Annual Report 2021

Lyse

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Financial key figures for Lyse

FROM THE STATEMENT OF PROFIT AND LOSS

			2021	2020	2019	2018	2017
Operating revenues *)		NOK mill.	16 662	7 930	9 230	10 268	8 661
EBITDA	(1)	NOK mill.	7 753	2 616	3 564	3 978	3 942
EBITDA underlying operations	(2)	NOK mill.	8 427	2 920	3 323	4 376	2 722
Operating result (EBIT)	(3)	NOK mill.	5 887	1 042	2 090	2 670	3 090
Unrealised changes in value, financial instruments		NOK mill.	-674	-304	276	-398	245
Non-recurring items, EBITDA		NOK mill.	0	0	-35	0	975
Non-recurring items (-), reversal impairment (+)		NOK mill.	0	96	35	15	0
Operating result (EBIT) underlying operations	(4)	NOK mill.	6 561	1 250	1 814	3 053	1 871
Net financial items		NOK mill.	401	425	401	270	327
Profit after tax		NOK mill.	2 137	354	928	1 064	1 942

FROM THE STATEMENT OF FINANCIAL POSITION

			2021	2020	2019	2018	2017
Total assets		NOK mill.	55 820	51 163	33 539	31 903	29 491
Of which is PP&E and investments in companies **)		NOK mill.	29 156	27 662	23 605	21 485	21 244
Cash and cash equivalents ***)		NOK mill.	6 466	4 106	4 718	5 105	3 505
Equity		NOK mill.	20 709	19 578	9 967	9 153	8 885
Gross interest-bearing debt, incl. financial leases	(6)	NOK mill.	17 933	17 924	15 968	14 402	13 867
Of which is subordinated loans		NOK mill.	1 792	1 921	2 051	2 138	2 261
Net interest-bearing liabilities	(7)	NOK mill.	11 467	13 817	11 250	9 298	10 362
Capital employed	(8)	NOK mill.	38 642	37 502	25 935	23 555	22 751

CASH FLOWS

			2021	2020	2019	2018	2017
Net cash flow from operations		NOK mill.	7 285	1 887	1 790	3 498	1 593
Net interest costs		NOK mill.	379	411	416	351	319
Dividends paid to shareholders		NOK mill.	663	627	562	511	480
Net investments in non-current assets (excl. right of use)		NOK mill.	2 922	3 161	2 334	2 472	1 875
Net investments in ownership interests	(9)	NOK mill.	56	315	239	(603)	(492)
Cash and cash equivalents ***)		NOK mill.	6 466	4 106	4 718	5 105	3 505
Unused drawing rights		NOK mill.	1 800	1 800	1 800	1 800	1 800

FINANCIAL ITEMS

			2021	2020	2019	2018	2017
Net interest-bearing liabilities / EBITDA			1,5	5,3	3,2	2,3	2,6
Net interest-bearing liabilities / EBITDA underlying operations			1,4	4,7	3,4	2,1	3,8
Funds from operations (FFO)	(10)	NOK. Mill	5 605	2 147	2 278	2 798	1 773
EBITDA interest coverage	(11)		18,3	5,7	6,8	9,0	10,1
FFO interest coverage	(12)		13,3	4,7	4,4	6,4	4,5
FFO / Net interest-bearing liabilities		%	48,9 %	15,5 %	20,3 %	30,1 %	17,1 %
Interest-bearing debt - equity ratio	(13)	%	46,4 %	47,8 %	61,6 %	61,1 %	60,9 %
Equity ratio	(14)	%	37,1 %	38,3 %	29,7 %	28,7 %	30,1 %
Equity ratio – taking into account subordinated loans	(15)	%	40,3 %	42,0 %	35,8 %	35,4 %	37,8 %

KEY FIGURES, CONSOLIDATED FINANCIAL STATEMENTS

			2021	2020	2019	2018	2017
EBITDA margin underlying operations *)	(16)	%	48,6 %	35,5 %	35,8 %	42,6 %	35,4 %
EBIT margin underlying operations *)	(17)	%	37,8 %	15,2 %	19,6 %	29,7 %	24,3 %
Return on equity	(18)	%	10,6 %	2,4 %	9,7 %	11,8 %	24,4 %
Return on average capital employed	(19)	%	15,5 %	3,3 %	8,4 %	11,5 %	15,3 %

KEY FIGURES, ENERGY

			2021	2020	2019	2018	2017
Average production		GWh	10 075	5 921	5 921	5 921	5 743
Water reservoir capacity		GWh	6 803	5 249	5 249	5 249	5 068
Hydropower production	(20)	GWh	10 353	6 004	4 579	7 524	6 163
Area price NO2		øre/kWh	76	10	39	42	27
Actual price attained (incl. hedging)		øre/kWh	68	19	43	41	31
Electricity supply, end-user		GWh	2 529	2 536	2 622	2 798	3 106
Supplied volume natural gas, biogas and fuel (incl. internal deliveries)		GWh	612	551	519	554	553
Supplied volume district heating and district cooling		GWh	193	171	174	174	162

KEY FIGURES, TELECOMMUNICATIONS

			2021	2020	2019	2018	2017
Capital employed	(8)	NOK mill.	11 082	10 380	9 604	8 172	7 668
EBITDA	(1)	NOK mill.	2 139	1 672	1 449	1 276	1 748
EBITDA margin	(5)	%	41,3 %	36,9 %	37,3 %	36,4 %	47,2 %
Carrying value PP&E and equity accounted investments		NOK mill.	10 295	9 603	8 129	7 024	7 043
Number of kilometres of fibre optic network		km	61 298	52 212	42 370	37 855	33 496
Number of active optic customers in the Altibox partnership			784 918	708 913	625 265	536 280	493 802
Number of active customers owned by Lyse ****)			491 545	445 158	386 759	339 870	310 969

KEY FIGURES, POWER GRID

			2021	2020	2019	2018	2017
Number of electricity grid customers			159 902	158 508	153 706	145 595	143 003
Supplied energy (total consumption in the area)		GWh	5 300	5 110	4 914	5 931	5 671
Power grid capital (NVE capital) used as a basis in revenue cap		NOK mill.	4 387	4 168	3 790	3 509	3 255
Return on NVE capital		%	3,7%	7,5%	5,0%	5,1%	5,3%
Measured efficiency (NVE efficiency) distribution grid		%	100%	91%	94%	102%	107%
Measured efficiency (NVE efficiency) regional and central grid		%	118%	127%	120%	105%	97%
KILE costs		NOK mill.	23	19	23	22	19

SHAREHOLDERS

			2021	2020	2019	2018	2017
Subordinated loans from shareholders (municipalities)		NOK mill.	1 700	1 800	1 900	2 000	2 100
Interest and instalments, subordinated loans		NOK mill.	144	148	171	165	162
Dividends/shareholder withdrawals		NOK mill.	630	600	550	500	480
Proposed dividend		NOK mill.	650	630	600	550	500
Proposed dividend per share		NOK	644	624	595	545	496
Earnings per share	(21)	NOK	1 345	287	886	1 008	1 921

*) The Group has decided to change the presentation of the effects of gains and losses from power and currency contracts. As from 01.01.2020, the effects of unrealised and realised value changes from power and currency contracts are presented as part of total revenues. The group has re-assessed the accounting principles related to the purchase of power to cover concession power obligation deliveries and power deliveries under bilateral agreements and whether it should be presented gross or net. Lyse decided to change from a net to a gross presentation within the profit and loss statement, see note 2 for more details. Key figures for 2020 and 2021 are recalculated to reflect these changes.

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

***) Including current financial placements

****) Including subsidiaries and joint ventures owned by Lyse in Norway

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	31.12.21	31.12.20
Injuries				
Employees - absence injuries	(1)	Number	1	3
Employees - injuries	(2)	Number	5	5
Accidents per million working hours with absence (H1 value)	(3)	H1-value/ LTI rate	0,52	1,45
Accidents per million working hours without absence (H2 value)	(4)	H2-value/ TRI rate	2,61	2,45
Absence due to illness in total	(5)	**%**	**3,57**	**3,00**
- Hereof doctor-certified		%	2,85	2,37
- Hereof self-certified		%	0,72	0,63

EMPLOYEE RATIO

		Unit	31.12.21	31.12.20
Total number of permanent and temporary employees		Number	1 408	1 387
Number of temporary employees		Number	20	22
Number of full-time employees		Number	1 363	1 356
Number of part-time employees		Number	45	31
Number of summer job employees in the period		Number	51	56
Number of graduates in the period		Number	5	9
Number of apprentices in the period		Number	22	26
New hires in the period		Number	191	224
- Share of internal relocation	(6)	%	32,3	31,0
Turnover	(7)	%	8,79	3,88
Seniority	(8)	Year	9,1	9,6
Share of employees who achieve stipulated upper age limit within 5 years	(9)	%	1,94	1,75
Share of employees who achieve stipulated upper age limit within 6-10 years	(9)	%	6,14	5,80
Union density	(10)	%	45,7	52,0
Equality				
Percentage of women				
- In total		%	29,80	29,48
- Among management positions	(11)	%	34,51	30,47
- In the Group Management		%	50,00	42,86

- In the Group Board		%	50,00	50,00
- Among new hires		%	31,94	31,69
- Among full-time employees		%	29,14	28,61
- Among part-time employees		%	53,49	54,83
- Among permanent employees		%	29,87	28,88
- Among temporary employees		%	22,22	45,83
Average parental leave - women		Number of weeks	21,57	20,34
Average parental leave - men		Number of weeks	23,77	22,49
Involuntary part-time - women	(12)	%	0,00	0,00
Involuntary part-time - men	(12)	%	0,00	0,00
Equal salary				
Salary ratio among all employees	(13)	Ratio	0,88	0,92
Salary ratio among management	(14)	Ratio	0,88	1,00

VIOLATION OF LAWS AND REGULATIONS

		Unit	31.12.21	31.12.20
Non-compliance with environmental laws and regulations		Number	0	0
Non-compliance with laws and regulation in the social and economic area		Number	0	0
Confirmed incidents of corruption		Number	0	0
Confirmed incidents of discrimination		Number	0	0
Registered personal data security breaches	(15)	Number	3	0

ENVIRONMENTAL DISCLOSURES

ENERGY CONSUMPTION

		Unit	31.12.21	31.12.20
Electricity consumption		GWh	46	44
Pumped storage		GWh	57	271
Grid loss		GWh	5	4
District heating		MWh	321	31
Natural gas		GWh	58	48
Biogas		GWh	21	24
Diesel		Liter	352 629	335 769
Gasoline		Liter	4 267	11 463

CLIMATE

		Unit	31.12.21	31.12.20
Scope 1: Direct emissions		**tCO2e**	**15 094**	**12 115**
- Gasoline	(16)	tCO2e	10	26
- Diesel	(16)	tCO2e	949	904
- Natural gas	(16)	tCO2e	13 445	11 082
- Leak SF6 gas	(17)	tCO2e	81	35
- Leak natural gas	(18)	tCO2e	114	9
- Leak refrigerants	(19)	tCO2e	494	59
Scope 2: Indirect emissions, energy consumption		**tCO2e**	**0**	**0**
- Electricity consumption	(20)	tCO2e	0	0
- District heating	(21)	tCO2e	0	0
Scope 3: Other indirect emissions		**tCO2e**	**120 291**	**108 597**
- Sold natural gas		tCO2e	120 190	108 488
- Business travels	(22)	tCO2e	102	110
Biogenic emissions	**(23)**	**tCO2e**	**7 711**	**7 567**
- Biogas consumption		tCO2e	4 232	4 647
- Sold biogas		tCO2e	3 479	2 920

