associates	22 711	23 364
Joint ventures	263 621	355 652
Municipality of Stavanger	17 569	4 202
<b>Total purchases of goods and services</b>	<b>303 901</b>	<b>383 218</b>

## Balance sheet items relating to related parties

Receivables from related parties mainly involve loans, sales of goods and services, and joint venture expenditures. Loans are interest-bearing, while other receivables are not. 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.

### NON-CURRENT RECEIVABLES FROM RELATED PARTIES

	2020	2019
Loans to associates	167	167
<b>Total non-current receivables from related parties</b>	<b>167</b>	<b>167</b>

### TRADE RECEIVABLES AND OTHER RECEIVABLES FROM RELATED PARTIES

	2020	2019
Associates	18 296	16 913
Joint ventures	45 379	42 522
Municipality of Stavanger	34 916	30 858
<b>Trade receivables and other receivables from related parties</b>	<b>98 591</b>	<b>90 293</b>

### ACCOUNTS PAYABLE TO RELATED PARTIES

	2020	2019
Associates	1 288	2 853
Joint ventures	16 206	55 913
Municipality of Stavanger	859	471
<b>Total accounts payable to related parties</b>	<b>18 354</b>	<b>59 237</b>

### SUBORDINATED LOANS TO OWNERS

	2020	2019
Municipality of Stavanger carrying value as at 1 January	829 844	873 520
Loan repaid during the year	-43 676	-43 676
Interest costs	31 068	31 068
Interest paid	-31 068	-31 068
<b>Carrying value as at 31 December</b>	<b>786 168</b>	<b>829 844</b>

## 21 Inventory

### INVENTORY

	2020	2019
Decoders	76 963	122 387
Modems and network routers	18 290	20 370
Electricity certificates	1 194	8 363
Home control centres	47 675	47 525
Technical equipment, operational stores, spare parts	52 189	55 049
Other	4 427	4 514
<b>Total inventory</b>	<b>200 737</b>	<b>258 208</b>

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.

The Inventory was impaired with NOK 1.4 million in 2020 (NOK 5.8 million in 2019).

### WATER INVENTORY IN OWN AND JOINT VENTURE POWER PLANTS

	2020	2019
Water stock in GWh	4 522	2 824
Reservoir levels in %	85%	56%
Year's generation relating to outgoing generator terminal	6 016	4 579

Annual mean generation in the period 2020 and 2019 was 5 921 GWh.

The tables above include RSK power facilities (see note 4 for further information). Annual mean generation for RSK power facilities is 3 265 GWh, this year's production is 3 546 GWh, Water inventory per 31.12.2020 is 1 140 GWh (76 %).

## 22 Trade receivables and other receivables

### OTHER NON-CURRENT RECEIVABLES

	Note	2020	2019
Receivables from related parties	20	0	167
Equity injection KLP		34 855	34 855
Other non-current receivables		59 836	79 114
<b>Total other non-current receivables</b>		<b>94 691</b>	<b>114 135</b>

### TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES

	Note	2020	2019
Face value of trade receivables		1 559 199	1 382 932
Receivables from related parties	20	98 591	90 293
Bad debt provision		-14 724	-36 622
<b>Net trade receivables</b>		<b>1 643 066</b>	<b>1 436 603</b>
Other current receivables		765 802	297 378
<b>Total trade receivables and other receivables</b>		<b>2 408 868</b>	<b>1 733 981</b>

### BREAKDOWN OF BAD DEBT PROVISION

	2020	2019
1-6 months	4 257	4 828
More than 6 months	10 467	31 794
<b>Total bad debt provision</b>	<b>14 724</b>	<b>36 622</b>

### RECEIVABLES PAST DUE DATE BUT NOT IMPAIRED

	2020	2019
1-2 months	276 557	147 355
<b>Total receivables past the due date, not impaired</b>	<b>276 557</b>	<b>147 355</b>

These relate to receivables for which collection, from previous experiences, is not considered a risk.

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

	2020	2019
Balance as at 1 January	36 622	39 190
Movement in the provisions for bad debt (receivables)	-37 403	-17 305
Actual loss during the year	15 507	14 737
<b>Balance as at 31 December</b>	<b>14 726</b>	<b>36 622</b>

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.

## 23

# Derivatives

**CARRYING VALUE AS AT 31 DECEMBER 2020**

	Tangible Fixed assets	Non-current liabilities	Current assets	Current liabilities
<b>Energy derivatives</b>				
Financial energy contracts – signed for hedging purposes	3 022	0	6 183	22 562
Financial energy contracts – fair value, customers' positions	0	0	0	0
Financial energy contracts – others	0	33 569	0	0
<b>Currency and interest rate derivatives</b>				
Currency derivatives – cash flow hedge	0	81 783	305	44 751
Currency derivatives in long-term physical industry contracts in EUR	357 247	0	41 304	0
Currency derivatives – others	0	0	0	0
Interest swap agreements – cash flow hedge	0	26 475	0	1 619
<b>Total derivatives recognised in the balance sheet</b>	<b>360 269</b>	<b>141 827</b>	<b>47 792</b>	<b>68 932</b>

**NETTING OF DERIVATIVES AS AT 31 DECEMBER 2020**

	Assets	Liabilities
Total carrying value (including netting)	408 061	210 759
The following balances have been offset (due to offsetting possibilities in signed agreements)	2 970	14 313

**CARRYING VALUE AS AT 31 DECEMBER 2019**

	Tangible Fixed assets	Non-current liabilities	Current assets	Current liabilities
<b>Energy derivatives</b>				
Financial energy contracts – signed for hedging purposes	1 271	1 429	1 507	23 855
Financial energy contracts – fair value, customers' positions	0	0	2 002	0
Financial energy contracts – others	0	42 604	0	26 422
<b>Currency and interest rate derivatives</b>				



Currency derivatives – cash flow hedge	36	79 011	4 312	6 615
Currency derivatives – signed for hedging purposes	0	0	0	0
Currency derivatives in long-term physical industry contracts in EUR	625 578	0	25 197	0
Currency derivatives – others	0	0	0	1 627
Interest swap agreements – cash flow hedge	9 206	283	73	509
<b>Total derivatives recognised in the balance sheet</b>	<b>636 091</b>	<b>123 327</b>	<b>33 091</b>	<b>59 028</b>

### NETTING OF DERIVATIVES AS AT 31 DECEMBER 2019

	Assets	Liabilities
Total carrying value (including netting)	669 182	182 355
The following balances have been offset (due to offsetting possibilities in signed agreements)	10 127	11 306

Derivatives where there are net transactions have banks as counterparties. 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 is trade receivables and accounts payable. Other financial energy contracts relate to free electricity 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 out of the host contract and recognised at fair value through profit and loss. The fair value calculations using currency forward curve are determined using best estimate.

### 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 in Danske Bank that are used when pledging such collateral.

## 24 Cash and cash equivalents

### BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	2020	2019
Bank deposits, cash and cash equivalents	3 827 274	4 078 294
<b>Total bank deposits, cash and cash equivalents</b>	<b>3 827 274</b>	<b>4 078 294</b>

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:

	2020	2019
Drawing facilities and bank syndicate	1 500 000	1 500 000
Overdraft facility SpareBank 1 SR-Bank	300 000	300 000
<b>Total unused drawing facilities</b>	<b>1 800 000</b>	<b>1 800 000</b>

### LIQUIDITY RESERVE

	2020	2019
Bank deposits, cash and cash equivalents	3 827 274	4 078 294
Of which restricted funds	-96 903	-94 066
Unused drawing facilities	1 800 000	1 800 000
Short term financial investments	279 000	639 760
<b>Liquidity reserve</b>	<b>5 809 372</b>	<b>6 423 988</b>

Two draw down facilities established with a syndicate of Nordic banks for NOK 500 million and NOK 1 000 million, respectively, were renewed in 2018. The drawing facilities expire in 2024. The overdraft facility is due for payment on 30 June 2022.

## 25 Liabilities to financial institutions

### LONG-TERM LOANS:

	Note	2020	2019
Bond loans		8 850 000	7 000 000
Subordinated loans from shareholding municipalities		1 700 000	1 800 000
Subordinated loans, other		98 509	128 381
Currency loan in EUR		2 526 348	2 485 942
Other loans		2 627 727	2 383 453
<b>Total long-term loans</b>		<b>15 802 583</b>	<b>13 797 776</b>

### SHORT-TERM LOANS:

	Note	2020	2019
First year's instalment on EUR currency loan reclassified from long-term loan		112 447	105 933
First year's instalment on subordinate loans reclassified from long-term loans		122 929	122 929
First year's instalment on bond loans reclassified from long-term loans		995 000	264 000
First year's instalment on other loans reclassified from long-term loans		42 728	742 728
<b>Total short-term loans</b>		<b>1 273 104</b>	<b>1 235 590</b>

### NET INTEREST-BEARING LOANS

	Note	2020	2019
Total long-term and short-term loans	7	17 075 687	15 033 366
Unrealised disagio on currency loan in EUR		-354 597	-188 047
Short-term financial positions	24	-279 000	-639 760
Bank deposits, cash and cash equivalents	24	-3 827 274	-4 078 294
<b>Net interest-bearing loans</b>		<b>12 614 817</b>	<b>10 127 265</b>

### DEVELOPMENT OF NET INTEREST-BEARING LOANS

	Note	2020	2019
Opening balance as at 1 January - net interest-bearing loans		10 127 265	8 803 322
Change in cash and cash equivalents		251 020	286 001
Change in short-term financial positions		360 760	100 556
New long-term loans issued		3 550 000	2 210 434
Paid instalments and repurchase of long-term loans		-857 228	-673 599
Redemption of loans		-804 000	-594 000
Recognised net interest	15	385 782	355 537

Interest paid		-405 012	-365 189
Other items		6 230	4 203
<b>Closing balance 31 December - net interest-bearing loans</b>		<b>12 614 817</b>	<b>10 127 265</b>

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

**Bond loans:**

Bond loans are financial obligations measured at amortised cost.

**SUMMARY OF BOND LOANS AS AT 31 DECEMBER 2020**

	<b>Amount</b>	<b>Interest</b>
Year 2012-2022 (LYSK88)	250 000	fixed rate 5.40%
Year 2012-2022 (LYSK91)	500 000	fixed rate 4.8%
Year 2013-2021 (LYSK94)	310 000	fixed rate 4.55%
Year 2014-2024 (LYSK103)	250 000	fixed rate 4.35%
Year 2015-2025 (LYSK113)	725 000	fixed rate 3.3%
Year 2016-2021 (LYSE01)	75 000	3-month NIBOR + 1.40%
Year 2016-2026 (LYSE02)	400 000	fixed rate 3.275%
Year 2016-2021 (LYSE04)	260 000	fixed rate 2.47%
Year 2016-2022 (LYSE07)	400 000	3-month NIBOR + 1.08%
Year 2017-2027 (LYSE08)	500 000	fixed rate 3.00%
Year 2017-2023 (LYSE09)	500 000	3-month NIBOR + 0.82%
Year 2017-2023 (LYSE10G)	500 000	3-month NIBOR + 0.81%
Year 2017-2032 (LYSE12)	600 000	Fixed rate 2.96%
Year 2017-2029 (LYSE14)	600 000	Fixed rate 3.075%
Year 2017-2022 (LYSE15)	150 000	Fixed rate 1.98%
Year 2019-2024 (LYSE17)	225 000	3-month NIBOR + 0.87%
Year 2020-2025 (Lyse18 PRO)	300 000	3-month NIBOR + 0.54%
Year 2020-2026 (Lyse19 PRO)	600 000	fixed rate 1.78%
Year 2020-2025 (Lyse20 PRO)	600 000	3-month NIBOR + 0.80%
Year 2020-2024 (Lyse21 PRO)	500 000	3-month NIBOR + 0.60%
Year 2020-2027 (Lyse22 ESG)	750 000	3-month NIBOR + 0.69%
Year 2020-2028 (Lyse23 ESG)	500 000	fixed rate 1.73%
<b>Total Lyse AS</b>	<b>9 495 000</b>	
Years 2011-2021	350 000	fixed rate 6.04%
<b>Total Jørpeland Kraft AS</b>	<b>350 000</b>	
<b>Total Lyse Group</b>	<b>9 845 000</b>	

**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. Subordinated loan is a financial obligation, measured at amortised cost.

As at 31 December 2020, the Lyse Group has NOK 1 200 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 23.

**CURRENCY LOANS IN EUR AS AT 31 DECEMBER 2020**

	EUR amounts	Interest	Instalment
Year 2015-2030	102 027	Fixed interest-rate 0.29%	Half-yearly fixed from 2020 to due date
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
<b>Total Lyse AS</b>	<b>252 027</b>		

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, 8 and 24.