BIODIVERSITY

		Unit	31.12.21	31.12.20
Spawning Stock Targets (SST)	(24)			
Årdalselva in Hjelmeland		% of SST	342	255
Lyseelva in Sandnes		% of SST	138	160
Jørpelandselva in Strand		% of SST	448	327
Espedalselva in Sandnes		% of SST	228	Not available
Frafjordelva in Gjesdal/Forsand		% of SST	569	Not available

POWER- AND DISTRICT HEATING PRODUCTION

		Unit	31.12.21	31.12.20
Installed capacity - power generation	(25)	**MW**	**2 390**	**1 747**
- Hereof hydropower*		MW	2 387	1 744
- Hereof other		MW	3	3
Installed capacity - thermal production		**MW**	**230**	**180**
- District heating		MW	95	95
- District cooling		MW	48	37
- Local heating		MW	88	48
Production - power generation	(25)	**GWh**	**10 363**	**6 016**
- Hereof hydropower**		GWh	10 353	6 004
- Hereof other		GWh	10	10
Production - thermal production		**GWh**	**223**	**204**
- District heating		GWh	150	123
- District cooling		GWh	16	17
- Local heating		GWh	57	64
Renewable energy production from power generation and thermal production		**%**	**0,99**	**0,99**

*) Includes 100% share of RSK in 2021. 2020 numbers does not include RSK with 629 MW

**) Includes 100% share of RSK in 2021. 2020 number does not include RSK with 3456 GWh

ECONOMIC DISCLOSURES

CONTRIBUTION TO SOCIETY

		Unit	31.12.21	31.12.20
Gross operating revenues		NOK millions	17 660	8 165
Unrealised changes in the value of energy contracts		NOK millions	-998	-235
Paid to suppliers for good and services		NOK millions	-6 124	-2 917
Gross value added		**NOK millions**	**10 538**	**5 013**
Depreciation and impairment		NOK millions	-1 866	-1 574
Other operating expenses		NOK millions	-1 394	-1 108
Net value added		**NOK millions**	**7 278**	**2 331**
Financial income		NOK millions	87	74
Share of profit from associates		NOK millions	19	8
Value for distribution		**NOK millions**	**7 384**	**2 413**
DISTRIBUTION OF VALUE GENERATED				
Employees				
- Gross salaries and social benefits		NOK millions	1 145	1 107
Lenders / owners				
- Financial costs		NOK millions	507	507
- Dividend		NOK millions	650	630
The public sector*				
- Profit tax		NOK millions	1 205	146
- Resource rent tax		NOK millions	2 144	118
- Licending fees and property taxes		NOK millions	246	183
Net distributed values employees, lenders, owners and the public sector		**NOK millions**	**5 897**	**2 690**
The company				
Retained values		NOK millions	1 431	-341
Non-controlling interest's share of result		NOK millions	55	64
Net distributed values company		**NOK millions**	**1 486**	**-277**
Distributed values		**NOK millions**	**7 384**	**2 413**
Reconciliation of profit allocated to non-controlling interests		**NOK millions**	**780**	64
- Non-controlling interests power consumption		NOK millions	725	0
- Other non-controlling interests		NOK millions	55	64
Indirect value creation				
Proportion of spending on local suppliers	(26)	%	17,3	22,3

*) 714 MNOK of profit tax and resource rent tax is the non-controlling interest's share of tax

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)	A survey among the part-time employees has been conducted. Response rate was 63%
(13)	Average salary for women in relation to average salary for men
(14)	Average salary for women in relation to average salary for men among managers. Managers include Group Executive Management, management group 2 and management group 3
(15)	Registered breaches of personal data security that have resulted in a report to the Norwegian Data Protection Authority (Datatilsynet)
(16)	Including CO2, CH4 and N2O using GHG Calculation Tool Stationary Combustion
(17)	Global Warming Potential value from IPCC Fifth Assessment Report (2014). Refilled gas in Lnett
(18)	Calculated as methane emissions with Global Warming Potential value from IPCC Fifth Assessment Report (2014)
(19)	Calculated using the GHG Protocols RAC Tool
(20)	100% percent covered by guarantees of origin in 2020 and 2021
(21)	The district heating supplied by Lyse is considered climate neutral as only heat recovery and biogas are used in production, including CO2
(22)	Includes flights in Lyse that are registered via Lyse's travel agency and trips booked by employees of Altibox Denmark
(23)	Emissions from biogenic sources. Calculated using GHG Calculation Tool Stationary Combustion
(24)	The spawning stock target (SST) is a management target set by the Scientific Council for Salmon Management. We use SST for salmon as an indicator of the condition of the salmon stock affected by our hydro power regulation. SST is the amount of female salmon needed in the river when spawning to produce maximum smolts. A stock larger than SST is thus good and shows that there is a harvestable surplus in the watercourse. The target is decided by the river area and assumptions about the productivity of the river. Please note that there are several other factors affecting the SST as it is also dependent on river and survival in sea. The survival in sea is not affected by Lyse’s activities.
(25)	2021 number includes 100% share of RSK, 2020 number does not include RSK
(26)	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

2021

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

Lyse is a Norwegian industrial group with activities in energy, telecommunications and infrastructure. The company is a national player in renewable and regulated hydropower and is the country's third largest hydropower producer. Lyse has been a driving force for the development of robust digital infrastructure. Through the nationwide Altibox partnership, the group provides broadband and entertainment services to a significant proportion of the population.

Lyse has regionally developed the country's most varied and complete infrastructure for electricity, bio and natural gas, district heating and fibre broadband. As a national telecommunications player, the group owns a nationwide fibre network and has ownership interests in several sea fibre cables abroad that ensure good digital connections in and out of Norway. Good availability and high delivery security are 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 2021

Important events

- A cold winter and a dry summer combined with less wind than normal, as well as high gas and CO2 prices on the continent, resulted in high power prices in southern Norway.

- The merger of Lyse's wholly owned and partly owned power plants and Hydro's nine power plants in Røldal Suldal Kraft (RSK) meant that the group's average production in 2021 on a 100 per cent basis increased to 10 TWh. As part of this transaction, Lyse's share of average production has increased to 7.3 TWh

- The integration of Lyse and Hydro's hydropower plants in the south-west of Norway through Lyse Kraft DA has progressed according to plan.

- During the year, Lyse entered into a collaboration with Shell and Eviny on the development of offshore wind. The consortium has an ambition to apply for permits in both areas of the North Sea, namely Southern North Sea 2 and Utsira North, which will be opened for development.

- The Altibox partnership gained 76,005 new customers in 2021. The growth is primarily organic. At the end of 2021, Lyse's wholly owned subsidiary Altibox provided broadband and entertainment services to 784,918 customers.

- For the twelfth year in a row, the independent organization EPSI measured Altibox users 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.

- Through Altibox Carrier, ownership is managed in the companies Skagenfiber AS (100%) and NO-UK Com Holding AS (37%), which own the company's two subsea fibre connections to Denmark and the United Kingdom, respectively. During the summer of 2021, the 700-kilometer-long fibre cable between Newcastle and Stavanger was installed.

- In September, Altibox participated in Nkom's frequency auction and bought 5G frequencies in the 2.6 and 3.6 GHz bands. Altibox will use the frequencies to offer fixed wireless broadband over 5G and has already started organizational preparations for an entry into this new business area.

- Lyse Elnett changed its name to Lnett.

- Lnett moved into a new office building in the center of Sandnes at the end of 2021. The building is built of solid wood and is environmentally classified as BREAAM-NOR Excellent.

- 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 takes action when necessary.

- The pandemic has shown that stability and capacity in the telecom infrastructure are important. In Altibox's national fibre network, there has been a marked increase in data traffic during the day. The Altibox partnership has also seen an increase in demand for fibre broadband.

- In April 2021, Lyse paid 630 million in dividends based on the annual accounts for 2020. This is an increase of 30 million from 2020.

Financial performance

In 2021, the annual profit before taxes was NOK 5,486 million, compared with NOK 617 million in 2020. After taxes, the annual profit amounted to NOK 2,137 million, compared with NOK 354 million the year before. Of this, NOK 1 357 million is allocated to the majority owners, against NOK 290 million in 2020. Underlying annual result to the majority owners, adjusted for unrealized changes in financial instruments and significant non-recurring items in connection with business combinations or financial items, was NOK 1,882 million, against NOK 530 million in 2020. The calculation of the underlying annual result is included under alternative performance measures (APM) in the annual report.

The operating result for the energy business of NOK 4,979 million is NOK 4,678 million better than in 2020. Operating results from underlying operations improved by NOK 5,145 million, which was partially offset by NOK 674 million in negative unrealized value development on financial instruments.

The group's annual result is affected by high production volume and high power prices. The average spot price for the year (NO2) was 76.2 øre / kWh for 2021, compared with 9.8 øre / kWh for last year. The actual average power price achieved (excluding hedging) in 2021 was 75.3 øre / kWh, compared with 11.8 øre / kWh in 2020. This is an increase of 538%.

Hydropower production ended in 2021 at 10.4 TWh (billion kilowatt hours) against 6.0 TWh in 2020. The sharp increase is primarily due to the merger of Hydro's hydropower resources in Røldal Suldal and the substantial hydropower resources of Lyse, with effect from 31.12.2020. As a result the average production of the group increased from 5.9 TWh in 2020 to 10.1 TWh in 2021, of which 7.3 TWh is Lyse's share. The remaining share belongs to Hydro.

Lyse is well positioned with adjustable hydropower production in southern Norway.

The areas of gas / biogas and district heating / district cooling, delivered an overall better result in 2021 than the year before. Increased cost of goods in the form of high gas prices had a negative effect on the result within gas / biogas. The area of electricity sales achieved a negative result in 2021. Reduced margins on customers and losses on price guarantee products are the main explanation for the negative result.

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 784,918 Altibox customers (on its own and partners' fibre infrastructure). The operating profit for the telecommunications business in 2021 was NOK 957 million, which is an improvement of NOK 399 million from 2020. The improvement is due to continued strong customer growth and high demand for our content products combined with good cost control.

The operating profit for the electricity network business in 2021 amounted to NOK 165 million, a reduction of NOK 140 million from 2020. Increased costs for grid losses are the main explanation for the reduction. The business has a good underlying result. The operating situation was stable in 2021, and the interruption costs were at a modest NOK 23 million, which is a small increase from 2020.

Other activities include support functions in Lyse AS and Lyse Dialog, as well as Lyse Lux, Lyse Vekst and Lyse's real estate companies. Lyse AS had a reduction in operating profit in 2021 compared with 2020. This is due to the reorganization of support functions and increased investments in support systems. Lyse Lux, Lyse Vekst and Lyse's real estate companies have stable results.

In 2021, the group's operations gave a return of 15.5% measured by operating profit in relation to average capital employed. Return on book equity was 10.6%. For Lyse AS, the group's parent company, the annual profit was NOK 789 million, compared with NOK 270 million in 2020. The Board confirms that the assumption of continued operations 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 2021 was NOK 5,887 million. Profit from underlying operations is operating profit adjusted for unrealized changes in the value of financial power contracts and significant non-recurring items. Lyse focuses on results from underlying operations in the financial reporting and it is therefore mainly underlying operations that are commented in the review of operating profit and business areas.

(Amounts in NOK millions)	2021	2020
Underlying operating income	17 336	8 234
Underlying operating costs	10 775	6 984
Underlying operating profit	**6 561**	**1 250**
Unrealised gains and (losses) on financial instruments	-674	-304
Non-recurring items (gains +)	0	96
Operating profit	**5 887**	**1 042**

Underlying operating profit in the group was on NOK 6,561 million in 2021, which is an increase of 5,311 million from 2020.
Underlying operating income was NOK 17,336 million, compared with NOK 8,234 million in 2020. The Lyse Group's underlying income in 2021 is allocated as follows between the business areas: Energy NOK 10,667 million, Telecom NOK 5,191 million, Nett NOK 1,447 million and Other NOK 31 million. The increase in the group's revenues from 2020 to 2021 is explained by increased turnover in the energy segment due to higher power prices and production volume, as well as increased turnover from the telecommunications area as a result of customer growth.

The increase in the cost of goods sold is due to increased activity in both hydropower production and telecom. Increases in salaries and other operating costs are primarily linked to the telecommunications area and are explained by higher sales activity and consolidation of some minor acquired fiber companies.

Depreciation and impairments for the year amount to NOK 1,866 million against NOK 1,574 million in 2020. The increase is primarily due to an increased depreciation basis in the telecommunications area due to large investments.

Underlying EBITDA (operating profit before depreciation and amortization) for the group was NOK 8,427 million against NOK 2,920 million in 2020. Significant unrealized changes in value, which have been corrected when calculating the underlying operating profit, have a negative effect on profit by NOK 674 million. These are mainly unrealized changes in the value of financial instruments related to price and currency hedges for future power production. No significant non-recurring items have been adjusted when calculating the underlying operating profit.

CASH FLOW

In 2021, the group's operations generated a cash flow of NOK 7,285 million against NOK 1,887 million in 2020. The Lyse Group invested NOK 2,979 million in shares and fixed assets in 2021, compared with NOK 3,475 million in 2020, which is a reduction of NOK 496 million. The investments are allocated as follows between the business areas:

(Amounts in NOK millions)	2021	2020
Energy	405	474
Telecommunications	1 447	2 265
Electricity Grid	1 016	611
Other *)	110	125
Gross investments (shares and fixed assets and intangible assets)	**2 978**	**3 475**

Net liquidity change from financing was NOK -1,935 million. At the end of the year, net interest-bearing debt, including financial lease, was NOK 11,467 million, which is NOK 2,350 million lower than at the end of 2020. Subordinated loans from the owners of Lyse AS amount to NOK 1,700 million. Total borrowing of new interest-bearing debt was NOK 1,800 million in 2021. Repayment, including financial lease, was NOK 1,928 million.

It is important to maintain a capital structure that ensures the group long-term financing and strong credit quality, while maintaining its ability to grow. The group's financial strategy shall provide financial flexibility and ensure a stabile 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 2021 is 5.4 years, compared with 5.5 years as of 31 December 2020.

Free cash and cash equivalents at the end of the year were NOK 6,466 million, an increase of NOK 2,360 million from 2020. In addition, the group has drawing rights totalling NOK 1,800 million. The group's liquidity reserve was NOK 7,572 million at the end of the year. There are restricted funds of NOK 694 million, which mainly apply to collateral for settlement of power trades. 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 2021, the group had book equity of NOK 20.7 billion, of which NOK 15.3 billion has been allocated to the company's shareholders. The corresponding figures at the beginning of the year were 19.6 billion and 14.2 billion. The equity ratio is 37% of total capital. In total, equity and subordinated loans make up 40% of total capital.

BUSINESS SEGMENTS

The table below shows the underlying operating profit for the group's business areas:

(Amounts in NOK millions)	2021	2020
Energy	5 654	509
Telecommunications	957	558
Electricity Grid	165	305
Other *)	-215	-122
Underlying operating profit per segment	**6 561**	**1 250**

In the further description of the business areas, underlying operating profit will be emphasized.

Energy

The energy business consists of the businesses in the wholly owned companies Lyse Produksjon AS (manages the power production in Lyse Kraft DA) Lyse Energi AS, Lyse Neo AS. In addition, the business area has an ownership interest in Lyse Kraft DA of 74.4%. Hydro owns the remaining 25.6% of the company. Lyse Kraft DA owns 100% of RSK Holding AS and 91% of Røldal Suldal Kraft AS. In addition, the ownership share in Jørpeland Kraft AS is 66.67%.

Merger of Lyse's wholly owned and partly owned power plants with Hydro's nine power plants in Røldal Suldal Kraft (RSK) was completed on 31 December 2020. The parties' power plant portfolios were then combined in the company Lyse Kraft DA which has an average production of 10 TWh and is located in the area from Haukeli in the north to Åna Sira in the south. Lyse Kraft DA manages the ownership of the power plant portfolio, while Hydro is responsible for daily operation and maintenance through an entered into operator agreement. In the first year of operation, a new structure has been established at the operational level, and work has begun on realizing the economies of scale of collaboration. The license in Røldal Suldal Kraft (RSK) was in 2021 transformed into an indefinite license in line with the company's application. As a consequence of this, a revision of the license terms in Røldal Suldal Kraft (RSK) is expected to be opened in line with current regulations.

Lyse carries out the water management and all physical power trading on behalf of Lyse Kraft DA so that the total power volume currently managed in the market is 10 TWh. As part of the agreement with Hydro, Lyse took over daily production planning and market management of the power plants in Røldal Suldal Kraft in the summer of 2021. The increased management volume means that market activities are strengthened. The transaction with Hydro increased the group's own power production by around 750 GWh.
The operating profit from underlying operations was NOK 5,654 million, compared with NOK 509 million in 2020. Hydropower production delivered an underlying operating profit after resource rent tax of NOK 3,584 million, which is NOK 3,216 million stronger than last year. Power production and market prices for power are crucial for the business area's profit development, and this year's power production was 10.4 TWh. In comparison, power production the year before was 6.0 TWh. Relatively high power production in 2021, in combination with a cold winter and little precipitation throughout the year, resulted in a low reservoir filling at the beginning of 2022.

A cold winter and a subsequent dry summer led to an increasing hydrological deficit in the Nordic countries. This gradually led to increased spot prices in the first half of the year. Also in the second half of the year, the development continued with little precipitation and a wind power production lower than normal. Especially in price area NO2, where Lyse's power production is located, the hydrological deficit increased significantly during the autumn.
Bottlenecks in the power grid from Sweden to Norway and from north to south in the country limited the power flow into the NO2 price area. This, in combination with the fact that there is considerable exchange capacity with the continent, meant that prices in Lyse's price range approached continental power prices. In situations where the demand for power is expected to have to be met by imports, the marginal cost of thermal power production on the continent will determine the market price of power.
Low gas stocks after the winter, sharply increased prices for CO2 quotas and gas prices which during the autumn reached extreme levels as a result of uncertainty about the supply situation, resulted in record high continental power prices.

This market situation significantly affected power prices in NO2, and the average price in December was NOK 177.08 / kWh, with the highest price quotation of as much as NOK 395.41 / kWh.

The average spot price in the Nordic region was 63.40 øre / kWh, which is 51.83 øre / kWh higher than for 2020. In the price area of southwestern Norway, where Lyse sells its power production, the area price was 76.23 øre / kWh. That is 66.42 øre / kWh higher than the year before.

The international connection NordLink between Tonstad and Germany had its first regular year of operation in 2021, and North Sea Link between Suldal and Blyth in the UK started trial operation with reduced capacity on 1 October 2021. The NO2 price area is thus more closely linked to the European power system.

The international connection NorthConnect applied for a license in June 2017, and the license application is still being processed by the Ministry of Petroleum and Energy (MPE). In the platform that forms the basis for the government cooperation between Arbeiderpartiet and Senterpartiet, it has been determined that NorthConnect will not receive a license during this government period. The owners of NorthConnect, like NVE, consider that the project has good socio-economic profitability. A total of 25 GW of offshore wind licenses have been awarded in the area where the cable connection is planned on the British side. The planned infrastructure will therefore be able to strengthen the Nordic power system. The cable project is considered to be uncertain from an accounting perspective and therefore fully impaired in the annual accounts.
In 2021, Lyse has not made any investments in the project. In total, the Lyse Group has invested NOK 75 million in the project.

Underlying operating profit from gas and heating and cooling operations was NOK 21.7 million, which is NOK 42.4 million stronger than in 2020. The prices of gas and heat are linked to customers' alternative energy sources and will be competitive over time. Last year's electricity prices improved EBITDA from the district heating business by NOK 53 million from 2020, even though Lyse's district heating customers had a price cap of 90 øre / kWh. A total of 193 GWh of heating and cooling was delivered in 2021, which is an increase of 22 GWh. The district heating deliveries from the incineration plant at Forus are climate neutral. It is an objective for the business to utilize local resources in circular value chains that also reduce greenhouse gas emissions.

The extreme gas prices in the last six months weakened the result from the gas business by NOK 19 million compared with the previous year. A significant proportion of the customer portfolio on gas is the primary industry and horticulture, where current gas prices threaten profitability. If the high gas prices persist, the delivery volumes to this customer group are expected to be significantly reduced. A total of 534 GWh of gas was delivered, an increase of 53 GWh from 2020. Of this, biogas deliveries account for 38 GWh.

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 customer volume has increased in recent years and Lyse has emphasized offering customers products that create predictability in a difficult and volatile power market. Electricity is a basic product for customers and Lyse will continue to offer products that give customers the opportunity to have greater predictability related to their own electricity costs. The company's annual result in 2021 is characterized by Lyse having reduced margins and delivered price guarantee products that have provided savings for customers. To strengthen the focus on energy solutions that can be delivered together with electricity, Lyse Energisalg AS and Smartly AS were merged in the summer of 2021. The entire business will be continued in Lyse Energi AS. The development of infrastructure for fast charging for the private and commercial markets continues, and at the end of the year 1,718 charging points had been established regionally.

Investments in the energy business area amount to NOK 405 million. The investment in the hydropower business of NOK 315 million is mainly related to the rehabilitation and reinforcement of dams in wholly owned and partly owned power plants. The gas and heating business invested NOK 74 million.

Telecommunications

Lyse's telecommunications business consists of the wholly 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 utility 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 35 fibre companies in Norway and Denmark. Lyse has full or partial ownership in about 63% of the customer portfolio.

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%).

The broadband and entertainment services provided by Altibox score high on customer satisfaction. For the twelfth year in a row, the independent organization EPSI measured Altibox users 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.