**INSTALMENT PROFILE LONG-TERM AND SHORT-TERM LOANS**

Year	2021	2021	2022	2023	2024	Thereafter	Sum
Amount	1 273 104	1 588 010	1 595 283	3 170 283	1 837 447	7 611 560	<b>17 075 688</b>

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

	2019	Cash flows	No cash flow effects			2020
			Currency adjustments	Fair value adjustments	Other Changes	
Long-term interest-bearing loan	13 797 776	1 844 771	160 036	0	0	15 802 583
Short-term interest-bearing loan	1 235 590	31 000	6 514	0	0	1 273 104
Interest swap agreements cash flow hedging	-8 487	0	0	36 581	0	28 094
Interest swap agreements fair value hedging	0	0	0	0	0	0
Financial leases	790 552	0	0	0	-110 428	680 124
<b>Total liabilities of financing activities</b>	<b>15 815 431</b>	<b>1 875 771</b>	<b>166 550</b>	<b>36 581</b>	<b>-110 428</b>	<b>17 783 905</b>

## 26 Other liabilities

	Note	2020	2019
Asset retirement and protect obligation		17 748	10 950
Physical free power		7 533	7 533
Compensation power		30 580	30 580
<b>Total long-term provisions</b>		<b>55 861</b>	<b>49 063</b>
Free power liabilities		861 060	861 060
Monetary compensation		31 454	31 454
Leasing liabilities	30	680 124	790 552
Other non-current liabilities		92 768	74 570
Deferred revenue	2	586 308	485 042
<b>Total other non-current liabilities</b>		<b>2 251 714</b>	<b>2 242 678</b>

### Asset retirement obligation

Lyse have a commitment related to the Oltedal power plant external restoration as the building is designated as protected. In 2020 there was a provision accrued of NOK 10 million for restoration of the building. Lyse additionally have a removal obligation of NOK 3.7 million related to a refuelling station and district heating plants.

### Physical free power and compensation power

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

### Monetary compensation

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

## Free power liabilities

The Lyse Group has entered into perpetual agreements to supply 81.1 GWh of free power. The contracts stipulate requirements for physical supply. The contracts are classified as contracts for the sale of non-financial items.

The settlement terms in the contracts were changed from financial to physical as of 1 January 2008. The fair value of the contracts at the time was set to the new cost price of the liabilities associated with future delivery of power entitlements. A reduction in the liability is recognised as sales income. Correspondingly the liability will increase due to the effect this has on the discounting rate. The increase in liabilities is classified as a financial cost. An annual income recognition and an annual interest cost of NOK 40.4 million is calculated. This is based on the fair value of the obligation at the time of changing the settlement terms for the contracts.

## Leasing liabilities

Please see note 2 and 30 for further information.

## Deferred income

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

## Off-balance sheet commitments

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

	2020	2019
Tangible fixed assets	251 590	190 783
<b>TOTAL</b>	<b>251 590</b>	<b>190 783</b>



## 27 Current liabilities

### ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	Note	2020	2019
Accounts payable		1 057 640	689 983
Accounts payable from related parties	20	18 354	59 237
Other current liabilities		1 087 054	1 051 893
Deferred revenue	2	15 977	22 531
Public duties payable		635 464	600 510
<b>Total accounts payable and other current liabilities</b>		<b>2 814 489</b>	<b>2 424 154</b>

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

### PROVISIONS

	2020	2019
Balance as at 1 January	15 000	30 500
Movement during the year	-5 000	-15 500
<b>Balance as at 31 December</b>	<b>10 000</b>	<b>15 000</b>

Provisions are only recognised when there is an existing obligation as a result of a past event, and when it is more than 50% probable that an obligation has arisen. It must also be possible to reliably measure the provision. Provisions are recognised with an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date.

## 28 Share capital and premium reserve

	Number of shares	Ordinary shares	Premium reserve	TOTAL
As at 1 January 2020	1 008 983	1 008 983	266 609	1 275 592
Changes in share capital and premium reserve during the period	0	0	0	0
<b>As at 31 December 2020</b>	<b>1 008 983</b>	<b>1 008 983</b>	<b>266 609</b>	<b>1 275 592</b>

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.

As of the 1<sup>st</sup> of January 2020 Stavanger kommune has merged with Rennesøy and Finnøy kommune. The number of shares and voting rights is updated to reflect this. Stavanger kommunes ownership share as of 1. January 2020 is changed to: 461 459 shares, 45.74% ownership and 45.74% voting rights. The table below shows the ownership distribution as of 31 December 2020.

Ownership interest	Number of shares	Ownership interest	Voting shares
<b>Shareholding municipalities:</b>			
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%
<b>Total number of shares</b>	<b>1 008 983</b>	<b>100,00%</b>	<b>100,00%</b>

## 29

## 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 than 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.

In conjunction with the power plant developments, Jørpeland Kraft AS has taken out a debenture loan of NOK 350 million. Jørpeland Kraft AS is 66.7% owned by Lyse Produksjon AS. The power plant has been pledged as security. Total value of assets pledged as security recognised in the balance sheet is NOK 570 million as at 31 December 2020.

## SECURITY PLEDGED AS AT 31 DECEMBER 2020

<i>Numbers in NOK millions</i>	
<b>Limits for guarantee pledges according to loan agreements:</b>	<b>7 646</b>
<b>Security pledged</b>	
Unconditional guarantee	15
Parent company guarantee	5
<b>Assets pledged as security</b>	
Power stations in Jørpeland Kraft	350
<b>Total security pledged</b>	<b>370</b>
<b>Unused limit security pledged</b>	<b>7 277</b>
<b>Limits for pledges partly-owned companies</b>	<b>500</b>
Unconditional guarantee	10
<b>Unused limit pledge partly-owned companies</b>	<b>490</b>
<b>OTHER GUARANTEE AGREEMENTS</b>	
<b>Tax deduction guarantee (social securities)</b>	<b>50</b>

## 30

## IFRS 16 Leases

Lyse implemented IFRS 16 with effective date 1 January 2019. The standard regulates the accounting of leases. IFRS 16 supersedes IAS 17 Leases. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is only applicable for Lyse as lessee. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. 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 to make payments on the lease contract, and a corresponding asset representing the right to use the asset ("right-of-use asset").

The lessee has to 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 and machines. The accounting principles is discussed in more detail in section 2.20.

The effect of the implementation on the various accounting line items is presented in the tables below:

## Right of use assets 2020

<i>(In NOK thousands)</i>	Offices and other property	Telecom equipment, fibre and line lease	Operating movable property	Total
<b>Carrying value 1 January 2020 *</b>	<b>88 561</b>	<b>820 529</b>	<b>7 300</b>	<b>916 389</b>
Additions	32 565	256 201	2 465	<b>291 232</b>
Depreciations	-25 667	-103 614	-8 746	<b>-138 027</b>
Disposals	0	-188 933	0	<b>-188 933</b>
Remeasurement and other changes	4 506	78 495	1 450	<b>84 451</b>
<b>Carrying value 31 December 2020 *</b>	<b>99 965</b>	<b>862 678</b>	<b>2 469</b>	<b>965 112</b>

\* The carrying value as of 1 January 2020 is related to financial leases

## Right of use assets 2019

<i>(In NOK thousands)</i>	Offices and other property	Telecom equipment, fibre and line lease	Operating movable property	Total
<b>Carrying value 1 January 2019 *</b>	<b>0</b>	<b>282 364</b>	<b>0</b>	<b>282 364</b>
Implementation effect IFRS 16	101 971	645 433	1 806	<b>749 210</b>
Additions	0	110 899	6 554	<b>117 453</b>
Additions from acquisitions	7 057	3 200	443	<b>10 700</b>
Depreciations	-21 257	-97 948	-1 106	<b>-120 311</b>
Disposals	0	-30 982	0	<b>-30 982</b>
Divestments subsidiary	0	-89 432	0	<b>-89 432</b>
Remeasurement and other changes	789	-3 005	-397	<b>-2 614</b>
<b>Carrying value 31 December 2019</b>	<b>88 561</b>	<b>820 529</b>	<b>7 300</b>	<b>916 389</b>

## Amount recognised in the income statement

<i>(In NOK thousands)</i>	<b>31.12.20</b>	<b>31.12.19</b>
Depreciation right of use assets	138 027	120 311
Interest cost lease commitments	52 499	26 255
Expenses related to short term lease agreements and lease agreements with low value	34 802	16 276
<b>Sum</b>	<b>225 329</b>	<b>162 841</b>

### Amount recognised in the statement of cash flows

Cash payment for the principal of the lease obligation	300 374	122 685
Cash payment for the principal of the lease obligation	51 179	25 203
<b>Total cash payment for lease liabilities</b>	<b>351 554</b>	<b>147 888</b>

### Leasing liabilities

Current leasing liabilities	167 870	143 773
Non-current leasing liabilities	680 124	790 552
<b>Total leasing liabilities</b>	<b>847 994</b>	<b>934 325</b>

### Maturity plan leasing liabilities - undiscounted contractual cash flows

Less than 1 year	171 649	145 476
1-2 years	154 212	142 331
2-3 years	142 714	129 520
3-4 years	115 889	123 480
4-5 years	98 737	113 587
More than 5 years	344 717	576 631
<b>Total undiscounted leasing liabilities 31 December 2019</b>	<b>1 027 918</b>	<b>1 231 025</b>

### Future cash flows that is 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 standardized 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. There is one exception for the lease agreement for Lyse Elnett lease of storage space. Lyse Elnett have made investments in the building so that it is considered likely that the options will be exercised, and when measuring the right of use it is assumed that the options are exercised so that the agreement is valid until 31.12.2030. The value of the right of use of this property is NOK 46 million at 31.12.2020.

#### Telecommunication equipment, fiber 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.

## 31 External auditor's fees

Ernst & Young AS has been the auditor of the Lyse Group since the financial year of 2015, and audits all subsidiaries subject to audit.. Total fees (excl. VAT) recognised as costs for the Group's auditor for auditing and other services were as follows:

### EXPENSED REMUNERATION FEES - STATUTORY AUDITOR

	2020	2019
Statutory auditing	3 195	3 054
Other attestation services	573	194
Tax advice services	0	0
Other services	107	283
<b>Total fees</b>	<b>3 875</b>	<b>3 531</b>



## Remuneration to executive management and the Board of Directors

### REMUNERATION TO EXECUTIVE MANAGEMENT AND THE BOARD OF DIRECTORS

Name	Position	Note	Salary / Remuneration	Benefits in kind and other taxable remuneration	Pension costs	Total remuneration
Eimund Nygaard	Managing director/ Group CEO		2 901	162	578	3 641
Eirik Børve Monsen	Executive Vice President, Economics and Finance		1 851	133	288	2 272
Leiv Ingve Ørke	Executive Vice President, Energy		1 920	134	323	2 378
Toril Nag	Executive Vice President, Telecommunications		1 930	152	328	2 409
Grethe Høiland	Executive Vice President, Marketing and Power grid		1 797	137	569	2 503
Jens Arne Steinsbø	Executive Vice President Strategy og Technology	1	1 458	121	217	1 796
Gyrid Holmen	Executive Vice President, HR		1 400	261	243	1 905
Ove Otterbech Jølbo	Executive Vice President, Communications	2	1 759	114	554	2 427
Harald Espedal	Chairman of the Board		234	0	0	234
Stine Rolstad Brenna	Deputy Chair (from 29.04.2020)	3	193	0	0	193
Svein Ingvar Gjedrem	Board member		142	0	0	142
Jonas Skrettingland	Board member (from 29.04.2020)		17	0	0	17
Kate Torunn Hidle	Board member (from 29.04.2020)		17	0	0	17
Irene Grasveit	Board member (from 29.04.2020)		17	0	0	17
Kristine Enger	Deputy Chair (until 29.04.2020)		118	0	0	118
Pål Morten Borgli	Board member (until 29.04.2020)		100	0	0	100
Sissel Knutsen Hegdal	Board member (until 29.04.2020)		104	0	0	104
Arne Malvin Sele	Employee representative		137	0	0	137
Karen Ommundsen	Employee representative (from 29.04.2020)		17	0	0	17
Marie Folstad	Employee representative (until 29.04.2020)		84	0	0	84

1) Jens Arne Steinsbø entered the executive management 17.02.2020

2) Ove Otterbech Jølbo left the executive management 17.02.2020

3) Stine Rolstad Brenna has been part of the board of directors throughout 2020 and was elected as deputy chair 29.04.2020

Pension costs for the executive management team and officers are included in the Group's general collective pension scheme. Except as noted below, no one on the executive management team or the Board is entitled to salary/remuneration after the end of the employment relationship/assignment. A remuneration committee prepares recommendations for the Board's consideration concerning the salary of the CEO and establishes guidelines for bonuses for executive personnel. 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.

Executive management are 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.

The chair of the corporate assembly is paid NOK 98 833. Each representative is also paid NOK 2 600 per meeting.