Altibox has in accordance with Nkom statistics as per 30. Juni 2021 a market share of 28.8% on fixed broadband in Norway. The market share is increasing and according to the National Communications Authority, Altibox will become the market leader in fixed broadband in Norway during 2022 if this development continues. With a market share of 23.3% in TV-services, Altibox is Norway’s second largest TV distributor.

In addition to the private market, Altibox sells to the professional market. Altibox's professional deliveries are profiled under the name Altibox Bedrift and are a separate division in Altibox. The deliveries from Altibox Bedrift consist of communication services to companies, and the division has 21,200 customers at the end of 2021. In addition, Altibox has deliveries in the professional market through the Altibox Carrier business area, which is organized in its own wholly owned subsidiary from 2022. Altibox Carrier provides international communication services to datacentre businesses, operator and corporate markets. Altibox Carrier has established a comprehensive European network structure that connects Norway with the central data traffic hubs on the continent.

Through Altibox Carrier (Altibox Fiber Assets AS in 2021), ownership is managed in the companies Skagenfiber AS (100%) and NO-UK Com Holding AS (37%), which own two subsea fibre connections to Denmark and the United Kingdom, respectively. During the summer of 2021, the 700-kilometer-long fibre cable between Newcastle and Stavanger was installed.

In September, Altibox participated in Nkom's frequency auction and bought 5G frequencies in the 2.6 and 3.6 GHz bands for a total of NOK 844 million. By using the frequencies for broadband coverage in uncovered broadband areas, it will be possible to obtain a discount of NOK 120 million. Altibox will use the frequencies to offer fixed wireless broadband over 5G and has already started organizational preparations for an entry into this new business area.

In 2021, Altibox will continue the industrialization of 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 5,191 million, compared with NOK 4,544 million the year before. This is a growth of 14%. The growth is mainly due to customer growth and high demand for high-speed internet and digital entertainment services.

The Altibox partnership gained 76,005 new customers in 2021. The Altibox partnership has a total of 784,918 customers at the end of the year, compared with 708,913 at the beginning of the year. Of these, Lyse has 438,752 customers in Norway through wholly and partly owned companies at the end of 2021. Altibox Denmark has 52,793 customers at the end of the year, which is an increase of 6,239 from last year.

The business achieved a positive underlying operating profit before depreciation (EBITDA) of NOK 2,139 million, compared with NOK 1,672 million the year before, an increase of 28%. The business area's 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 957 million in 2021, which is NOK 399 million higher than in 2020, an improvement of 72%. Depreciation totals NOK 1,182 million as a result of a continued high level of investment.

In 2021, Lyse had large investments in socially critical infrastructure. Investments in telecom amounted to NOK 1,447 million in 2021 against NOK 2,265 million in 2020, where much of the decline is explained by acquisitions and capital increases in 2020.

Power grid

Lnett'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.

Lnett 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, 3,953 substations and 13,786 km of lines and cables.

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

Delivered energy in 2021 was 5,300 GWh. The corresponding figure in 2020 was 5,110 GWh. Lack of deliveries due to errors in Lnett's transmission network was 203 MWh in 2021, a reduction from 832 MWh in 2020, which gives a regularity of 99.994% with regard to delivered energy. The board is satisfied with the level of secured delivery the company has achieved in recent years.

The grid business had a turnover of NOK 1,447 million in 2021, which is a reduction from NOK 1,550 million in 2020. Grid rental income increased by NOK 54 million as a result of growth in the number of customers and electricity consumption, at the same time as high power prices have resulted in a significant increase in the costs of purchasing power to cover losses in the electricity grid. Costs for grid losses are NOK 197 million in 2021, an increase of NOK 174 million against 2020, which was a year with very low power prices. Net income from other activities was reduced as a result of lower activity, correspondingly the cost of goods sold for other activities has been reduced compared with last year.

A high focus on costs throughout the organization has reduced operating costs by NOK 10 million compared to last year. Depreciation increased by NOK 32 million from 2020 to NOK 278 million because of large investments. Underlying operating profit totalled NOK 165 million, which is a reduction of NOK 139 million compared with the previous year. The business achieved a return on net capital of 3.7% in 2021, compared with 7.5% in 2020.

At the beginning of the year, Lnett had a net shortfall to the income cap of 31 million kroner. At the end of the year, the shortfall will have increased to NOK 137 million. The reason for the increase is mainly the high net loss costs in the second half of the year. Over time, the shortfall will be directed towards zero.

This year's interruption costs (KILE costs) were on NOK 23 million, of which NOK 4.2 million were planned and NOK 18.8 million unplanned interruptions. The corresponding figure for 2020 was NOK 19 million. The average annual KILE cost for the last three years is NOK 21 million.

In 2021, a total of NOK 743 million was invested, compared with NOK 611 million in 2020. The investments for the year relate to new facilities for residential and commercial buildings, as well as strengthening and renewing the regional and distribution network. Public infrastructure projects in the area also entail a need for increased investments in the network. On 3 December 2021, Lnett AS bought all the shares in the real estate company Lnett Jærveien 35 AS. The consideration for the shares was agreed at NOK 273 million. The company will be merged into Lnett AS from 1 January 2022.

At the end of the year, the company had 159,902 grid customers, compared with 158,508 customers the year before. The increase in the number of customers is due to a sustained underlying growth in the number of grid customers in the region.

Other areas

Other areas include support functions, which in addition to Lyse AS also include Lyse Dialog AS. Apart from that, the following companies and other segments are included: Lyse Lux AS, Lyse Vekst AS, Lyse Elkon AS, the real estate companies Lyse Eiendom Mariero AS, Lyse Eiendom Jørpeland AS and Lyse Eiendom Ullandhaug AS and some smaller companies without special operating activity.

FINANCIAL ITEMS

Net financial expenses amounted to NOK 420 million in 2021, which is a reduction of NOK 13 million compared to 2020. Interest on subordinated loans to Lyse's owners was NOK 44 million against NOK 49 million in 2020.

Interest expenses on the group's external interest-bearing debt (including subordinated loans) amounted to NOK 383 million in 2021, which is a reduction of NOK 37 million from

2020. The reduction is mainly due to lower market interest rates through 2021.

Net interest-bearing debt including financial lease has been reduced by NOK 2.4 billion through 2021. Net interest-bearing debt (excluding financial lease) has also been reduced by NOK 2.4 billion through 2021.

Short-term market interest rates, such as 3-month NIBOR, fell from an average level of 0.70% in 2020 to 0.47% in 2021. In line with the group's financial strategy, changes in market interest rates in the short and medium term have limited impact on the group's annual result. Of the group's net interest-bearing debt (excluding financial lease debt) of NOK 10,545 million, NOK 9,338 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 hedges in the grid business and through the resource rent tax.

In 2021, a total of NOK 1,250 million was issued in the bond market. This was a reduction from 2020, when the group issued NOK 3,250 million in the bond market. An improvement in cash flow from operations in 2021 was the main reason for lower volumes in the bond market in 2021. In December 2020, Lyse's green financing framework was updated, with an overall classification of dark green from Cicero. During 2021, Lyse has issued NOK 400 million under the framework, so that the total outstanding green bonds were NOK 2,150 million at the end of 2021.

TAX

The tax cost increased by NOK 3,086 million from 2020, and amounted to NOK 3,349 million.
Tax payable amounts to NOK 2,443 million for 2021, compared with NOK 368 million in 2020.

Power production gave a resource rent tax cost of NOK 2,144 million in 2021, which is 64% of the group's tax expense. The corresponding amount in 2020 was NOK 118 million and 45% of the tax cost. Payable resource rent tax is NOK 1,612 million in 2021, compared with NOK 73 million in 2020. The reason for a steep increase is primarily significantly higher power prices and increased volume as a result of the Hydro transaction compared to the previous year.

With effect from 2021, a cash flow tax model was introduced within the resource rent taxation. Cash flow tax means that the investment cost is fully deducted from the basic resource rent income in the investment year for tax purposes. The introduction of the cash flow tax represents a significant improvement in the framework conditions for hydropower and will contribute to an improved return on investment for new power plants and new R & D projects compared with the previous resource rent tax model. At the same time, the previous resource rent tax model is continued for all investments made before 2021. Thus, the high taxation for previously completed investments is maintained. Lyse will, together with the rest of the industry, continue the work of improving the framework conditions for the taxation of the hydropower industry.

RISK AND INTERNAL CONTROL

The most central risks 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 integral 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 currency, interest rate and financing markets. The board annually assesses the framework for the risk exposure. Internal authorizations and frameworks have been established for power trading, foreign exchange trading and financial management.

An investment committee has been established in the parent company Lyse AS, which assesses profitability and risk in 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 in production and trade in power. In the Nordic power market, precipitation conditions, demand and market prices for coal, gas, oil and CO_2 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 function in the parent company coordinates and manages the risk associated with interest rates, currency and liquidity, including refinancing and new borrowings. The finance function 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 risk based 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. Milder and wetter climates 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, Lnett 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, we will increase our competence, we will 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 2021, there has been work to develop concepts within the consumption of entertainment, charging, control of energy and power, as well as Internet of Things and smart cities.

Through the Elnett21 project, Lyse, Avinor, Forus Næringspark and Stavangerregionen Havn are collaborating to develop solutions to meet the growing need for power in society. The project started in 2019 and will end in 2024. This is one of several examples of how we work with innovation in close collaboration with other actors in the regions. 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.

As the group grows, it is natural that an increasing part of the innovation power is moved from the group head to the subsidiaries. Altibox is among other things ranked 6th nationally in the Digital Innovation Index by NHH.

Through Lyse Vekst AS, Lyse has the opportunity to invest in early-stage companies and funds within technology and renewable energy. We offer companies valuable expertise and experience and want to be involved in further developing 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 aims 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 is 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.

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 during the entire contract period.

The supply chain covers several sectors. Lyse emphasizes identifying the risk of damage and negative impact on the climate and the environment as early as possible in the procurement process. In 2021, the suppliers located in one of our owner municipalities accounted for 17.3% 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.

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 relations
- HMS
- 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
• Delivery security

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.

Organisation, health, environment and safety

Lyse must be an attractive, fair, and good employer and will retain and attract the best and most qualified competence in the future.

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

In 2021, it has been particularly important to ensure competence through permanent employment, and there have been projects with conversion from hiring to permanent employment within several business areas.

In close collaboration with the unions, a new job evaluation system has been implemented in the Lyse Group. The system is an important tool for determining and reporting correct and fair salaries across the group, through methodological measurement and safe procedures.

Efforts are being made to ensure the group has the right competence. Good processes will be established to uncover competence gaps, succession planning and individual competence and development plans to retain and develop our own employees and ensure internal mobility.

Annual employee surveys are conducted in the group per company. Overall, the surveys show that employees in Lyse are well satisfied with Lyse as an employer. In addition, there are regular arrangements for conducting employee interviews. A new digital HR system has been introduced in 2021 to ensure, among other things, follow-up and measurement of completed employee interviews, employee development, etc.

We will systematically measure how attractive Lyse is as a workplace.

In the spring of 2021, Lyse participated in a research project with the University of Stavanger on collaboration and the leadership role. All employees were given the opportunity to provide input on what it takes for Lyse to become an even better employer. The project called "The Bright of the Future" will be continued internally with the preparation of measures and further collaboration with the University of Stavanger related to the research results.