## 33 Companies included in the consolidation

Company name	Note	Segment	Business office	Owned directly by parent company	Owned by the Group as a whole	Share owned of non-controlling ownership interests
Lyse Produksjon AS		Energy	Stavanger	100%	100%	
Lyse Energisalg AS		Energy	Stavanger	100%	100%	
Lyse Neo AS		Energy	Stavanger	100%	100%	
Smartly AS		Energy	Stavanger	100%	100%	
SEdevices AS	(1)	Energy	Stavanger		100%	
Jørpeland Kraft AS		Energy	Stavanger		67%	33%
Lyse Kraft DA		Energy	Stavanger		74%	26%
RSK Holding AS		Energy	Oslo		100%	
Røldal Suldal Kraft AS		Energy	Nesflaten		91%	
Lyse Elnett AS		Power Grid	Sandnes	100%	100%	
Altibox AS		Telecommunications	Stavanger	100%	100%	
Altibox Danmark A/S		Telecommunications	Skanderborg, Danmark	100%	100%	
Signal Bredbånd AS		Telecommunications	Bodø		100%	
Lyse Fiberinvest AS		Telecommunications	Stavanger	100%	100%	
Lyse Fiber AS		Telecommunications	Stavanger		100%	
Innlandet Fiber AS	(2)	Telecommunications	Hamar		100%	
Nornett AS	(3)	Telecommunications	Alta		100%	
Viken Fiber Holding AS		Telecommunications	Drammen		65%	35%
Viken Fiber AS		Telecommunications	Drammen		65%	35%
Altibox Fiber Assets AS		Telecommunications	Stavanger		100%	
Skagenfiber AS		Telecommunications	Stavanger		100%	
Nordvest Fiber AS	(4)	Telecommunications	Ålesund		50%	
Tveco.net AS		Telecommunications	Skedsmokorset		100%	
Senjanett AS	(5)	Telecommunications	Silsand		100%	
Herøy Fiber AS	(5)	Telecommunications	Herøy		100%	
Lyse Dialog AS		Other	Stavanger	100%	100%	
Lyse Eiendom Mariero AS		Other	Stavanger	100%	100%	
Lyse Eiendom Jørpeland AS		Other	Stavanger	100%	100%	
Lyse Eiendom Ullandhaug AS		Other	Stavanger	100%	100%	
Lyse Lux AS		Other	Stavanger	100%	100%	
Lyse Energi AS		Other	Stavanger	100%	100%	
Lyse Kraft AS		Other	Stavanger	100%	100%	
Lyse AS		Other	Stavanger		Parent	

### Note

- (1) Company deleted 11.07.2020
- (2) Company deleted 12.11.2020
- (3) Company deleted 01.08.2020 after merger with Signal Bredbånd AS
- (4) Nordvest Fiber AS (formerly Stayon AS) included in the consolidated statement for the period 2019 (01.01.2019-03.05.2019)
- (5) Senjanett AS and Herøy Fiber AS merged with Signal Bredbånd 12.01.2021



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

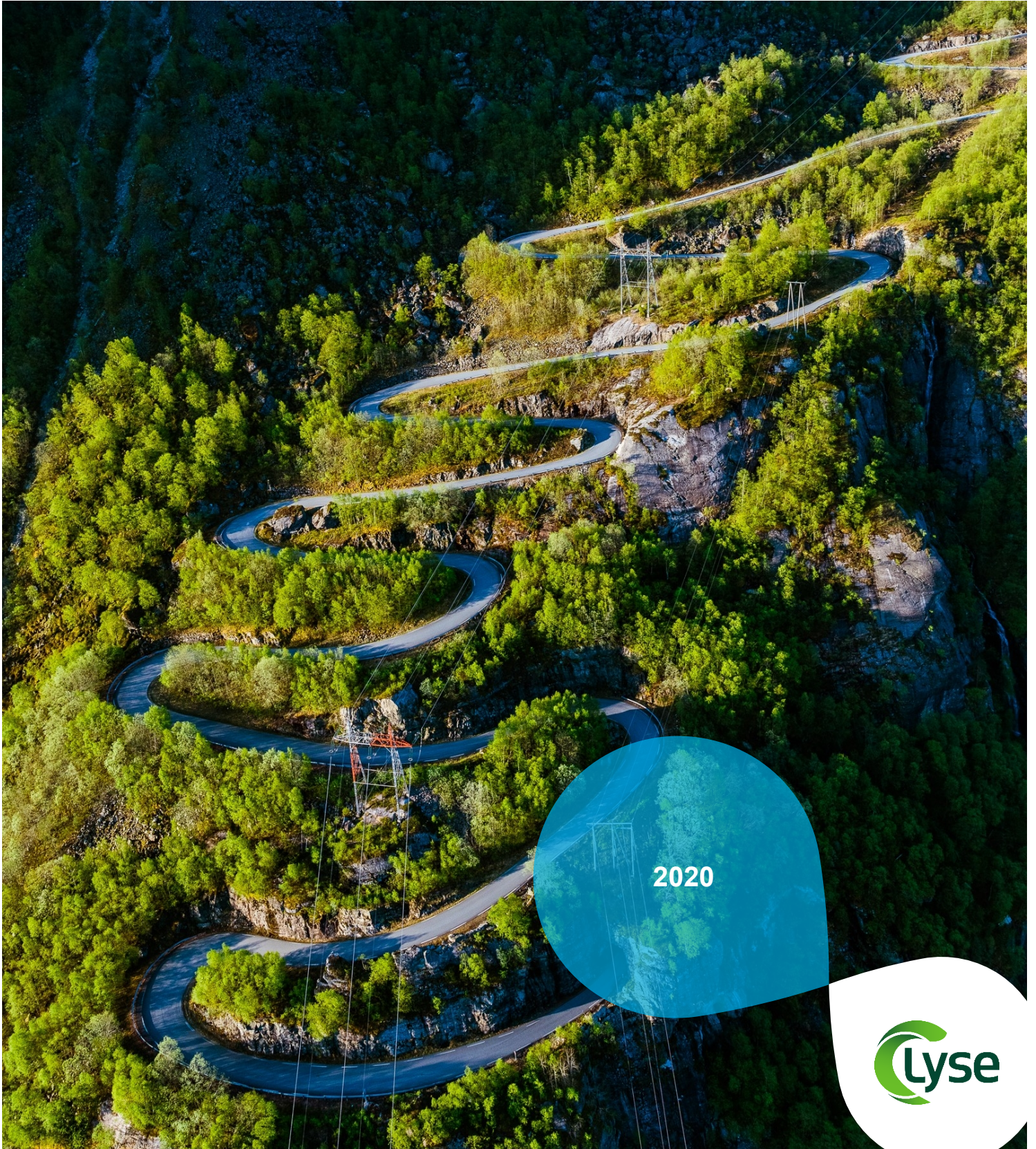
Further information on changes in what companies are included in the consolidation can be found in notes 4 and 19.

## 34 Subsequent events

The group monitors the development of the coronavirus (COVID-19) and continuously assesses potential consequences for the group's employees and operations. Our handling of the corona situation has prioritized care for our employees and operations in line with advice from Norwegian Directorate of Health. At the same time, stable operations and deliveries are a priority task. The group has maintained stable operations through 2020 and the necessary measures to ensure this in the situation we are now experiencing have been established. The pandemic has caused a global economic downturn. Our assessment is that the ripple effects of the coronavirus had a limited financial impact on the group. The Lyse group is solid with a significant liquidity buffer in cash and unused credit facilities. The biggest non-financial consequences have been extensive use of home offices in addition to measures to ensure the health and safety of those who must be at the workplace. Risk-reducing measures have been implemented and further measures are being assessed continuously.

# Financial Statement

# Lyse AS



2020



## Key figures Lyse AS

			2020	Restated 2019
<b>Operations</b>				
Operating revenues		NOK mill.	261	270
Operating profit		NOK mill.	-130	-147
Profit before tax		NOK mill.	347	602
Profit for the period		NOK mill.	270	491
<b>Return on capital</b>				
Net operating margin	(1)	%	-50%	-54%
Total return on capital	(2)	%	3%	5%
Return on equity	(3)	%	5%	8%
<b>Balance sheet</b>				
Total capital		NOK mill.	21 853	20 194
Equity		NOK mill.	6 079	6 451
Capital employed	(4)	NOK mill.	20 448	19 035
Equity ratio	(5)	%	36%	41%
Interest-bearing liabilities		NOK mill.	14 369	12 584
<b>Liquidity</b>				
Liquidity reserve	(6)	NOK mill.	5 062	5 974
Cash flow from operations	(7)	NOK mill.	-312	-498
<b>Investments in tangible fixed assets</b>				
		NOK mill.	79	32
<b>No. of full-time equivalents</b>				
			122	114

**Definitions:**

- (1) Net-operating margin
- (2) Total return on capital
- (3) Return on equity
- (4) Capital employed
- (5) Equity ratio
- (6) Liquidity reserve
- (7) Cash flow from operations

- Operating profit and loss as a % of operating income
- Operating profit and loss + financial income as a % of average total capital
- Profit for the year as a % of average equity
- Equity + interest-bearing liabilities
- Total equity + any subordinated shareholders' loans/total capital
- Distributable means of payments + unused drawing rights/limits
- Distributable means of payments + unused drawing rights/limits

## Statement of profit and loss

(Amounts in NOK 1000)	Note	IFRS 2020	Restated IFRS 2019
<b>Operating revenues</b>			
Other operational revenue	3	261 034	269 828
<b>Total operating revenues</b>		<b>261 034</b>	<b>269 828</b>
<b>Operating costs</b>			
Payroll costs	4	152 204	158 567
Depreciation	5, 18	16 365	22 940
Impairment	5	6 219	7 792
Other operating costs	4, 6	216 072	227 515
<b>Total operating costs</b>		<b>390 860</b>	<b>416 815</b>
<b>Operating profit</b>		<b>-129 827</b>	<b>-146 987</b>
<b>Financial income and financial expenses</b>			
Income from investments in subsidiaries	7	595 263	802 059
Other financial income	7	244 297	331 676
Impairment of financial fixed assets	8	188	1 083
Other financial expenses	8,18	362 550	383 363
<b>Net financial profit and loss</b>		<b>476 822</b>	<b>749 289</b>
<b>Profit and loss before tax</b>		<b>346 995</b>	<b>602 301</b>
Tax expense	9	76 647	111 196
<b>Profit for the year</b>		<b>270 348</b>	<b>491 105</b>

## Statement of comprehensive income

(Amounts in NOK 1000)	Note	IFRS 2020	Restated IFRS 2019
<b>Profit for the year</b>		<b>270 348</b>	<b>491 105</b>
<b>Items that will not recycle over profit and loss in future periods</b>			
Other pension effects	16	-12 516	2 308
<b>Items that will recycle over profit and loss in future periods</b>			
Cash flow hedging, currency forward contracts	14	-29 525	6 037
<b>Statement of comprehensive income for the period</b>		<b>-42 041</b>	<b>8 345</b>
<b>Total comprehensive income for the period</b>		<b>228 307</b>	<b>499 450</b>

# Statement of financial position as at 31 December

## FIXED ASSETS

<i>(Amounts in NOK 1 000)</i>	Note	31.12.2020	Restated 31.12.2019	Restated 01.01.2019
<b>Intangible assets</b>				
Deferred tax assets	9	15 446	2 872	1 503
<b>Total intangible assets</b>		<b>15 446</b>	<b>2 872</b>	<b>1 503</b>
<b>Tangible fixed assets</b>				
Buildings and assets under construction	5	103 588	31 940	31 331
Machinery and equipment	5	22 290	36 794	32 056
Right of use leasing	18	45 197	49 957	53 173
<b>Total tangible fixed assets</b>		<b>171 076</b>	<b>118 691</b>	<b>116 559</b>
<b>Financial fixed assets</b>				
Investments in subsidiaries	10	4 456 933	4 426 483	3 816 273
Other investments	11	60 113	34 826	20 138
Other receivables	12, 14	10 598 145	8 457 150	7 948 481
Derivatives	14, 15	0	9 207	5 219
<b>Total financial fixed assets</b>		<b>15 115 191</b>	<b>12 927 666</b>	<b>11 790 111</b>
<b>Total non-current assets</b>		<b>15 301 713</b>	<b>13 049 228</b>	<b>11 908 173</b>

## CURRENT ASSETS

<b>Receivables</b>				
Trade receivables	12	10 885	15 279	19 847
Group contributions receivable	12	595 263	802 059	1 592 625
Other receivables	12	2 683 614	2 153 641	2 751 332
Derivatives	14, 15	0	73	433
<b>Total receivables</b>		<b>3 289 762</b>	<b>2 971 052</b>	<b>4 364 237</b>
<b>Investments</b>				
Short-term financial investments	13, 19	279 000	639 760	740 316
<b>Total investments</b>		<b>279 000</b>	<b>639 760</b>	<b>740 316</b>
Bank deposits, cash and cash equivalents	13	2 982 736	3 534 239	3 782 267
<b>Total current assets</b>		<b>6 551 498</b>	<b>7 145 051</b>	<b>8 886 820</b>
<b>Total assets</b>		<b>21 853 211</b>	<b>20 194 279</b>	<b>20 794 993</b>

## EQUITY

<i>(Amounts in NOK 1000)</i>	Note	31.12.2020	Restated 31.12.2019	Restated 01.01.2019
<b>Paid-in capital</b>				
Share capital	22	1 008 983	1 008 983	1 008 983
Additional paid-in capital		266 608	266 608	266 608
<b>Total paid-in capital</b>		<b>1 275 591</b>	<b>1 275 591</b>	<b>1 275 591</b>
<b>Retained earnings</b>				
Retained earnings and other equity		4 803 407	5 175 157	5 225 707
<b>Total retained earnings</b>		<b>4 803 407</b>	<b>5 175 157</b>	<b>5 225 707</b>
<b>Total equity</b>		<b>6 078 998</b>	<b>6 450 748</b>	<b>6 501 298</b>

## LIABILITIES

<b>Provisions</b>				
Pension liabilities	16	49 741	35 262	35 698
<b>Total provisions</b>		<b>49 741</b>	<b>35 262</b>	<b>35 698</b>
<b>Other non-current liabilities</b>				
Subordinated loans	17	1 700 000	1 800 000	1 900 000
Bond loans	17	8 850 000	6 650 000	6 290 000
Liabilities to financial institutions	17	2 919 075	2 921 395	3 195 795
Long-term leasing obligation	18	40 602	45 570	48 304
Derivatives	14, 15	26 475	283	5 799
<b>Total other non-current liabilities</b>		<b>13 536 152</b>	<b>11 417 248</b>	<b>11 439 898</b>
<b>Total non-current liabilities</b>		<b>13 585 893</b>	<b>11 452 510</b>	<b>11 475 595</b>
<b>Current liabilities</b>				
Liabilities to financial institutions	17	900 175	1 212 660	736 727
Short-term leasing obligation	18	5 989	5 085	4 869
Accounts payable	12	53 457	43 666	38 638
Tax payable	9	77 350	115 336	289 337
Public duties payable		10 184	10 008	8 535
Derivatives	14, 15	1 619	1 627	3 298
Other current liabilities	12	1 139 547	902 637	1 736 696
<b>Total current liabilities</b>		<b>2 188 320</b>	<b>2 291 020</b>	<b>2 818 100</b>
<b>Total liabilities</b>		<b>15 774 213</b>	<b>13 743 530</b>	<b>14 293 695</b>
<b>Total equity and liabilities</b>		<b>21 853 211</b>	<b>20 194 279</b>	<b>20 794 993</b>

Stavanger, March 25<sup>st</sup> 2021



Harald Espedal  
Chairman of the Board



Stine Rolstad Brenna  
Deputy Chair



Kate Hilde  
Board member



Jonas Skrettingland  
Board member



Svein Gjedrem  
Board member



Irene Grastveit  
Board member



Arne Sele  
Board member



Karen Ommundsen  
Board member



Eimund Nygaard  
Managing Director/CEO

## Statement of cash flows

<i>(Amounts in NOK 1000)</i>	2020	Restated 2019
Ordinary profit and loss before tax	346 995	602 301
Ordinary depreciation	16 365	22 940
Impairment tangible fixed assets	6 219	7 792
Group contributions recognized as income	-595 263	-802 059
Gains / losses from sales of plant and machinery	0	-378
Pension cost without cash effect	1 956	1 923
Impairment of shares	188	1 083
Change in accounts receivables and other current receivables	-1 437 608	-129 951
Change in accounts payable and other current liabilities	246 877	-827 559
Of which change in corporate account*	1 220 030	923 656
Change in other items without cash effect	-2 093	-8 498
<b>Net cash flow from operational activities</b>	<b>-196 334</b>	<b>-208 750</b>
Tax paid	-115 336	-289 337
<b>Net cash flow from operations</b>	<b>-311 670</b>	<b>-498 087</b>
Receipts from sale of tangible fixed assets	11 806	1 360
Payments on purchase of tangible fixed assets	-79 461	-32 370
Receipts from sale of financial fixed assets	0	4 351
Payments on purchase of financial fixed assets	-25 287	-10 718
Net receipts – loans from subsidiaries	-1 051 114	205 062
Payments to investments in subsidiary	-30 450	-610 210
Payments from short-term financial investments	360 000	102 000
Payments - loans for investments	0	-24 700
<b>Net cash flow from investing activities</b>	<b>-814 506</b>	<b>-342 996</b>
Receipts from new long-term borrowings	3 250 000	902 812
Repayment of non-current liabilities	-1 657 356	-428 727
Change in corporate accounts*	-1 220 030	-923 656
Dividends paid to company shareholders	-600 000	-550 000
Receipts of group contributions	802 059	1 592 625
<b>Net cash flow from financing activities</b>	<b>574 673</b>	<b>593 053</b>
Net change in cash and cash equivalents	-551 503	-248 029
Cash and cash equivalents as at 1 January	3 534 238	3 782 268
Current financial assets	279 000	639 000
<b>Cash and cash equivalents as at 31 December</b>	<b>3 261 735</b>	<b>4 173 238</b>



# Statement of changes in equity

## STATEMENT OF CHANGES IN EQUITY 2019

<i>(Amounts in NOK 1000)</i>	Share capital	Premium reserve	Other reserves - not recognized	Other equity	Total equity
<b>Equity 1 January 2019 (restated IFRS)</b>	<b>1 008 983</b>	<b>266 608</b>	<b>11 403</b>	<b>5 214 304</b>	<b>6 501 298</b>
Profit for the year	0	0	0	491 105	491 105
<b>Statement of other comprehensive income</b>					
Other pension effects	0	0	2 308	0	2 308
Cash flow hedging	0	0	6 037	0	6 037
<b>Comprehensive income after tax</b>	<b>0</b>	<b>0</b>	<b>8 345</b>	<b>491 105</b>	<b>499 450</b>
Dividends	0	0	0	-550 000	-550 000
<b>Equity 31 December 2019 (restated IFRS)</b>	<b>1 008 983</b>	<b>266 608</b>	<b>19 748</b>	<b>5 155 409</b>	<b>6 450 748</b>

## STATEMENT OF CHANGES IN EQUITY 2020

<i>(Amounts in NOK 1000)</i>	Share capital	Premium reserve	Other reserves - not recognized	Other equity	Total equity
<b>Equity 1 January 2020 (restated IFRS)</b>	<b>1 008 983</b>	<b>266 608</b>	<b>19 748</b>	<b>5 155 409</b>	<b>6 450 748</b>
Profit for the year	0	0	0	270 348	270 348
<b>Statement of other comprehensive income</b>					
Other pension effects	0	0	-12 516	0	-12 516
Cash flow hedging	0	0	-29 525	0	-29 525
<b>Comprehensive income after tax</b>	<b>0</b>	<b>0</b>	<b>-42 041</b>	<b>270 348</b>	<b>228 307</b>
Dividends	0	0	0	-600 000	-600 000
Other changes recorded directly against equity	0	0	-58	0	-58
<b>Equity 31 December 2020</b>	<b>1 008 983</b>	<b>266 608</b>	<b>-22 351</b>	<b>4 825 757</b>	<b>6 078 997</b>

# Notes to the financial statements

## 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 (2014) 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 transitioned from Norwegian accounting rules to simplified IFRS from and including 2020 and has deviated from IFRS IAS 10 no. 12 and 13 so that group contributions are accounted for in accordance with the provisions of the Accounting Act. In other respect, the recognition and assessment rules are in accordance with IFRS.

The comparative figures and opening balance sheets as of 01.01.2019 have been restated to simplified IFRS. See note 2 for transition effects

### 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 recognized in the period in which the changes occur. If the changes also apply to future periods, the effect is distributed over current and future periods.

### Assessments:

In preparing the financial statement, the management has made some significant assessments based on critical judgement related to the application of the accounting principles.

Estimates and discretionary assessments are evaluated on an ongoing basis and are based, among other things, on historical experience as well as expectations of future events. As a result, applied accounting estimates may deviate from the financial outcome, and thus, lead to a significant correction of book values in the accounts when they occur. Estimates and assumptions used for significant capitalized 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. 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 not recognized 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 recognized in the income statement on an ongoing basis during the accounting period under other financial items.

### Operating revenue from contracts with customers

The company's revenue stream is mainly derived from providing support services to the group companies. Operating revenue from contracts with customers are recognized 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, returned items, discounts and reductions. Sales are entered into the income statement once revenue can be measured reliably, it is probable that the financial benefits linked to the transaction will flow to the company and special criteria linked to the forms of sale have been fulfilled.

#### Tax

The tax expense consists of tax payable and change in deferred tax. Deferred tax liabilities and assets are calculated on the basis of temporary differences that exist between accounting and tax values, as well as tax losses carried forward at the end of the financial year.

A deferred tax asset is recognized when it is probable that the company will have sufficient taxable profits in later periods to utilize the tax benefit. The company recognizes previously unrecognized deferred tax asset to the extent that it has become probable that the company can utilize the deferred tax asset. Likewise, the company reduce its deferred tax asset to the extent that the company no longer consider it probable that it can utilize the deferred tax asset

Deferred tax liabilities and assets are measured based on the expected future tax rate for the company were temporary differences has arisen. Deferred tax liabilities and assets are measured at nominal value and classified as long-term liabilities (fixed assets) in the balance sheet. Tax payable and assets or liabilities in the event of deferred tax are recognized directly in the equity to the extent that the tax items relate to items recognized directly in the equity.

### Classification of balance sheet items

Assets are classified as current assets when the company expects to realize the asset or intends to sell or consume in the company's ordinary operating cycle. Furthermore, assets that are primary held for trading, or are expected to be realized within twelve months after the reporting period, are also regarded 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 it 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 circle, held for trading, or if the liability falls due for settlement 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 long-term.

### Tangible non-current assets

Tangible non-current assets are accounted for at acquisition cost or manufacturing cost, less depreciation. Acquisition cost includes cost directly related to the acquisition of the fixed asset. Manufacturing costs include direct and indirect costs attributable to the fixed assets. Borrowing costs incurred during the manufacture of tangible non-current assets are capitalized until the asset is ready for its intended use.

Maintenance expenses that generate future financial benefits are recognized in the balance sheet as long as the criteria for capitalization are met. Discretionary assessments are made in relation to whether the expense is capitalized or recognized in the income statement. Key factors in the assessment are whether the expenses will have future financial benefits and can be measured reliably. Ongoing maintenance is expensed.

Property, plant and equipment are depreciated over their expected useful lives. This forms the basis for annual depreciation in the income statement. Expected useful life is estimated on the basis of experience, history and discretionary assessments related to future use. Changes are made to the depreciation plans if changes occur in these estimates.

Land are 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	3-12 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 recognized 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 the individual receivables.

## Pensions

The company has defined benefit pension plans and defined contribution plans.

### Defined benefit scheme

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

Gains and losses that occur when the liability is recalculated according to experience adjustments and changes in actuarial assumptions are recorded against equity via other comprehensive income during the period in which they occur. The effects of changes in the plan's benefits are recognised in the income statement immediately. Pension costs and net interest costs for the period are recognised as payroll costs and financial costs, respectively. The joint pension scheme is a multi-employer arrangement, i.e. the technical insurance risk is shared between all enterprises participating in the scheme. The financial and actuarial assumptions on which the calculation of net pension liabilities is based are therefore based on assumptions that are representative for the entire collective. Lyse is in a collective with other companies that have closed plans. The scheme is accounted for as a defined benefit scheme.

### AFP scheme in the public sector

Employees with defined benefit pension plan are covered by the public AFP scheme. The present value of the pension liabilities is assessed based on a best estimate, together with the defined benefit scheme and equal assumptions.

### Defined contribution scheme

A defined contribution plan is a pension scheme in which the company pays a fixed contribution to a separate legal entity. The company has no legal or any other obligation to pay further contributions if the legal entity does not have sufficient funds to pay all employee benefits linked to accruals in current and previous periods. In the case of defined contribution plans, the company pays a contribution to publicly or privately managed insurance company pension plans on a mandatory, contractual or voluntary basis. The company has no further payment liabilities once the contributions have been paid. The contributions are recorded as a payroll cost when they are due. Pre-paid contributions are recorded as an asset if the contribution can be refunded or can reduce future payments.

### AFP scheme in the private sector

Employees covered by the defined contribution pension plan are also covered by the AFP scheme in the private sector. The scheme is a defined benefit multi-employer scheme compliant with the standards set by the Norwegian Confederation of Trade Unions (LO)/Confederation of Norwegian Enterprises (NHO). The company has a real financial obligation connected

to the AFP scheme. However, the information available is not sufficient to recognise a liability in the annual financial statements for 2020. This means that in accordance with IAS 19 no liability for the AFP scheme is recognised as at 31 December 2020.