Lyse has a graduate program, talent program and trainee program. There are 51 employees in summer jobs, divided into summer projects and placement for operational and project tasks in the individual companies.

As of 31 December 2021, there were 22 apprentices within the energy installer area and within sales. This is a reduction of 4 compared to 2020. Lyse is continuously working to look at opportunities for taking in more apprentices in relevant subject areas.

Turnover in the Lyse Group was in 2021, 8.79% against 3.88% in 2020.

As of 31 December 2021, 1,453 permanent employees in the Lyse Group amounted to 1,416 full time equivalents (fte). At the same time in 2020, there were 1,418 employees, which amounted to 1,369 fte’s.

Of the total number of employees, the proportion of women is 29.62%, compared with 29.48% the year before. In management positions, the proportion of women is 34.51%, compared with 30.47% the year before.

In 2021, a total of 191 new employees were employed, compared with 224 the year before. Of new hires in 2021, 31.94% are women.

In Lyse, there are 45 part-time positions as of 31 December 2021, with 53.49% women and 46.51% men. An anonymous survey has been carried out through a survey and no one has stated that they have an involuntary part-time position.

As of 31 December 2021, there were 20 temporary employees, 25% women and 75% men.

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

The Lyse Group is concerned with ensuring equal pay. The average salary for women in relation to the average salary for men (salary ratio) is 0.88 for both managers and employees. In 2020, the salary ratio among all employees was 0.92 and among managers 1.0. The decline in the wage ratio among managers can probably be explained by the fact that younger women are employed in management positions.

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 2021 was 3.4% against 1.65% in 2020.

In order to achieve the goal of being an attractive, fair and good employer, Lyse focuses on work for equality, diversity and against discrimination.

In 2021, women had an average of 21.57 weeks of parental leave and men 12.97 weeks. In 2020, women had 20.3 weeks of parental leave and men 10.4 weeks.

Lyse has traditionally been a workplace with a high proportion of men, and over time the focus in recruitment and management appointments has been on achieving a better gender balance.

In the autumn of 2021, HR began work on systematic mapping and preparation of action plans to promote gender equality, avoid discrimination and contribute to increased diversity in Lyse. This work will be continued together with shop stewards in 2022. For more information, see lysekonsern.no.

The sickness absence in the group in 2021 was 3.44% against 3% in 2020. In 2021, there were 5 personal injuries that resulted in 1 day of sickness absence. In 2020, there were 4 personal injuries that resulted in sick leave of 31 days. The Lyse Group has a goal that sickness absence should be below 3.5%.

The degree of organization in Lyse in 2021 is 45.7% against 52% in 2020. Lyse as an employer encourages employees to organize with unions and wants an increased degree of organization. The degree of organization has decreased, this is probably as a result of younger new employees opting out of union membership and those with high seniority having left or retired. Together with employees' organizations, measures will be prepared for an increased degree of organization and increased focus on tripartite cooperation.

In the Lyse Group, no task or activity shall be given priority over health, safety and the environment. There is at all times compliance with statutory HSE requirements for the various companies. Lyse has used procedures for secure job analyses related to the internal performance of operational tasks or in collaboration with other partners and suppliers.

Through the coronavirus pandemic, Lyse has prioritized the safety and health of employees and subcontractors. The group has implemented measures in line with advice from national health authorities to reduce the spread of the virus. At the same time, stable operations and deliveries are a priority task. The group has maintained stable operations throughout 2021.
The direct economic effect of the pandemic has so far been limited for Lyse, and it is not expected that it will significantly affect operations in the long term. The Lyse Group is solid with a significant liquidity buffer in cash and unused credit facilities. The group follows the development of the epidemic and continuously assesses potential consequences for the group's employees and operations.

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 in the workplace. Employees have adapted to the situation in a very good and flexible way. Risk-reducing measures have been implemented and further measures are being assessed continuously.

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

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

Privacy statements have been prepared and published that describe how the companies process personal data so that this will take place openly and predictably for all registered in our systems.

The privacy rights of customers and employees are safeguarded, among other things, by established routines for handling breaches of personal data security. In 2021, there have been three breaches of personal data security in the group that have been of such a nature that they have been reported to the Norwegian Data Protection Authority. No inspections have been carried out by the Norwegian Data Protection Authority during the period.

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

In 2021, no cases of corruption or violations of laws and regulations in general have been reported or uncovered.

Environmental impact

The Lyse Group provides renewable energy, infrastructure and innovative services that enable our customers to reduce greenhouse gas emissions. Electrification and digitization are crucial factors in achieving local as well as global climate goals, and the group's breadth makes Lyse well positioned to contribute and create profitable growth in the green shift.

Lyse aims to be climate neutral in its own operations by 2030 and 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.

In order to achieve climate neutrality, all own direct emissions must be cut (Scope 1). 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 heat (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 extensive 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 transition and contribute to emission reductions in the region. Together with IVAR, a study of carbon capture from the region's largest emission point, Forus Energigjenvinning, has been initiated, and collaboration 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 the special year 2021 has been, our most important 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 now been home.

Read more about how we affect the local community at lysekonsern.no

OWNERSHIP AND CORPORATE GOVERNANCE

In our business operations, Lyse depends 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. The deviations from these principles are thus mainly related to the shares' negotiability, issues and capital increases, as well as principles that must be followed if the business is offered. The group's guidelines for corporate governance are available at www.lysekonsern.no.

In the spring of 2021, the owner municipalities adopted an ownership strategy for Lyse in which the expectations of the company were clarified, including the dividend policy. 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 from among 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.

Board and management liability insurance has been taken out. This applies to board members, the general manager, a member of the group management, etc. and covers liability for damage to third parties, property or property damage.

EU taxonomi

Lyse is well on its way to mapping the activities in the group and how these qualify under the new EU taxonomy regulation for sustainable financing. The regulation is expected to be included in the EEA agreement during the first half of 2022 and will then also formally enter into force in Norway. Initially, there will be a requirement to report on activities that are included as qualified activities under the taxonomy. In the next round, there will also be reporting requirements related to whether the activity is adapted to the requirements of the taxonomy, and thus can be called taxonomy adapted. To get there, the activity must meet the criteria for making a significant contribution to one or more of the defined environmental goals, it must not do significant harm to the other environmental goals, and it must meet minimum requirements for social standards.

In Lyse, we have so far been able to map which activities are defined in the taxonomy as qualifying activities, and will through 2022 build on this work, to also be able to report on activities that are taxonomically adapted from the 2022 annual report.

The Lyse Group has activities under the three business areas energy, grid and telecom. Within the energy area, we find electricity production from hydropower, as well as the distribution of district heating and cooling as activities that are considered to qualify under the taxonomy. Distribution of district heating is based on around 95% of waste heat from Ivar's incineration plant at Forus, and the rest is supplemented with biogas or electricity. In addition to these qualifying activities, Lyse also offers sales of natural gas, biogas and sales of electricity to end customers who do not qualify under the taxonomy.

In large parts of Southern-Rogaland, Lnett is responsible for the construction and operation of the distribution and regional network. This is an activity that is considered to qualify under the taxonomy. Major investments have been made in Lnett in recent years, and further growth is expected in investments here in order to facilitate more industrial development and increased electrification of society as a whole.

Telecom is an important business area for the group with a large share of investments that go to fibre network development and production of internet and television for end customers through Altibox. So far, telecom as an industry has not been included in the taxonomy, but in its work in drafting the taxonomy regulation, it was pointed out by the technical expert group that this is something that should be considered further for possible future inclusion. A well-functioning fibre network will be an important facilitator in order to enable the EU's climate goals by 2050, but will then for the time being fall outside the qualified activities.

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

DIVIDENDS AND ALLOCATION OF PROFIT FOR THE YEAR

The Board will propose to the Annual General Meeting on 26 April 2022 that for the financial year 2021 an ordinary dividend of NOK 782.43 per share be distributed from Lyse AS, a total of NOK 650 million. Profit for the year after tax is NOK 789 million (company accounts). The board further proposes that NOK 139 million be transferred to other equity in Lyse AS.

OUTLOOK

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

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

In the winter of 2021/2022, the power industry has been through its biggest crisis of confidence, due to very high power prices. The reasons for the high prices are many, but the most important are low reservoirs in southern Norway combined with very high gas and CO2 prices on the continent. This situation coincides with the launch of two new power exchange cables, one against Germany and one against England. These cables have probably to a certain extent contributed to an extra price increase in periods but are not the main reason for the price increase. Overall, however, this situation has contributed to the weakening of the industry's reputation and where more politicians are advocating to make significant interventions in the current market solution. The board will warn against changing significantly in a market that has served us well for 30 years, based on an extraordinary situation with high prices that has arisen this winter. The board would like to commend the authorities for coming up with compensation solutions that seem to work as intended without disturbing the market.

Lyse, together with other players in the industry and the industry organization Energi Norge (NHO), has taken the initiative to look at what can be done to ensure Norwegian private customers and smaller corporate customers more stable electricity prices in the future. Fixed price contracts or combinations of fixed price and spot price seem to be the easiest way to a better functioning market for our customers. In order to establish such a market, the authority must look at the structure of resource rent tax. A scheme like the power-intensive industry, where the power companies are taxed on contract value and not spot price, seems to be the direction forward. Today, there is a great risk for power producers and power sellers by entering into fixed-price contracts, especially because the financial market is characterized by poor liquidity. The board hopes that in good time before next winter we have a new market solutions in place. Lyse will actively contribute to this work together with the industry, politicians, government agencies and consumer authorities.

In 2021, we connected more private and corporate customers to the lightning-fast and robust fiber network than ever before. Both in our own market areas and among our Altibox partners, interest and the need for a robust fiber 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 nationwide presence.

The authorities are now preparing for how to ensure that households and companies can be connected even in areas where it is difficult to develop fiber under normal commercial conditions. Through the acquisition of 5G frequencies in 2021, the Lyse Group and Altibox partners will further contribute to all households and companies in the country getting a high-speed broadband connection.

In February 2022, Lyse AS entered into a binding agreement with Ice Group ASA on the acquisition of all shares in Ice Group Scandinavia Holding AS in addition to other assets and shares that naturally belong to Ice's operations, including all shares in Ice Communication Norge AS, Phonepartner Norge Holding AS and Ice Retail Holding AS. The Norwegian Competition Authority has approved the transaction, what remains is approval from the National Communications Authority (NKOM). The acquisition will be settled by cash payment of approximately MNOK 3,000 and will be financed with available funds in Lyse AS. The transaction values Ice's business at MNOK 5,560. If the acquisition of Ice is completed, it will establish Lyse as a complete provider of telecommunications services in Norway, in addition to strengthening the overall infrastructure for telecommunications in Norway.

The board plans to continue the strong growth in the coming years, with the ambition of increased value creation and benefit for customers and society. The goal is access to high-speed broadband for all the country's households and businesses. A further strengthening of the fiber network will also be positive for national digital robustness. As before, the growth will be a combination of organic growth and acquisitions / mergers.