## Pensions funded through operations

The company has pension schemes that are funded through operations. This means that the company recognizes the cost and capitalizes 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 capitalized 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 recognizes a lease obligation and a corresponding right of use asset for all its leases, with the exception of the following exceptions applied:

- Short-term leases (lease term of 12 months or less)
- Low value assets (For these leases, the company recognizes the lease payments as other operating expenses in the income statement when they accrue)

### Rental obligations

The company measures lease obligations at the time of implementation to net present value. The lease period represents the non-cancellable period of the lease, in addition to periods covered by an option either to extend or terminate the lease if the company choose to exercise this option with reasonable certainty.

The rental payments that are included in the measurement of the rental obligation consist of:

- Fixed rent payments deducted any receivables in the form of rental incentives
- Variable rental payments that depend on an index or an interest rate, first measured using the index or the interest rate at the time of implementation

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability, reducing the carrying amount to reflect lease payments made and measuring the carrying amount again to reflect any revaluations or changes to the lease, or to reflect adjustments in lease payments that follow from adjustments in indices or rates. The company does not include variable rental payments in the rental obligation. Instead, the company recognizes these variable rental costs in the income statement.

## Rights of use assets

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

- The amount from the initial measurement of the lease obligation.
- All rental payments at or before the time of implementation, minus any rental incentives received.
- All direct expenses for entering into an agreement incurred by the company.

An estimate of the expenses incurred by the lessee for the dismantling and removal of the underlying asset, the restoration of the place where the unit is located, or the restoration of the underlying asset to the condition required by the terms of the lease.

The Company applies the depreciation requirements in IAS 16 Property, plant and equipment when depreciating the right of use assets, except that the right of use assets are depreciated from the date of implementation until what first occurs of the end of the lease term and the end of the useful life of the right of use assets.

The company applies IAS 36 "Impairment of assets" to determine whether the right of use asset has been impaired and to account for any proven impairment losses.

## Financial assets

The company's financial assets are: Derivatives, unlisted equity investments, accounts receivable and cash and cash equivalents. The classification of financial assets on initial recognition depends on the characteristics of the contractual cash flows of the asset, and which business model the company uses as a basis for the management of its financial assets.

The company has the following classification of financial assets:

- Financial instruments at fair value through profit or loss.
- Financial instruments valued at fair value through comprehensive income
- Financial assets measured at amortized 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 trading. 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 trading, unless they are part of an accounting hedge. Assets and liabilities in this category are classified as current assets / current liabilities if they are expected to be settled within 12 months, otherwise they are classified as fixed assets / long-term liabilities.

### Financial instruments valued at fair value through comprehensive income

A derivative that is designated as a hedging instrument in a cash flow hedge and that qualifies for accounting hedging is classified in this category. Hedging instruments are capitalized 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 amortized cost

The company measures financial assets at amortized 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 amortized cost is made using the effective interest method and is subject to a loss write-down. Gains and losses are recognized in profit or loss when the asset is deducted, modified or written down. The company's financial assets at amortized cost include accounts receivable and other short-term deposits. Accounts receivable are measured at the transaction price in accordance with IFRS 15 Revenue from contracts with customers.

## Financial liabilities

Financial liabilities are, on initial recognition, classified as loans and liabilities, or derivatives. Derivatives are initially recognized at fair value. Loans and liabilities are recognized at fair value adjusted for directly attributable transaction costs. Derivatives are financial liabilities when the fair value is negative and are treated in the accounts in the same way as derivatives that are assets.

## Loans and liabilities

After initial recognition, interest-bearing loans will be measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liability is deducted.

Amortized 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.

## Dividend

Dividend payments to shareholders are classified as liabilities from the time the dividend is determined at the general meeting.

## Provisions

A provision is recognized 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

## First time adoption of simplified IFRS

This is the company's first account that have been prepared in accordance with simplified IFRS in accordance with the Accounting Act § 3-9 (Regnskapsloven § 3-9). The accounting principles described in note 1 have been applied in the preparation of the company's annual accounts for 2020, for the comparative figures for 2019 and for the preparation of IFRS opening balance per. 1 January 2019, which is the company's opening balance for transition from Norwegian Accounting Principles (NGAAP) to simplified IFRS. In connection with the preparation of the IFRS opening balance sheet, the company has made some adjustments to the accounting figures in relation to what has been reported earlier in the company's annual accounts which were prepared in accordance with NGAAP. The effect of the transition from NGAAP to IFRS is explained in more detail in this note.

Transition effects are due to application of IFRS 9 and IFRS 16.

IFRS 9 applies to financial instruments where the transition effect is due to fair value recognized in financial assets and liabilities.

IFRS 16 applies to leases that have been recognized against the right of use asset and lease liability.

**FIXED ASSETS**

<i>(Amounts in NOK 1 000)</i>	<b>NGAAP 01.01.2019</b>	<b>Transition effects</b>	<b>IFRS 01.01.2019</b>
<b>Intangible assets</b>			
Deferred tax assets	1 947	-444	1 503
<b>Total intangible assets</b>	<b>1 947</b>		<b>1 503</b>
<b>Tangible fixed assets</b>			
Buildings and assets under construction	31 331		31 331
Machinery and equipment	32 056		32 056
Right of use asset	0	53 173	53 173
<b>Total tangible fixed assets</b>	<b>63 387</b>		<b>116 559</b>
<b>Financial fixed assets</b>			
Investments in subsidiaries	3 816 273		3 816 273
Other investments	20 138		20 138
Other receivables	7 745 034	203 447	7 948 481
Derivatives	0	5 219	5 219
<b>Total financial fixed assets</b>	<b>11 581 445</b>		<b>11 790 111</b>
<b>Total non-current assets</b>	<b>11 646 778</b>		<b>11 908 173</b>

**CURRENT ASSETS**

<b>Receivables</b>			
Trade receivables	16 549	3 298	19 847
Group contributions receivable	1 592 625		1 592 625
Other receivables	2 751 332		2 751 332
Derivatives	0	433	433
<b>Total receivables</b>	<b>4 360 506</b>		<b>4 364 237</b>
<b>Investments</b>			
Short-term financial investments	741 000	-684	740 316
<b>Total investments</b>	<b>741 000</b>		<b>740 316</b>
Cash and cash equivalents	3 782 267		3 782 267
<b>Total current assets</b>	<b>8 883 773</b>		<b>8 886 820</b>
<b>Total assets</b>	<b>20 530 552</b>		<b>20 794 993</b>

**EQUITY**

<i>(Amounts in NOK 1 000)</i>	<b>NGAAP 01.01.2019</b>	<b>Transition effects</b>	<b>IFRS 01.01.2019</b>
<b>Paid-in capital</b>			
Share capital	1 008 983		1 008 983
Additional paid-in capital	266 608		266 608
<b>Total paid-in capital</b>	<b>1 275 591</b>		<b>1 275 591</b>
<b>Retained earnings</b>			
Retained earnings and other equity	4 674 133	551 574	5 225 707
<b>Total retained earnings</b>	<b>4 674 133</b>		<b>5 225 707</b>
<b>Total equity</b>	<b>5 949 725</b>		<b>6 501 298</b>

**LIABILITIES**

<b>Provisions</b>			
Pension liabilities	35 698		35 698
<b>Total provisions</b>	<b>35 698</b>		<b>35 698</b>
<b>Other non-current liabilities</b>			
Subordinated loans	1 900 000		1 900 000
Bond loans	6 290 000		6 290 000
Liabilities to financial institutions	2 995 197	200 598	3 195 795
Long-term leasing obligation	0	48 304	48 304
Derivatives	0	5 799	5 799
<b>Total other non-current liabilities</b>	<b>11 185 197</b>		<b>11 439 898</b>
<b>Current liabilities</b>			
Liabilities to financial institutions	736 727		736 727
Short-term leasing obligation	0	4 869	4 869
Accounts payable	38 638		38 638
Tax payable	289 337		289 337
Public duties payable	8 535		8 535
Dividend	550 000	-550 000	0
Derivatives	0	3 298	3 298
Other current liabilities	1 736 696		1 736 696
<b>Total current liabilities</b>	<b>3 359 933</b>		<b>2 818 100</b>
<b>Total liabilities</b>	<b>14 580 828</b>		<b>14 293 696</b>
<b>Total equity and liabilities</b>	<b>20 530 553</b>		<b>20 794 994</b>

**FIXED ASSETS**

<i>(Amounts in NOK 1 000)</i>	<b>NGAAP 31.12.2019</b>	<b>Transition effects</b>	<b>IFRS 31.12.2019</b>
<b>Intangible assets</b>			
Deferred tax assets	4 863	-1 992	2 872
<b>Total intangible assets</b>	<b>4 863</b>		<b>2 872</b>
<b>Tangible fixed assets</b>			
Buildings and assets under construction	31 940		31 940
Machinery and equipment	36 794		36 794
Right of use asset	0	49 957	49 957
<b>Total tangible fixed assets</b>	<b>68 734</b>		<b>118 691</b>
<b>Financial fixed assets</b>			
Investments in subsidiaries	4 426 483		4 426 483
Other investments	34 826		34 826
Other receivables	8 284 560	172 590	8 457 150
Derivatives	0	9 207	9 207
<b>Total financial fixed assets</b>	<b>12 745 869</b>		<b>12 927 666</b>
<b>Total non-current assets</b>	<b>12 819 466</b>		<b>13 049 229</b>

**CURRENT ASSETS**

<b>Receivables</b>			
Trade receivables	13 652	1 627	15 279
Group contributions receivable	802 059		802 059
Other receivables	2 138 184	15 457	2 153 641
Derivatives	0	73	73
<b>Total receivables</b>	<b>2 953 895</b>		<b>2 971 052</b>
<b>Investments</b>			
Short-term financial investments	639 000	760	639 760
<b>Total investments</b>	<b>639 000</b>		<b>639 760</b>
Cash and cash equivalents	3 534 239		3 534 239
<b>Total current assets</b>	<b>7 127 134</b>		<b>7 145 051</b>
<b>Total assets</b>	<b>19 946 600</b>		<b>20 194 279</b>

**EQUITY**

<i>(Amounts in NOK 1 000)</i>	<b>NGAAP 31.12.2019</b>	<b>Transition effects</b>	<b>IFRS 31.12.2019</b>
<b>Paid-in capital</b>			
Share capital	1 008 983		1 008 983
Additional paid-in capital	266 608		266 608
<b>Total paid-in capital</b>	<b>1 275 591</b>		<b>1 275 591</b>
<b>Retained earnings</b>			
Retained earnings and other equity	4 568 093	607 064	5 175 157
<b>Total retained earnings</b>	<b>4 568 093</b>		<b>5 175 157</b>
<b>Total equity</b>	<b>5 843 684</b>		<b>6 450 748</b>

**LIABILITIES**

<b>Provisions</b>			
Pension liabilities	35 262		35 262
<b>Total provisions</b>	<b>35 262</b>		<b>35 262</b>
<b>Other non-current liabilities</b>			
Subordinated loans	1 800 000		1 800 000
Bond loans	6 650 000		6 650 000
Liabilities to financial institutions	2 748 805	172 590	2 921 395
Long-term leasing obligation	0	45 570	45 570
Derivatives	0	283	283
<b>Total other non-current liabilities</b>	<b>11 198 805</b>		<b>11 417 248</b>
<b>Current liabilities</b>			
Liabilities to financial institutions	1 197 203	15 457	1 212 660
Short-term leasing obligation	0	5 085	5 085
Accounts payable	43 666		43 666
Tax payable	115 336		115 336
Public duties payable	10 008		10 008
Dividend	600 000	-600 000	0
Derivatives	0	1 627	1 627
Other current liabilities	902 634	3	902 637
<b>Total current liabilities</b>	<b>2 868 847</b>		<b>2 291 020</b>
<b>Total liabilities</b>	<b>14 102 914</b>		<b>13 743 530</b>
<b>Total equity and liabilities</b>	<b>19 946 598</b>		<b>20 194 279</b>

## STATEMENT OF PROFIT AND LOSS

<i>(Amounts in NOK 1 000)</i>	<b>NGAAP 2019</b>	<b>Transition effects</b>	<b>IFRS 2019</b>
<b>Operating revenues</b>			
Other operational revenue	269 828		269 828
<b>Total operating revenues</b>	<b>269 828</b>		<b>269 828</b>
<b>Operating costs</b>			
Payroll costs	158 567		158 567
Depreciation	17 373	5 567	22 940
Impairment	7 792		7 792
Other operational costs	234 171	-6 656	227 515
<b>Total operating costs</b>	<b>417 904</b>		<b>416 815</b>
<b>Operating profit</b>	<b>-148 076</b>		<b>-146 987</b>
<b>Financial income and financial expenses</b>			
Income from investments in subsidiaries	802 059		802 059
Other financial income	331 676		331 676
Impairment of financial assets	1 083		1 083
Other financial expenses	381 574	1 789	383 363
<b>Net financial profit and loss</b>	<b>751 078</b>		<b>749 289</b>
<b>Profit and loss before tax</b>	<b>603 002</b>		<b>602 301</b>
Tax expense	111 350	-154	111 196
<b>Profit for the year</b>	<b>491 652</b>		<b>491 105</b>

## STATEMENT OF COMPREHENSIVE INCOME

<i>(Amounts in NOK 1 000)</i>	<b>NGAAP 2019</b>	<b>Transition effects</b>	<b>IFRS 2019</b>
Profit and loss	491 652		491 105
<b>Items that will not recycle over profit and loss in future periods</b>			
Other pension effects	2 308	0	2 308
<b>Items that can recycle over profit and loss in future periods</b>			
cash flow hedge, currency forward contracts	0	6 037	6 037
<b>Statement of comprehensive income for the period</b>	<b>2 308</b>		<b>8 345</b>
<b>Total comprehensive income for the period</b>	<b>493 960</b>		<b>499 450</b>

## 3

## Sales revenue

## SPECIFICATION OF OPERATING REVENUE

<i>(Amounts in NOK 1000)</i>	2020	2019
Other operating revenue	11 776	11 574
Gains from sales of plant and machinery	0	417
Other intragroup revenue	249 257	257 837
	<b>261 033</b>	<b>269 828</b>

## 4

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

## PAYROLL COSTS

<i>(Amounts in NOK 1000)</i>	2020	2019
Salaries	109 888	100 424
Employers' National Insurance contributions	16 644	15 857
Pension costs – defined benefit plans	4 473	13 139
Pension costs – defined contribution plans	9 552	8 320
Other personnel costs	11 647	20 827
<b>Total</b>	<b>152 204</b>	<b>158 567</b>
Average no. of full-time equivalents	122	114

## REMUNERATION TO EXECUTIVE PERSONNEL

<i>(Amounts in NOK 1000)</i>	Salary / fees	Pension costs	Other remuneration
Eimund Nygaard, CEO	2 901	578	162
Board as a whole	1 181	0	0
<b>Total remuneration</b>	<b>4 082</b>	<b>578</b>	<b>162</b>

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:

<i>(Amounts in NOK 1000)</i>	2020	2019
Statutory auditing	537	385
Other attestation services	305	134
Other services	0	374

VAT is not included in the auditor's fees.

## 5

## Tangible fixed assets

<i>(Amounts in NOK 1000)</i>	<b>Machinery and equipment</b>	<b>Other buildings</b>	<b>Assets under construction</b>	<b>Total</b>
Acquisition cost 1 January	351 422	22 660	33 177	407 259
Additions, purchased plant and machinery	5 173	0	80 507	85 680
Additions, self-fabricated plant and machinery	0	0	0	0
Reclassified produced fixed assets	2 384	0	-2 384	0
Disposals	-13 622	0	0	-13 622
<b>Acquisition cost 31 December</b>	<b>345 357</b>	<b>22 660</b>	<b>111 300</b>	<b>479 317</b>
Accumulated depreciation/impairment 31 December	-323 067	-15 598	-14 774	-353 439
<b>Carrying value as at 31 December</b>	<b>22 290</b>	<b>7 062</b>	<b>96 526</b>	<b>125 878</b>
Depreciation	10 255	256	0	10 511
Impairment	0	0	6 219	6 219

Economic useful life  
Depreciation schedule

3-12 years  
Straight-line

25-50 years  
Straight-line



## 6 Operating costs

<i>(Amounts in NOK 1000)</i>	2020	2019
Purchase of services from group companies	11 058	14 542
External services	101 717	61 582
Office costs	7 616	3 945
Repair and maintenance	12 748	11 105
Property, machine hire, equipment and other hire costs	26 277	14 875
Sales and advertising costs	23 719	23 643
Other operating costs	32 937	97 823
<b>Total</b>	<b>216 072</b>	<b>227 515</b>

Recognised R&D costs amounted to 300 kNOK in 2020 compared to kNOK 115 in 2019.

## 7 Financial income

<i>(Amounts in NOK 1000)</i>	2020	2019
Received group contributions	595 263	802 059
Interest income from group companies	191 402	236 678
Other interest income	50 278	94 126
Gains on currency exchange differences	200	523
Other financial income	2 417	348
<b>Total</b>	<b>839 560</b>	<b>1 133 735</b>

## 8 Financial expense

<i>(Amounts in NOK 1000)</i>	2020	2019
Interest expenses subordinated loans	48 639	71 132
Other interest expenses	304 967	306 252
Losses on currency exchange differences	2 881	310
Other financial expenses	6 063	5 669
<b>Total</b>	<b>362 550</b>	<b>383 363</b>

## 9 Tax

### THE YEAR'S TAX EXPENSE IS AS FOLLOWS:

<i>(Amounts in NOK 1 000)</i>	2020	2019
Tax payable	77 350	115 336
Change in deferred tax	-702	-3 071
Too much / too little tax calculated previous year	0	-1 069
<b>Total tax expense</b>	<b>76 648</b>	<b>111 196</b>

### CALCULATION OF YEAR'S TAX BASE:

<i>(Amounts in NOK 1 000)</i>	2020	2019
Ordinary profit/loss before tax	346 996	603 002
Permanent differences	1 401	2 903
Non-taxable group contributions	0	-98 000
Reversal of non-taxable gain on shares and other financial instruments	-16 120	0
Change in temporary differences	19 313	16 349
<b>Taxable income</b>	<b>351 590</b>	<b>524 254</b>
Tax payable (22%) on year's tax base	77 350	115 336

### OVERVIEW OF TEMPORARY DIFFERENCES

<i>(Amounts in NOK 1 000)</i>	2020	2019
Plant and machinery	-11 231	-12 153
Gains and losses account	20 249	25 311
Net pension liabilities capitalized	-49 741	-35 264
Financial lease obligation	-1 393	-698
Financial instruments	-28 095	9 755
<b>Net temporary differences as at 31 December</b>	<b>-70 211</b>	<b>-13 049</b>
Deferred tax benefit/deferred tax (22 %)	-15 446	-2 872

**EXPLANATION WHY THE YEAR'S TAX COST DOES NOT AMOUNT TO 22 % OF THE PROFIT BEFORE TAX**

(Amounts in NOK 1 000)	2020
22% of profit before tax	76 340
Permanent differences (22%)	308
<b>Calculated tax expense</b>	<b>76 648</b>
Effective tax rate *)	22%

\*) Tax rate compared to profit before tax

## 10 Subsidiaries

(Amounts in NOK 1 000)

Company	Office	Ownership	Voting share	P&L for the year	Equity at 31.12	Carrying value as 31.12
Lyse Produksjon AS	Stavanger	100%	100%	-7 356	1 324 771	648 529
Lyse Elnett AS	Sandnes	100%	100%	207 089	1 372 269	1 101 370
Lyse Fiberinvest AS	Stavanger	100%	100%	106 151	1 423 370	1 135 773
Lyse Neo AS	Stavanger	100%	100%	-16 471	875 074	893 819
Altibox AS	Stavanger	100%	100%	92 829	213 918	249 930
Lyse Dialog AS	Stavanger	100%	100%	-18 705	77 623	71 605
Lyse Energi AS	Stavanger	100%	100%	-13	30	30
Smartly AS	Stavanger	100%	100%	-33 083	129 020	87 338
Lyse Energisalg AS	Stavanger	100%	100%	80 107	79 982	63 341
Lyse Kraft AS	Stavanger	100%	100%	-12	108	93
Lyse Eiendom Mariero AS	Stavanger	100%	100%	10 031	141 669	141 622
Lyse Eiendom Jørpeland AS	Stavanger	100%	100%	964	4 270	3 872
Lyse Eiendom Ullandhaug AS	Stavanger	100%	100%	-1 026	204	30
Lyse Lux AS	Stavanger	100%	100%	5 653	6 205	4 980
Altibox DK	Danmark	100%	100%	2 910	55 281	54 600
<b>Total</b>						<b>4 456 933</b>

## 11 Investments in associates and other shares

(Amounts in NOK 1000)

Company	Office	Ownership	Voting share	P&L for the year	Equity at 31.12	Carrying value as at 31.12
Jæren Biopark*	Nærbø	33%	33%			100
Nordic Edge AS**	Stavanger	30%	30%	-2 843	1 376	2 100
Blueday Technology AS**	Sandnes	29%	29%	-30 562	6 993	8 000
Valide Invest II AS*	Stavanger	25%	25%			2 000
Biogass Konsortium AS**	Stavanger	22%	22%	-1 233	-866	520
Becour AS	Fredrikstad	16%	16%			9 895
Sensario AS	Bergen	12%	12%			6 000
Heimdall Power AS	Sandnes	9%	9%			9 784
Optimeering AS	Oslo	8%	8%			2 500
Toppindustrisenteret AS	Oslo	7%	7%			86
Såkom Invest II AS	Stavanger	8%	8%			43
Katapult Accelerator Fund 3 AS	Oslo	7%	7%			1 000
<b>Sum</b>						<b>42 028</b>

\*The company is newly established and figures for the financial year 2020 are not available at the time of financial reporting.

\*\*P&L and equity are from 2019 as figures for 2020 are not ready before financial reporting.

(Amounts in NOK 1000)

Investments	Market value as at 31.12	Carrying value as at 31.12
Equity deposits KLP	6 456	6 456
Stock fund KLP	11 629	11 629
<b>Total</b>	<b>18 085</b>	<b>18 085</b>

## 12 Receivables and liabilities

### RECEIVABLES DUE IN MORE THAN ONE YEAR

<i>(Amounts in NOK 1 000)</i>	2020	2019
Other non-current receivables, group companies	10 593 686	8 452 536
Other non-current receivables, external	4 459	4 613
<b>Total</b>	<b>10 598 145</b>	<b>8 457 149</b>

### ACCOUNTS RECEIVABLES

<i>(Amounts in NOK 1 000)</i>	2020	2019
Accounts receivables to group companies	7 974	13 535
Accounts receivables, external	2 911	1 744
<b>Total</b>	<b>10 885</b>	<b>15 279</b>

### GROUP CONTRIBUTION

<i>(Amounts in NOK 1 000)</i>	2020	2019
Group contribution receivables	595 263	802 059
<b>Total</b>	<b>595 263</b>	<b>802 059</b>

### OTHER CURRENT RECEIVABLES

<i>(Amounts in NOK 1 000)</i>	2020	2019
Other current receivables, group companies	21 560	21 373
Group cash pool account	2 278 469	798 664
Current portion of loans to group companies	341 705	1 277 100
Other current receivables, external	41 880	56 504
<b>Total</b>	<b>2 683 614</b>	<b>2 153 641</b>

### ACCOUNTS PAYABLE AND CURRENT LIABILITIES

<i>(Amounts in NOK 1 000)</i>	2020	2019
Accounts payable to group companies	2 090	3 308
Accounts payable, external	51 366	40 358
Other current liabilities to group companies	2 475	46
Group cash pool account	984 223	724 448
Other current liabilities, external	152 850	178 141
<b>Total</b>	<b>1 193 004</b>	<b>946 301</b>

Receivables for the VAT settlement is included in other receivables and amounts to kNOK 9 462 in 2020 and kNOK 10 578 kNOK in 2019.

## 13 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.

<i>(Amounts in NOK 1 000)</i>	<b>2020</b>
Bank deposits, cash and cash equivalents in Lyse AS	1 748 999
Corporate account bank	1 233 737
Current financial assets	279 000
<b>Total</b>	<b>3 261 736</b>

Two drawing rights established with a syndicate of Nordic banks for NOK 500 000 000 and NOK 1 000 000 000 were renewed in 2018.

The drawing rights facility expires in 2024. The cash pool agreement is due for payment on 30.06.2022.

Of the company's bank deposits, restricted cash amount to NOK 0.

## 14 Financial instruments per measurement category

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

The fair value of a loans is estimated based on the best possible observable data, so that the assessment is as realistic/fair as possible. Long-term financial liabilities in EUR are measured at the prevailing exchange rate on the balance sheet date. Long term loans are not recognised at fair value and are categorised as level 2 in the valuation hierarchy below.

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

The fair value hierarchy has the following levels:

#### Level 1

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

#### Level 2

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

### Level 3

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

The company has no assets or liabilities at level 3.