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. The agreement was put into operations in 2021, and the new company Lyse Kraft DA was established. 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 will be handled by Lyse. This entails a significant strengthening of Lyse's company for market operations, which will now be responsible for about 10 TWh, operationalized in the company Lyse Produksjon AS. Hydro is the operator of all the power plants in Lyse Kraft DA. We are already seeing significant synergies from this collaboration, and further synergies are expected to be taken out in the coming years.

The high electricity prices in 2021 have led to improved results for our hydropower business. Most analyses also suggest high power prices in 2022 and the years ahead, but experience shows that the market is very volatile and uncertain. The board expects good results from the power generation business also in 2022. The board is aware that international unrest and increased supplier risk may affect the company's financial development.

In 2021, Lyse entered into an agreement with Shell and Eviny to jointly offer permits for offshore wind, both in the Southern North Sea (bottom-fixed) and Utsira North (floating). The experiences with the collaboration are so far good, and the board has expectations that the consortium will continue the good collaboration and hopefully be awarded licenses. This will be able to contribute with new renewable energy to the country, industrial development and new jobs. The board encourages the authorities to adopt an offensive strategy for offshore wind and increase the level of ambition in line with our neighbouring countries.

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 450,000 fibre customers and more than 100,000 electricity customers. By offering customers greater total solutions through increased digitization and new innovative services and products, the group's ambition is to increase our national market shares in both communication and energy products. The work will be intensified in 2022.

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 important in order to be able to reduce climate emissions in Sør-Rogaland. The investments are not least important in order to establish a 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.

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. Lyse also has an ongoing dialogue with Statnett for further strengthening the 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.

Lyse will continue to take the initiative for measures that can reduce emissions in Southern Rogaland. Central here are electrification, charging, shore power, increased production of biogas and carbon capture from the waste incineration plant at Forus in Sandnes municipality.

The board expects that the financial results for the group will also be good in 2022. The long-term strategy for the company can contribute to growth and increased value creation. At the same time, we must assume that hydropower production will continue to be volatile.

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Stavanger, 24 March 2022

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
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 2021 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 2021 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that the information presented in the financial statements gives a true and fair view of the Company's and Group's assets, liabilities, financial position and result for the period viewed in their entirety, and in all material aspects and that the Board of directors' report gives a true and fair view of the development, performance and financial position of the Company and Group, and includes a description of the key risks and uncertainties the companies are faced with.

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Stavanger, 24 March 2022

Harald Espedal
Chairman of the Board

Stine Rolstad Brenna
Deputy Chair

Kate Hidle
Board member

Jonas Skrettingland
Board member

Svein Gjedrem
Board member

Irene Grastveit
Board member

Arne Sele
Board member

Karen Ommundsen
Board member

Eimund Nygaard
Group CEO

Consolidated statement of profit and loss

(In NOK thousands)	Note	2021	**2020**
Sales revenue	9	17 659 885	8 164 888
Gains and losses on power and currency contracts	10	-997 908	-234 503
Operating revenue		16 661 977	7 930 386
Cost of sales	11	6 124 369	2 916 793
Salaries and payroll costs	12,13,32	1 144 632	1 106 860
Depreciation and impairment	17,18, 30	1 865 734	1 573 918
Licence fees and property tax		246 215	182 595
Other operating costs	14,17,31	1 393 969	1 107 909
Operating profit		**5 887 057**	**1 042 310**
Share of profit in equity accounted investments	4,5,19	18 939	7 523
Financial income	15	86 665	73 760
Financial expenses	15, 30	506 826	506 529
Profit before tax		**5 485 835**	**617 064**
Income taxes	16	1 205 337	145 843
Resource rent tax	16	2 143 661	117 533
Tax expense		**3 348 998**	**263 376**
Profit for the period		**2 136 837**	**353 688**
Allocated to:			
Shareholders		1 356 884	289 757
Non-controlling interests		779 953	63 931

Consolidated statement of comprehensive income

(In NOK thousands)	Note	2021	2020
Profit for the period		**2 136 837**	**353 688**
Items that will not recycle over profit and loss in future periods			
Other pension effects	13,16	62 257	-67 941
Items that will recycle over profit and loss in future periods			
Cash flow hedging, currency forward contracts	8, 10	169 934	-35 061
Cash flow hedging, interest swap contracts	8, 10	19 491	-28 534
Cash flow hedging Euro loans	8, 10	95 318	-129 909
Changes in cash flow reserve	10	0	-593
Currency translation differences, equity accounted investments	19	-6 887	0
Currency translation differences, subsidiaries		-1 641	3 345
Total of items that will recycle over profit and loss in future periods		**276 215**	**-190 751**
Statement of comprehensive income for the period		**338 472**	**-258 694**
Total comprehensive income for the period		**2 475 309**	**94 995**
Allocated to:			
Shareholders		1 694 212	31 655
Non-controlling interests		781 097	63 340
Total comprehensive income for the period		**2 475 309**	**94 995**
Earnings per share of comprehensive income allocated to shareholders		**1 679**	**31**

Consolidated statement of financial position

ASSETS

(In NOK thousands)	Note	2021	2020
Non-current assets			
Waterfall rights	17	8 417 301	8 417 301
Goodwill	17	6 342 302	6 344 827
Other intangible assets	17	1 428 430	1 485 440
Deferred tax asset (resource rent)	16	51 776	34 141
Tangible fixed assets	18, 29	27 143 540	25 863 750
Right-of-use asset	18, 30	1 158 905	965 112
Equity accounted investments	19	759 208	778 861
Other non-current financial assets	7	93 965	54 569
Derivatives	6, 7, 23	430 396	360 269
Other non-current receivables	7, 13, 22	62 612	94 691
Total non-current assets		**45 888 437**	**44 398 961**
Current assets			
Inventory	21	181 933	200 737
Trade receivables and other receivables	7, 22	3 222 966	2 408 868
Derivatives	6, 7, 23	61 024	47 792
Current financial assets	7, 24, 25	764 000	279 000
Cash and cash equivalents	7, 24, 25	5 701 614	3 827 274
Total current assets		**9 931 536**	**6 763 672**
Total assets		**55 819 973**	**51 162 633**

EQUITY AND LIABILITIES

(In NOK thousands)	Note	2021	2020
Equity			
Share capital and premium reserve	28	1 275 591	1 275 591
Other equity and retained earnings		14 033 916	12 907 480
Equity allocated to the company's shareholders		**15 309 507**	**14 183 071**
Non-controlling interests		5 399 727	5 394 830
Total equity		**20 709 235**	**19 577 901**
Liabilities			
Non-current interest-bearing liabilities	7, 25	15 676 788	15 802 583
Non-current lease liability	30	774 111	680 124
Deferred tax liability	16	3 578 612	3 648 972
Deferred tax liability (resource rent)	16	5 084 295	4 750 578
Pension liabilities	13	100 900	230 730
Derivatives	6, 7, 23	353 890	141 827
Provisions	26	61 167	55 861
Other non-current liabilities	26	1 759 512	1 571 589
Total non-current liabilities		**27 389 276**	**26 882 264**
Current interest-bearing liabilities	7, 25	1 333 876	1 273 104
Current lease liability	30	147 943	167 870
Accounts payable and other current liabilities	27	3 605 460	2 814 489
Tax payable	16	2 443 181	368 072
Derivatives	6, 7, 23	191 000	68 932
Provisions	27	0	10 000
Total current liabilities		**7 721 461**	**4 702 467**
Total liabilities		**35 110 738**	**31 584 732**
Total equity and liabilities		**55 819 973**	**51 162 633**

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Stavanger, 24 March 2022

Harald Espedal Chairman of the Board	Stine Rolstad Brenna Deputy Chair	Kate Hidle Board member	Jonas Skrettingland Board member
Svein Gjedrem Board member	Irene Grastveit Board member	Arne Sele Board member	Karen Ommundsen Board member

Eimund Nygaard
Group CEO

Consolidated statement of cash flows

(In NOK thousands)	Note	2021	2020
Cash flow from operations			
Profit before tax		5 485 835	617 064
Depreciation and impairment	17, 18, 30	1 865 734	1 573 918
Other gains/losses net classified as operations		641 329	236 400
Unrealised effects booked in other comprehensive income		-390 557	53 125
Changes in pension liabilities	13	-51 317	-13 047
Net financial costs	15	420 161	432 769
Profit/loss from equity accounted investments	4, 19	-18 939	-7 523
Change in trade receivables and other current receivables		-814 098	-689 588
Change in accounts payable and other current liabilities		790 971	432 752
Change in inventory		18 804	57 471
Cash Hydro transaction		16 251	-130 330
Other changes*		67 400	381 537
Net cash flows from operating activities		**8 031 574**	**2 944 548**
Interest paid	15	-423 065	-456 921
Interest received	15	44 092	51 909
Tax paid	16	-368 072	-652 424
Net cash flow from operations		**7 284 529**	**1 887 112**
Cash flow from investment activities			
Payments on purchase of tangible fixed assets and intangible assets	17, 18	-2 649 840	-3 160 568
Net payments investment in buildings		-272 294	0
Prepayments on right-of-use assets (lease)*		-126 623	-72 692
Receipts from sale of tangible fixed assets		27 181	0
Net receipts and payments, shares in subsidiaries		0	-77 400
Net receipts and payments, shares of associated companies and joint ventures	19	27 697	-211 441
Net receipts and payments, other financial investments		-8 060	-26 086
Net cash flows from investment activities		**-3 001 939**	**-3 548 187**

Consolidated statement of cash flows cont.

(In NOK thousands)	Note	2021	2020
Cash flow from financing activities			
Payment of equity from non-controlling ownership shares		7 517	0
Borrowings	25	1 800 000	3 550 000
Repayment of interest-bearing liabilities	25	-1 737 849	-1 661 228
Payments related to financial lease liabilities**		-192 306	-220 906
Net cash effect from power generation outflow - non-controlling interest		-1 150 445	0
Dividends paid to non-controlling interests of subsidiaries		-32 636	-27 223
Dividends paid to company shareholders		-630 000	-600 000
Net cash flow from financing activities		**-1 935 719**	**1 040 643**
Change in cash and cash equivalents		**2 346 871**	**-620 432**
Cash and cash equivalents as at 1 January		4 106 274	4 718 054
Cash through the acquisition of subsidiaries		12 469	8 652
Cash and cash equivalents at end of period* **	**24**	**6 465 614**	**4 106 274**

*) The Group has changes its presentation related to the payment on the purchase of IRU from cash flow from operating activities to cash flow from investments. Comparative figures for 2020 have been restated accordingly.

**) There has been a reclassification of comparative numbers (2020) in the line "Payments related to financial lease liabilities". MNOK 131 has been reclassified to "Other changes".

***) Including short-term financial investments.

Consolidated statement of changes in equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2021

(In NOK thousands)	Note	Share capital and premium reserve	Other reserves - not recognised in profit and loss	Other equity	Equity allocated to the company's shareholders	Non-controlling ownership interests	Total equity
Equity 1 January 2021		**1 275 591**	**-289 185**	**13 196 665**	**14 183 071**	**5 394 830**	**19 577 901**
Profit for the year		0	0	1 356 884	1 356 884	779 953	2 136 837
Statement of other comprehensive income							
Cash flow hedging	10	0	284 743	0	284 743	0	284 743
Translation differences		0	-8 528	0	-8 528	0	-8 528
Changes in cash flow reserve		0	0	0	0	0	0
Other pension effects	13	0	62 257	-1 143	61 114	1 143	62 257
Total other comprehensive income after tax		0	338 472	-1 143	337 328	1 143	338 472
Comprehensive income after tax		**0**	**338 472**	**1 355 741**	**1 694 212**	**781 097**	**2 475 309**
Dividends		0	0	-630 000	-630 000	-32 636	-662 636
Net power consumption non-controlling interests		0	0	45 017	45 017	-753 926	-708 909
Investments in equity accounted investments	19	0	0	-39	-39	0	-39
Equity increase		0	0	0	0	7 500	7 500
Addition through subsidiary		0	0	17 972	17 972	3 103	21 075
Other changes recorded directly against equity		0	0	-726	-726	-240	-966
Equity 31 December 2021		**1 275 591**	**49 287**	**13 984 630**	**15 309 507**	**5 399 727**	**20 709 235**

SPECIFICATION OF OTHER RESERVES

(In NOK thousands)	Note	Translation differences	Hedging	Change in Cash flow reserve	Pensions	Total other reserves
Balance 1 January 2021		**6 560**	**-396 958**	**0**	**101 212**	**-289 185**
Other pension effects	13	0	0	0	79 240	79 240
Tax effect pension	13, 16	0	0	0	-16 982	-16 982
Cash flow hedge	10	0	365 055	0	0	365 055
Tax effect on cash flow hedge	16	0	-80 312	0	0	-80 312
Share of other comprehensive income, associates	19	-6 887	0	0	0	-6 887
Currency translation differences subsidiaries		-1 641	0	0	0	-1 641
Balance 31 December 2021		**-1 968**	**-112 215**	**0**	**163 470**	**49 287**

DIVIDENDS

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

Consolidated statement of changes in equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2020

(In NOK thousands)	Note	Share capital and premium reserve	Other reserves - not recognised in profit and loss	Other equity	Equity allocated to the company's shareholders	Non-controlling ownership interests	Total equity
Equity 1 January 2020		**1 275 591**	**-30 491**	**7 902 182**	**9 147 283**	**819 561**	**9 966 844**
Profit for the year		0	0	289 757	289 757	63 931	353 688
Statement of other comprehensive income							
Cash flow hedging	10	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	13	0	-67 941	730	-67 211	-730	-67 941
Total other comprehensive income after tax		0	-258 694	591	-258 103	-591	-258 694
Comprehensive income after tax		**0**	**-258 694**	**290 348**	**31 656**	**63 340**	**94 995**
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
Equity 31 December 2020		**1 275 591**	**-289 185**	**13 196 665**	**14 183 071**	**5 394 830**	**19 577 901**

SPECIFICATION OF OTHER RESERVES

(In NOK thousands)	Note	Translation differences	Hedging	Change in cash flow reserve	Pensions	Total other reserves
Balance 1 January 2020		**3 216**	**-203 454**	**593**	**169 154**	**-30 491**
Other pension effects	13	0	0	0	-92 933	-92 933
Tax effect pension	13, 16	0	0	0	24 992	24 992
Cash flow hedge	10	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	10	0	0	-761	0	-761
Tax effect on change in cash flow reserve		0	0	168	0	168
Share of other comprehensive income, associates	19	0	0	0	0	0
Currency translation differences subsidiaries		3 345	0	0	0	3 345
Balance 31 December 2020		**6 560**	**-396 958**	**0**	**101 212**	**-289 185**

DIVIDENDS

(In NOK thousands)	**2020**
Proposed dividend	630 000
Proposed dividend per share	624

Table of contents financial disclosures

1 General information

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

Lyse is owned by 14 municipalities in the southern part of Rogaland in Norway. Its head office is located at Breiflåtveien 18 in Stavanger. The Group's bond instruments are listed on the Oslo Stock Exchange. The consolidated financial statements were approved by the Board of Directors on 24 March 2022.

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 and further requirements in Norwegian Accounting Law (Regnskapsloven). 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 2021 the following new and revised standards have become effective. This is related to the following standards:

- COVID-19-Related rent concessions (amendment to IFRS 16)
- Interest rate benchmark reform – phase 2 (amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16)
- Amendments to IFRS 4 Insurance contracts

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
- Reference to the conceptual framework (amendments to IFRS 3)
- Onerous contracts – costs of fulfilling a contract (amendments to IAS 37)
- Property, plant and equipment: proceeds before intended use (amendments to IAS 16)
- Classification of liabilities as current or non-current (amendments to IAS 1)
- Disclosure of accounting policies (amendments to IAS 1 and IFRS practice statement 2)
- IFRS 17 Insurance contracts
- Definition of accounting estimates (amendments to IAS 8)
- Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)

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

c) Other changes to the accounting principles

Presentation of the effects of gains and losses from power and currency contracts
The Group has decided to change the presentation of the effects of gains and losses from power and currency contracts. As from 01.01.2020, the effects of unrealised and realised value changes from power and currency contracts are presented as part of total revenues. This includes financial power contracts held for hedging purposes, currency derivatives in long-term physical industrial contracts in euro and currency derivatives held for hedging purposes. Previously the unrealised part was presented as other income and cost as part of other operating costs. The profit and loss statement as well as the segment note are restated to reflect the change.

The group has re-assessed the accounting principles related to the purchase of power to cover concession power obligation deliveries and power deliveries under bilateral agreements and whether it should be presented gross or net. Lyse decided to change from a net to a gross presentation within the profit and loss statement.

Most of the power consumption / production is sold on the power exchange (NordPool) or balancing markets (Statnett). In addition, bilateral agreements can be entered into for the purchase and sale of power at agreed price, volume and time period for delivery. The power producers are also obliged to deliver a share of the power production to the municipalities that are affected by the power station development. This licensing power is delivered at a fixed price that is based on a cost principle.

The group has assessed whether the power delivery under these agreements should be recognized as operating revenue and the associated purchase of power should be presented as cost of sales (gross) in accordance with IFRS 15. The starting point is that profit and loss items should be presented gross, ie items that are related should be presented separately unless there is a specific exception in the standard supporting net presentation. None of the netting criteria are met in these cases. There is no other part involved in the power delivery to the municipalities or as part of the bilateral agreements and as such there is no principal – agent consideration. Lyse has a power delivery obligation to deliver the agreed amount of power at an agreed time. Lyse has the possibility to purchase the power or use physically available power to deliver under these contracts. If physically available power is used, no cost of sales related to the delivery would have been presented. As such Lyse decided that the delivery of power and associated purchases under these contracts should be presented as operating revenues and cost of sales (gross). The change only affects presentation and has no effect on operating profit. The total effect of the changes mentioned in section 2.1.c) is incorporated in the income statement, segment statement and in comparative figures. The table below shows comparative figures that follow from the changed principle as of 01.01.2020 on segment level.

Segment Energy - 2020		
Statement of profit and loss	**Originally**	**Reclassified**
(Numbers in milions)		
Sales revenue	2 022	2 098
Gains and losses on power and currency contracts	0	235
Cost of sales	617	695
Other income and expenses	236	0
Operating profit	**301**	**301**

Classification of tangible fixed assets to intangible assets

The Group has decided to change the presentation of investments in activated development costs in the segment “other”, from fixed assets to intangible assets. Balance sheet figures as well as the key figures, the fixed asset note, the intangible assets note and the segment note are reclassified to reflect the change in principle. The change only affects the presentation, thus there is no effect on the operating profit. The table below shows comparable numbers due to the change in principle on the lowest detail level of the note information.

	Assets under construction Fixed assets			**Assets under development Intangible assets**	
(Numbers in milions)	**Originally**	**Reclassified**		**Originally**	**Reclassified**
Balance as at 1 January 2020	835	810		0	25
Additions	958	877		0	81
Transfer from assets under construction	-862	-862		0	0
Disposal	0	0		0	0
Current year depreciation	108	111		0	-2
Curent year impairment	-18	-11		0	-6
Balance as at 31 December 2020	**1 035**	**939**		**0**	**97**

Accounting principle non-controlling interest Hydro

As of 31 December 2020, Lyse and Hydro completed a transaction in which they have merged parts of their hydropower production in southern Norway. The effects of the transaction are recognized in the balance sheet as at 31 December 2020, while the effects on the profit and loss statement will not have an effect until the financial year 2021. See note 4 for more details.

According to the power consumption agreement, both parties (ie Lyse Produksjon AS and Hydro Energi AS) shall withdraw a share of the power supply for own use or resale corresponding to their respective shares in Lyse Kraft DA, in exchange for covering a corresponding share of Lyse Kraft DA subgroup costs. In other words, the participants will extract the power at ‘own use’ cost which will be equal to the total external costs incurred in Lyse Kraft DA subgroup.

These external costs will consist of current net operating costs (opex), current investment costs (capex) and tax in the RSK companies. The subgroup Lyse Kraft DA is fully consolidated in Lyse's consolidated accounts, which means that the non-controlling interest '(Hydro Energi AS)'s share of these items is also included.

In Lyse's consolidated accounts, the non-controlling interest is credited with its share of the income from the power sale, as well as the tax cost for which the non-controlling interest is taxable. The non-controlling interest's share of profit in the group is calculated as the net amount of these two items less the non-controlling interest's share of opex, depreciation and tax in the RSK companies (part of the Lyse Kraft DA subgroup).

In Lyse's cash flow statement, the net effect of the non-controlling power consumption and cost coverage for investments and operations is presented as cash flow from financing.

2.2 Consolidation policies

a) Subsidiaries

Subsidiaries are all the entities in which Lyse has control through the power to govern the financial and operating policies. Control is obtained when Lyse has the ability to affect the variable returns through its power over the investee. Power is obtained either through ownership of more than 50% of the voting power or/ and through agreements with other shareholders. Subsidiaries are consolidated from the date on which control is obtained and consolidation ceases once control is lost.

Business combinations are considered in accordance 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 recognised 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, balance sheet positions and unrealised earnings and losses between group companies are eliminated. If necessary, the accounting principles applied by subsidiaries are revised to harmonise with the Group’s accounting policies.

When a share less than 100% has been acquired in a company, a non-controllable interest arises. Joint arrangements and associates are accounted for based on the equity method or proportionally consolidated. When Lyse has joint control together with one or several other investors (which means decisions related to relevant activities must be unanimous between parties which have joint control), Lyse recognise the share in the joint operation in accordance with Lyse’s interest in the joint operation’s assets, liabilities, revenues and expenses. The proportionate share of gains and losses arising from intragroup transactions between entities and joint operations are eliminated. Any difference between the cost price of shares and identifiable net assets and the fair value of acquired assets, liabilities and contingent liabilities is recognised as goodwill or recognized as income if the cost price is lower.

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 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 business combinations take place in stages, the fair value of the current ownership interest is recalculated 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 exchanges rates are used to approximate transaction date exchange rates. Translation differences are recognised against other comprehensive income. In the event of a loss of control, significant influence or joint control, the accumulated translation differences relating to investments that are attributable to controlling ownership interest are recognised. In the event of the partial disposal of subsidiaries (no loss of control) the proportionate share of the accumulated translation differences is attributed to non-controlling ownership interests.