#### CARRYING VALUE PER MEASUREMENT CATEGORY – ASSETS 31 DECEMBER 2020

<i>(Amounts in NOK 1000)</i>	Note	Assets at fair value through profit and loss	Assets at fair value through other comprehensive income	Derivatives as hedging instrument	Assets at amortised cost	Total	Fair value
Non-current receivables		0	0	0	10 598 145	10 598 145	10 598 145
Other non-current financial assets		53 657	0	0	6 456	60 113	60 113
Bonds - short term financial investments		0	279 000	0	0	279 000	279 000
Trade receivables and other current receivables		0	0	0	0	0	0
Bank deposits, cash and cash equivalents		0	0	0	2 982 736	2 982 736	2 982 736
<b>Total assets</b>		<b>53 657</b>	<b>279 000</b>	<b>0</b>	<b>13 587 337</b>	<b>13 919 994</b>	<b>13 919 994</b>

#### CARRYING VALUE PER MEASUREMENT CATEGORY – LIABILITIES 31 DECEMBER 2020

<i>(Amounts in NOK 1000)</i>	Note	Liabilities at fair value through profit and loss	Derivatives as hedging instrument	Liabilities at amortised cost	Total	Fair value
Derivatives - Hedge accounting		0	28 094	0	28 094	28 094
Accounts payable and other current liabilities		0	0	1 193 004	1 193 004	1 193 004
<b>Total liabilities</b>		<b>0</b>	<b>28 094</b>	<b>1 193 004</b>	<b>1 221 098</b>	<b>1 221 098</b>

#### FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE, 31 DECEMBER 2020

<i>(Amounts in NOK 1000)</i>	Level 1	Level 2	Level 3	Total 31 December 2020
Investments in funds / shares	11 629	0	0	11 629
Bonds - short term financial investments	279 000			
<b>Total assets</b>	<b>290 629</b>	<b>0</b>	<b>0</b>	<b>290 629</b>
Derivatives, measured at fair value through other comprehensive income	0	28 094	0	28 094
<b>Total liabilities</b>	<b>0</b>	<b>28 094</b>	<b>0</b>	<b>28 094</b>



**CARRYING VALUE PER MEASUREMENT CATEGORY – ASSETS 31 DECEMBER 2019**

<i>(Amounts in NOK 1000)</i>	Note	Assets at fair value through profit and loss	Assets at fair value through other comprehensive income	Derivatives as hedging instrument	Assets at amortised cost	Total	Fair value
Non-current receivables		0	0	0	8 457 150	8 457 150	8 457 150
Other non-current financial assets		28 370	0	0	6 456	34 826	34 826
Derivatives - hedge accounting		0	0	9 279	0	9 279	9 279
Bonds - short term financial investments		0	639 760	0	0	639 760	639 760
Bank deposits, cash and cash equivalents		0	0	0	3 534 239	3 534 239	3 534 239
<b>Total assets</b>		<b>28 370</b>	<b>639 760</b>	<b>9 279</b>	<b>11 997 845</b>	<b>12 675 254</b>	<b>12 675 254</b>

**CARRYING VALUE PER MEASUREMENT CATEGORY – LIABILITIES 31 DECEMBER 2019**

<i>(Amounts in NOK 1000)</i>	Note	Liabilities at fair value through profit and loss	Derivatives as hedging instrument	Liabilities at amortised cost	Total	Fair value
Derivatives		1 627	0	0	1 627	1 627
Derivatives - Hedge accounting		0	283	0	283	283
Accounts payable and other current liabilities		0	0	946 303	946 303	946 303
<b>Total liabilities</b>		<b>1 627</b>	<b>283</b>	<b>946 303</b>	<b>948 213</b>	<b>948 213</b>

**FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE, 31 DECEMBER 2019**

<i>(Amounts in NOK 1000)</i>	Level 1	Level 2	Level 3	Total 31 December 2020
Investments in funds / shares	11 071	0	0	11 071
Derivatives, measured at fair value through other comprehensive income	0	9 279	0	9 279
Bonds - short term financial investments	639 760	0	0	639 760
<b>Total assets</b>	<b>650 831</b>	<b>9 279</b>	<b>0</b>	<b>660 110</b>
Derivatives, measured at fair value through profit and loss	0	1 627	0	1 627
Derivatives, measured at fair value through other comprehensive income	0	283	0	283
<b>Total liabilities</b>	<b>0</b>	<b>1 910</b>	<b>0</b>	<b>1 910</b>

## 15 Derivatives

### CARRYING VALUE AS AT 31 DECEMBER 2020

	Tangible Fixed assets	Non-current liabilities	Current assets	Current liabilities
Currency derivatives – others	0	0	0	0
Interest swap agreements – cash flow hedge	0	26 475	0	1 619
<b>Total derivatives recognised in the balance sheet</b>	<b>0</b>	<b>26 475</b>	<b>0</b>	<b>1 619</b>

### CARRYING VALUE AS AT 31 DECEMBER 2019

	Tangible Fixed assets	Non-current liabilities	Current assets	Current liabilities
Currency derivatives – others	0	0	0	1 627
Interest swap agreements – cash flow hedge	9 206	283	73	0
<b>Total derivatives recognised in the balance sheet</b>	<b>9 206</b>	<b>283</b>	<b>73</b>	<b>1 627</b>

For further information about derivatives please see Note 14 Financial Instruments per measurement category. For information about credit risk exposure please see note 21 Financial risk management.

## 16 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:

<i>(Amounts in NOK 1 000)</i>	Retirees	Employees	Current year cost
Public defined benefit pension and public AFP	109	15	3 891
Defined contribution pension and private AFP		111	9 481
Pension funded through operations		15	1 816
<b>Total</b>			<b>15 188</b>

### LIABILITIES RECOGNIZED ON THE BALANCE SHEET WERE ESTABLISHED AS FOLLOWS:

<i>(Amounts in NOK 1 000)</i>	31.12.2020	31.12.2019
Present value of accrued pension liabilities for defined benefit schemes in fund-based schemes	295 774	269 336
Fair value of pension funds	-259 052	-245 274
<b>Actual pension liabilities for defined benefit schemes in fund-based schemes*)</b>	<b>36 721</b>	<b>24 062</b>
Pensions funded through operations	13 020	11 201
<b>Net pension liability on the balance sheet (after employer's National Insurance contributions)</b>	<b>49 741</b>	<b>35 262</b>

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

### THE FOLLOWING ASSUMPTIONS WERE APPLIED:

<i>(Amounts in NOK 1 000)</i>					31.12.2020	31.12.2019
Discount rate					1,50%	2,30%
Return on pension funds					2,00%	2,30%
Salary adjustment					1,75%	2,25%
Pension adjustments					0,99%	1,24%
National Insurance basic amount adjustment					1,50%	2,00%
Employer's National Insurance rate					14,10%	14,10%
<b>Voluntary departure for joint-scheme</b>						
Age	< 24	24 - 29	30 - 39	40 - 49	50 - 55	> 55
Turnover	25%	15%	7,5 %	5%	3%	0%
<b>Mortality tables</b>					<b>K2103BE</b>	<b>K2103BE</b>

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 RECOGNIZED IN INCOME STATEMENT**

<i>(Amounts in NOK 1 000)</i>	2020	2019
Defined benefit plan	2 953	3 060
Net interest costs	1 163	1 488
Plan changes	0	8 734
Employees' contributions to pension premiums	-224	-227
Pensions funded through operations	1 745	1 572
<b>Pension costs, defined benefit plans</b>	<b>5 635</b>	<b>14 627</b>

**PENSION COSTS, DEFINED CONTRIBUTION SCHEME AND AFP**

<i>(Amounts in NOK 1 000)</i>	2020	2019
Employer's contributions to the defined contribution scheme	7 996	6 714
Pensions funded through operations	71	245
Premiums for FP LO/NHO scheme	1 486	1 361
<b>Pension cost, defined contribution scheme</b>	<b>9 552</b>	<b>8 320</b>
<b>Total pension costs</b>	<b>15 189</b>	<b>22 948</b>

**PENSION EFFECTS RECOGNIZED IN EQUITY**

<i>(Amounts in NOK 1 000)</i>	2020	2019
Estimation deviation	16 045	-3 179
Intragroup transfers of employees	0	220
Of which tax effect	-3 530	651
<b>Net effects recognized in equity (-) reducing pension liabilities</b>	<b>12 516</b>	<b>-2 307</b>

**PENSION FUNDS COMPRISE:**

<i>(Amounts in NOK 1 000)</i>	2020	2019
Equity capital instruments	62 691	59 847
Interest-bearing instruments	196 362	185 427
<b>Fair value, pension funds</b>	<b>259 052</b>	<b>245 274</b>

## 17 Liabilities to financial institutions

### NON-CURRENT LIABILITIES

<i>(Amounts in NOK 1 000)</i>	2020	2019
Other non-current liabilities	2 919 075	2 921 395
Bond loans	8 850 000	6 650 000
Subordinated loans*	1 700 000	1 800 000
<b>Total</b>	<b>13 469 075</b>	<b>11 371 395</b>

### BONDS (1-10 YEARS)

<i>(Amounts in NOK 1 000)</i>	2020	2019
Bond loans	9 495 000	6 914 000
<b>Total</b>	<b>9 495 000</b>	<b>6 914 000</b>

### CURRENT LIABILITIES TO FINANCIAL INSTITUTIONS\*\*

<i>(Amounts in NOK 1 000)</i>	2020	2019
Other liabilities	155 175	848 660
Bond loans	645 000	264 000
Subordinated loans	100 000	100 000
<b>Total</b>	<b>900 175</b>	<b>1 212 660</b>

### LIABILITIES THAT FALL DUE MORE THAN 5 YEARS AFTER THE END OF THE FINANCIAL YEAR

<i>(Amounts in NOK 1 000)</i>	2020	2019
Other non-current liabilities	2 076 560	1 951 446
Bond loans	3 950 000	2 825 000
Subordinated loans	1 300 000	1 400 000
<b>Total</b>	<b>7 326 560</b>	<b>6 176 446</b>

\* 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.

Subordinated loan is a financial obligation, measured at amortised cost.

As at 31 December 2020, the company has NOK 1 200 million in future interest swaps agreements available to hedge the interest payment due on subordinated loan. Hedging documentation has been prepared, and the hedge is meeting the hedge accounting requirements, and thus hedge accounting has been applied. The fair value changes of this hedge is booked against other comprehensive income.

\*\* Current liabilities to financial institutions consist of the first year's instalment on short-term loans as mentioned above.

## 18 IFRS 16 Leases

### Right of use assets 2020

<i>(In NOK thousands)</i>		Offices and other property	Operating movable property	Total
<b>Carrying value 1 January 2020 *</b>		<b>46 856</b>	<b>3 101</b>	<b>49 957</b>
Additions		1 094	0	1 094
Additions from acquisitions		0	0	0
Depreciations		-5 396	-458	-5 854
Disposals		0	0	0
Divestments subsidiary		0	0	0
Remeasurement and other changes		0	0	0
<b>Carrying value 31 December 2020</b>		<b>42 554</b>	<b>2 643</b>	<b>45 197</b>

### Right of use assets 2019

<i>(In NOK thousands)</i>		Offices and other property	Operating movable property	Total
<b>Carrying value 1 January 2019 NGAAP*</b>		<b>0</b>	<b>0</b>	<b>0</b>
Implementation effect IFRS 16		52 044	1 129	53 173
<b>Carrying value 1 January 2019 IFRS*</b>		<b>52 044</b>	<b>1 129</b>	<b>53 173</b>
Additions		0	2 568	2 568
Additions from acquisitions		0	0	0
Depreciations		-5 188	-379	-5 567
Disposals		0	0	0
Divestments subsidiary		0	0	0
Remeasurement and other changes		0	-217	-217
<b>Carrying value 31 December 2019</b>		<b>46 856</b>	<b>3 101</b>	<b>49 957</b>

**Amount recognised in the income statement**

<i>(In NOK thousands)</i>	31.12.20	31.12.2019
Depreciation right of use assets	5 854	5 567
Interest cost lease commitments	1 663	1 789
Expenses related to short term lease agreements and lease agreements with low value	0	0
<b>Sum</b>	<b>7 518</b>	<b>7 356</b>

**Amount recognised in the statement of cash flows**

<i>(In NOK thousands)</i>	31.12.20	31.12.19
Cash payment for the principal of the lease obligation	5 459	4 869
Cash payment for the interest part of the lease obligation	1 663	1 789
<b>Total cash payment for lease liabilities</b>	<b>7 122</b>	<b>6 658</b>

**Leasing liabilities**

<i>(In NOK thousands)</i>	31.12.20	31.12.19	01.01.19
Current leasing liabilities	5 989	5 085	4 869
Non-current leasing liabilities	40 302	45 570	48 304
<b>Total leasing liabilities</b>	<b>46 291</b>	<b>50 655</b>	<b>53 173</b>

**Maturity plan leasing liabilities - undiscounted contractual cash flows**

<i>(In NOK thousands)</i>	31.12.20	31.12.19
Less than 1 year	6 603	6 418
1-2 years	6 953	6 122
2-3 years	7 898	6 321
3-4 years	7 898	7 535
4-5 years	8 013	7 535
More than 5 years	16 473	23 067
<b>Total undiscounted leasing liabilities 31 December</b>	<b>53 838</b>	<b>56 999</b>

## 19 Short-term debt instruments

### SHORT-TERM DEBT INSTRUMENTS

<i>(Amounts in NOK 1 000)</i>	2020	2019
Covered bonds (OMF)**	279 000	639 760
<b>Total</b>	<b>279 000</b>	<b>639 760</b>

\*\* Short-term debt instruments are short-term investments in bonds issued on the Oslo Stock exchange (i.e OMF)

## 20 Security and guarantees etc.

### LYSE AS HAS THE FOLLOWING GUARANTEES AND DEPOSITS THAT HAS NOT BEEN RECOGNIZED ON THE BALANCE SHEET AS AT 31 DECEMBER 2020:

<i>(Amounts in NOK 1 000)</i>	2020
Withholding tax guarantee	50
Other absolute guarantees/guarantees	20
<b>Total</b>	<b>70</b>

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

Lyse AS is jointly registered in the Value Added Tax Register with the other subsidiaries in which the company has controlling interests. The companies are thus jointly and severally liable for any existing liability at any given time.



## 21 Financial market risk

### Financial risk

Lyse's management of financial risk complies with the limits approved by the Board and is described for each category of risk below.

### Interest rate risk

Lyse's financial strategy sets limits for financial investments and borrowing. Lyse AS's interest risk is largely linked to non-current liabilities and short-term debt instruments. The total effect on the result after tax in the case of a one-percentage point change in interest rates must not exceed NOK 25 million in the next 12 months. Lyse AS has interest swap agreements from floating to fixed rates totaling NOK 1 200 million (cash flow hedging).

The interest swap agreements have different terms to maturity within the period 2021-2025. For information on amounts regarding interest rate swaps, see note 14.

### Financial strategy

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

In line with the Group's financial strategy, Lyse maintains a considerable liquidity reserve that can be made available in the course of 5 working days. The liquidity reserve consists of liquid assets and unused drawing rights. The liquidity reserve is required to be large enough to cover payments due as well as estimated new loans within a 6-month rolling period. Furthermore, borrowing must have a diversified maturity structure.

The aforementioned circumstances, together with Lyse's high credit rating, mean that the Group's and the company's liquidity risk is regarded as low.

	Financial strategy framework	31.12.20	Target attainment
Duration of the liquidity reserve measured against estimated financing need (no. of months)	Sufficient to cover next 6 months' financing requirements	24 months	Within target
Actual liquidity reserve* compared to capital requirement for next 6 months	NOK 1 234 million	NOK 4 009 million	Within target

\* Liquidity excl. drawing rights and overdraft

## Currency risk

Lyse AS has raised loans totaling EUR 252 million in the capital market. The company has a corresponding non-current receivable from Lyse Produksjon AS. The agreements on which the liability and receivable are based, stipulate the same conditions and result in no currency exposure.

## Credit risk associated with other financial instruments

Lyse assumes a credit risk by investing surplus liquidity and, as a consequence of counterparty risk, by utilizing hedging instruments such as interest-swap agreements. Credit risk is limited in that funds are only invested with first class debtors. The security requirement takes priority over the return requirement.

The financial strategy includes rules on limits for various types of investments. The financial strategy also includes rules on the type of hedging instruments that can be used, and the criteria the relevant counterparties must satisfy are the same as those for the investment of funds.

## Insurance risk

Lyse AS bears the risk of damage to assets through operations. The company also bears the risk for third party lives and property. Insurance contracts have been signed that cover the most significant risks. The excess for third party injury is NOK 2 million. The excess in the event of damages to buildings is lower.

## 22 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 COMPANY SHAREHOLDERS AS AT 31 DECEMBER

	Ordinary shares	Ownership	Voting share
Municipality of Stavanger	461 459	45,74%	45,74%
Municipality of Sandnes	197 064	19,53%	19,53%
Municipality of Sola	88 195	8,74%	8,74%
Municipality of Time	58 844	5,83%	5,83%
Municipality of Klepp	42 670	4,23%	4,23%
Municipality of Hå	38 190	3,78%	3,78%
Municipality of Randaberg	33 085	3,28%	3,28%
Municipality of Eigersund	29 775	2,95%	2,95%
Municipality of Strand	25 547	2,53%	2,53%
Municipality of Hjelmeland	10 029	0,99%	0,99%
Municipality of Gjesdal	9 414	0,93%	0,93%
Municipality of Lund	7 194	0,71%	0,71%
Municipality of Bjerkreim	5 166	0,51%	0,51%
Municipality of Kvitsøy	2 351	0,23%	0,23%
<b>TOTAL</b>	<b>1 008 983</b>	<b>100%</b>	<b>100%</b>

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](http://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.

## 23 Subsequent events

The group monitors the development of the coronavirus (COVID-19) and continuously assesses potential consequences for the group's employees and operations. Our handling of the corona situation has prioritized care for our employees and operations in line with advice from Norwegian Directorate of Health. At the same time, stable operations and deliveries are a priority task. The group has maintained stable operations through 2020 and the necessary measures to ensure this in the situation we are now experiencing have been established. The pandemic has caused a global economic downturn. Our assessment is that the ripple effects of the coronavirus had a limited financial impact on the group. The Lyse group is solid with a significant liquidity buffer in cash and unused credit facilities. The biggest non-financial consequences have been extensive use of home offices in addition to measures to ensure the health and safety of those who must be at the workplace. Risk-reducing measures have been implemented and further measures are being assessed continuously.

## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Lyse AS

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Lyse AS comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income, statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2020, income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

#### Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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.

#### 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 for 2020. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

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

On 31 December 2020 Lyse and Hydro completed the merger of their respective hydropower production resources in the southern part of Norway into the company Lyse Kraft DA. Lyse Kraft DA is controlled by Lyse through a 74.4% ownership share with Hydro as co-owner with a non-controlling ownership share of 25.6%. Hydro transferred its ownership shares in Røldal-Suldal Kraft (RSK) and Lyse transferred most of its power generation portfolio in return for their respective ownership shares in Lyse Kraft DA. The assets which Lyse transferred to Lyse Kraft DA in the transaction were measured on a carry-over (continuity) basis for accounting purposes. The transfer of the RSK assets was accounted for as an acquisition for Lyse. Lyse performed, with assistance from external experts, an assessment of the fair value of the consideration for RSK as well as the fair value of identifiable assets and liabilities related to the acquisition. The consideration was valued at NOK 10 204 million. Based on the preliminary purchase price allocation, net excess values of NOK 9 447 million and a goodwill amount of NOK 5 513 million were recognized. A final purchase price allocation and goodwill amount determination will be performed in connection with the preparation of the interim financial statements for the first half of 2021. The assessment of the fair value of the consideration and of the identifiable assets and liabilities at the time of acquisition required the application of judgement and performance of complex calculations which significantly impact the financial statements. We therefore consider this a key audit matter.

We assessed the application of accounting policies and discussed the method for determining the fair value of the consideration with management and their independent expert. We assessed the completeness of the acquired assets and liabilities by reviewing the transaction agreement and minutes from board of directors' meetings. We tested the calculations in the valuation model and assessed significant inputs such as production profiles, electricity prices, and currency exchange rates by comparing these against historical financial information, internal prognoses, and available market data. We included valuation specialists in the team.

We refer to note 2 Summary of significant accounting policies for a description of applied accounting policies and note 4 about Acquisitions and divestments to the consolidated financial statements for a description of the acquisition.

## Energy- and foreign currency instruments and hedge accounting

Lyse's revenues from energy generation is denominated in euro and are therefore exposed to changes in the energy price and euro. In accordance with the Group's financial strategy, the risk is handled by using energy- and foreign currency instruments. Hedge accounting is applied for the hedging of future energy generation in euro if the hedge requirements 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. Energy- and foreign currency instruments not qualifying for hedge accounting are recognized at fair value and changes in fair value are recognized directly in profit or loss.

Energy- and foreign currency instruments and hedge accounting, where applied, was a key audit matter because of the large number of transactions, the potential impact on the consolidated financial statements arising from changes in fair value, in addition to the complexity of the accounting rules relating to hedge accounting.

As part of our audit procedures we assessed the design of the group's internal controls relating to trade and monitoring of energy and foreign currency instruments in addition to hedge accounting. We compared the groups accounting principles for financial instruments and hedge accounting to the requirements in IFRS and the Group's strategy of financial risk. We tested the completeness of the transactions relating to energy and foreign currency instruments by obtaining documentation from external parties, on both closed and open contracts, and compared these to a sample of transactions recognized in the profit and loss and open contracts recognized in the balance sheet. We also tested valuation and existence for a random number of the Group's financial instruments by comparing the financial instruments recognized in the balance sheet towards confirmations from banks and other

external parties in addition to market prices (Nasdaq). For foreign currency instruments qualifying for hedge accounting, we compared the hedging documentation to the requirements in IFRS and we tested the hedging relationships and the Group's calculation of hedge effectiveness.

We also assessed presentation and classification of the financial instruments in the financial statements and in the note disclosures. Reference is made to note 6 Financial risk management, note 7 Financial instruments per measurement category, and note 8 Hedge accounting.

### **Other information**

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, 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 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 Company 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 the 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 law, regulations and generally accepted auditing principles in Norway, including 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, 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 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'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 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 fair presentation;
- ▶ 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 those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 those charged with governance, 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**

### **Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility**

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

### **Opinion on registration and documentation**

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.



Stavanger, 25 March 2021  
ERNST & YOUNG AS

Jan Kvalvik  
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made 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 ESMA's 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 2019 to 2020.

### LYSE APPLIES THE FOLLOWING ALTERNATIVE PERFORMANCE MEASURES:

( 1 ) EBITDA	Operating profit/ loss before depreciation and amortisation
( 2 ) EBITDA, underlying operations	EBITDA adjusted for unrealized changes in value of financial instruments and material non-recurring items
( 3 ) EBIT	Operating profit/loss
( 4 ) EBIT, underlying operations	Operating profit/loss adjusted for unrealized changes in value of financial instruments, material non-recurring items and impairments
( 5 ) EBITDA margin	EBITDA/operating revenue
( 6 ) Gross Interest-bearing liabilities	Non-current and current loans, including financial lease obligations
( 7 ) Net interest-bearing liabilities	Gross interest-bearing liabilities - cash and cash equivalents including short term financial investments
( 8 ) Capital employed	Equity + 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, 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 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 capital
( 16 ) EBITDA margin, underlying operations	EBITDA, underlying operations/operating income
( 17 ) EBIT margin, underlying operations	EBIT, underlying operations/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 ) Hydropower generation	Generation of hydropower (GWh) measured at outgoing generation terminal
( 21 ) Earnings per share	Profit/loss allocated to shareholders/no. of shares in the Company

Underlying EBITDA is defined as the underlying operating profit before interest, tax, depreciation and impairments. This APM is used to measure operating profit. Underlying EBITDA 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 EBITDA is also not an alternative to a change in cash flow from operations in accordance with general accounting principles.

Underlying operating profit (EBIT) is an APM that is used to measure profit from operating activities.

Underlying operating profit is defined as operating profit adjusted for unrealized changes in value of financial instruments, material non-recurring items and impairments.

- Unrealized 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 unrealized 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 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.

Return on capital employed is defined as underlying 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 utilization rate. Net interest-bearing debt / equity is calculated as net interest-bearing debt relative to the sum of net interest-bearing debt and equity.

Underlying Operating profit (EBIT) margin (%) is calculated as underlying operating profit (EBIT) relative to gross underlying operating revenues.

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 unrealized changes in value is defined as an underlying IFRS-profit after tax, adjusted for unrealized changes in value of financial instruments and business combinations. Below follows a complete reconciliation of the profit for the year adjusted for unrealized changes in value.

<i>(Amounts in NOK million)</i>	2020	2019
Underlying operating revenue	8 156	9 275
Underlying operating costs	6 906	7 461
Underlying operating profit	1 250	1 814
Unrealized changes in value financial instruments (+ / - income/cost)	-304	276
Material non-recurring items unrealized (+ / - income/cost)	0	0
Material non-recurring items realized	96	0
Operating profit (IFRS)	1 042	2 090
Profit for the year including minority interests (IFRS)	354	928
Unrealized changes in value financial instruments (+ / - income/cost - after tax)	240	-216
Unrealized changes in value due to business combinations (+ / - income/cost)	0	0
<b>Profit for the year adjusted for unrealized changes in value after tax</b>	<b>594</b>	<b>712</b>
Minority interests	64	35
<b>Profit for the year to the majority adjusted for unrealized changes in value</b>	<b>530</b>	<b>679</b>