2.5 Tangible non-current assets

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

Costs incurred after the non-current assets have been taken into use, such as ongoing maintenance, are recognised in the income statement, while other costs that are expected to provide future economic benefits are capitalised. Cost related to periodic maintenance is capitalised and depreciated over the period up to the next planned maintenance. Any residual value relating to the replaced asset is expensed. 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 - 25 years

The useful life of the plant and machinery, together with their residual value, are assessed at each balance sheet date and amended as necessary. When the carrying amount of an item of plant or machinery is greater than the estimated recoverable amount, the value is written down to the recoverable amount (note 2.7).

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

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

a) Research and development

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

b) Waterfall rights

Waterfall rights are capitalised at their historical acquisition cost. There is no right of reversion and the waterfall rights are therefore assessed having perpetual life and are not depreciated. Waterfall rights are tested annually for impairment. In the event of indications of possible impairment, impairment tests are performed immediately. If the impairment tests indicate that the book values can no longer be defended, a write-down is made to the recoverable amount. 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
In the state budget for 2021, the government converted the resource rent tax for hydropower into a cash flow tax with immediate deduction of new investments. In order for the cash flow tax to have a neutral effect in conjunction with ordinary corporation tax, the resource rent tax related corporation tax is deducted from the resource rent tax base. As a result, the resource rent tax rate has also been raised from 37% to 47.4%.

Resource rent tax constitutes 47.4 % 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. The calculated income is reduced by actual operating costs, depreciation, investment costs related to power production, corporation tax on activities subject to resource rent and a tax-free income to arrive at net resource rent income. In cases where resource rent-related corporation tax is negative, zero will be deducted from the basis for resource rent tax and the loss will be carried forward without interest until later income years. The tax-free income is determined annually on the basis of the tax value of the operating assets in the power plant multiplied by a standard norm rate.

A negative resource rent income occurring in a power plant can, from 2007 onwards, 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.

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

Revenue recognition for sale of energy

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

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

Revenue from Telecommunications

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

Many of the customers pay a contribution for connection to the fibre net (infrastructure contribution). The fibre companies own and control the infrastructure and the total is therefore to be 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.

Sales of goods and services

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

For instruments that are measured at amortized cost, interest income is recognized as income using the effective interest method. For short-term financial investments that are measured at fair value through comprehensive income, interest income is recognized as income using the effective interest method. Dividends are recognized in the income statement when the right to 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 2021, 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. Most of the financial instruments are within the category energy trades and financing activities. In addition, the Group has financial instruments as trade receivables, accounts payable, cash, current assets (liquidity positions) and equity investments.

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

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

a) Financial instruments at fair value through profit and loss

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

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

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

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

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

b) Financial instruments at fair value through other comprehensive income

A derivative that is designated as a hedging instrument in a cash flow hedge and that qualifies for hedge accounting, is classified in this category for the effective part of the changes in value. Hedging instruments are recognised at fair value at the time the hedging contract is entered into and thereafter on an ongoing basis at fair value on each balance sheet date. The subsequent recognition of gains and losses is described in section 2.19. The following financial instruments are valued at fair value through other comprehensive income (see section 2.19 for more details):

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

c) Financial instruments valued as amortized cost

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

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

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

The group impairs financial assets based on expected losses on the outstanding receivables at any given time. See also note 22.

Financial liabilities are, on initial recognition, classified as loans and liabilities, or derivatives (hedging instruments in an effective hedge). 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 accounted for in the same way as derivatives that are assets. 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 derecognized. Amortized cost is calculated by taking into account any discount or premium associated with the purchase, or costs and fees that are an integral part of the effective interest rate. Effective interest rates are presented as financial expenses in the profit or loss statement. Liabilities are measured at their nominal amount if the effect of discounting is insignificant. A financial obligation is derecognized when the obligation has been fulfilled, canceled, or expired.

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

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

The demand for right-of-use contracts is typically stable (for example in the case of bi-lateral contracts) and they are always settled through the physical distribution of power. Physical power contracts that are covered by the right-of-use exception are 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 10 for further information.

a) Cash flow hedging

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

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

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

b) Fair value hedging

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

c) Derivatives that do not qualify for hedge accounting

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

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

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

2.20 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.

Lessor accounting in accordance with IFRS 16 is essentially unchanged from previous accounting in accordance with IAS 17. Lessor 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 definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period in exchange for consideration. At the commencement date of a lease, Lyse as the lessee recognises a liability at the present value of future lease payments with a corresponding asset representing the right to use the underlying asset during the lease term ("right-of-use asset"). The Group measures the lease liabilities at the present value of the remaining lease payments, discounted using the incremental borrowing rate. Depreciation of right-of-use assets and interest on lease liabilities are recognised separately in the statement of profit or loss. The total amount of cash paid is separated into a principal portion and an interest portion in the statement of cash flow (both presented within financing activities).

The following practical expedients and recognition exemptions to leases are applied

- Exemption from accounting for leases that are terminated within 12 months, these expenses are presented within ‘other operating expenses’
- Exclude contracts that are clearly immaterial, these expenses are presented within ‘other operating expenses’
- 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 certainty will be exercised. All relevant factors that may provide Lyse financial incentives to exercise options, including contract, asset, company, or market-based conditions have been considered. Options for extension of agreements for the lease of premises and production facilities that are specifically designed and adapted to Lyse's operations are included in the estimated capitalised amount.

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

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

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

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

Lyse as lessor

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

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

3 Significant accounting estimates and judgements and assumptions

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.

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Carrying values	Note	2021	2020
Tangible fixed assets (incl. Right-of-use assets)*)	18, 30	28 302 445	26 828 862
Associate companies and joint ventures	19	759 208	778 861
Waterfall rights *)	17	8 417 301	8 417 301
Goodwill *)	17	6 342 302	6 344 827
Other intangible assets*)	17	1 428 430	1 485 440
Deferred tax assets, resource rent	16	51 776	34 141
Financial instruments not traded in an active market (fair value hierarchy levels 2 and 3)	7	26 008	240 242
Pension liabilities	13	100 900	230 730
Pension funds	13	7 636	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 additions in the accounted waterfall rights and goodwill in 2020 mainly relate to the acquisition of the RSK power plants in connection with the transaction with Hydro Energi, see note 17 for more details. The Hydro 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.

Covid-19 pandemic

The Covid pandemic has caused increased market risk, increased uncertainty to future power prices and some supply chain disruptions impacting construction projects. Lyse management is closely monitoring the development of the pandemic and are continuously evaluating the consequences for the Group. The effect for Lyse has so far been limited and it is not expected that the pandemic will have a significant effect on the group’s operations in the long term.

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 2021

Sale of Nimbus Direct AS

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

Acquisition of Lnett Jærveien 35 AS

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

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

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

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

*) 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
Net value	**18 094 653**
Allocation of values:	
Majority share	13 098 879
Non-controlling interests	4 995 774
Total	**18 094 653**

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
Total intangible assets	**20**	**8 306**	**8 326**
Total fixed assets	**935**	**1 141**	**2 076**
Total financial non-current assets	332	0	332
Total receivables	62	0	62
Total assets	**1 348**	**9 447**	**10 795**
Total long-term debt	474	0	474
Total short-term debt	116	0	116
Total debt	**591**	**0**	**591**
Net value acquired assets	**757**	**9 447**	**10 204**

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 / eterprise 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.

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.

In 2021, Smartly merged with Lyse Energi AS. Lyse Energi develops and delivers sustainable, innovative and turnkey energy solutions for housing companies and businesses, as well as selling power to end users.

KEY FIGURES, ENERGY

		2021	2020
Mean generation	GWh	10 075	5 921
Reservoir capacity	GWh	6 803	5 249
Hydroelectricity production	GWh	10 353	6 004
Area price NO2	øre/kWh	76,23	9,80
Actual price attained (inkl. hedging)	øre/kWh	67,92	18,90
Electricity supply, end-user	GWh	2 529	2 536
Supplied volume, natural gas, biogas and fuel (incl. internal deliveries)	GWh	612	551
Supplied volume, district heating and cooling	GWh	193	171

Telecommunications

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

KEY FIGURES, TELECOMMUNICATIONS

		2021	2020
Capital employed	NOK mill	11 082	10 380
EBITDA	NOK mill	2 139	1 672
EBITDA margin	%	41,3 %	36,9 %
Carrying value tangible fixed assets and equity accounted investments	NOK mill	10 295	9 603
Number of kilometres of fibre optic network	km	61 298	52 212
Number of active fibre optic customers in the Altibox partnership		784 918	708 913
Number of active fibre customers owned by Lyse*)		491 545	445 158

*) 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

		2021	2020
Number of electricity grid customers		159 902	158 508
Supplied energy (total consumption in the area)	GWh	5 300	5 110
Power Grid capital (NVE capital) used as a basis in revenue cap	NOK mill	4 387	4 168
Return on NVE Capital	%	3,7%	7,5%
Surplus(-)/shortfall (+) revenues:			
- Regional grid	NOK mill	29,5	35,4
- Distribution grid	NOK mill	-158,6	-65,9
KILE costs	NOK mill	23,0	19,3

Other

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

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

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

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

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

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

For more information about additions and disposals of subsidiaries, see Note 4 on business combinations and note 33 on companies included in the consolidation.

Number of full-time equivalents per segment

	2021	2020
Energy	133	144
Telecommunications	565	567
Power Grid	361	364
Other	357	283
Total number of full-time equivalents as per year end	1 416	1 359

INCOME STATEMENT 2021

(Amounts in NOK millions)	**Energy**	**Telecomm-unications**	**Power grid**	**Other segments**	**Elimina-tions**	**Group**
Sales revenue	10 991	5 191	1 447	660	-629	**17 660**
Inter-segment sales	-19	-11	-86	-512	629	**0**
Gains and losses on power and currency contracts	-998	0	0	0	0	**-998**
Operating revenues and other income	9 974	5 180	1 360	148	0	**16 662**
EBITDA*)	5 353	2 139	444	-145	-38	**7 753**
Cost of sales	3 720	1 795	631	78	-99	**6 124**
Depreciation and impairment	374	1 182	278	74	-43	**1 866**
Operating profit	4 979	957	165	-219	5	**5 887**
Share of profit/loss in equity accounted investments**)	-46	65	0	0	0	**19**
Financial income	37	17	3	232	-202	**87**
Financial expenses	181	148	46	339	-208	**507**
Profit before tax	4 788	891	122	-327	11	**5 486**
Tax expense	3 197	196	27	-73	2	**3 349**
Profit for the year	1 591	695	95	-254	9	**2 137**
Of which income (+) / cost (-):						
Unrealised changes in value, financial instruments (after tax)	-511	0	0	0	0	**-511**
Non-recurring items (after tax)	-53	39	0	0	0	**-14**

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

INCOME STATEMENT 2020

(Amounts in NOK million)	**Energy**	**Telecomm-unications**	**Power grid**	**Other segments**	**Elimina-tions**	**Group**
Sales revenue	2 098	4 544	1 550	597	-625	**8 165**
Inter-segment sales	-23	-15	-147	-441	625	**0**
Gains and losses on power and currency contracts	-235	0	0	0	0	**-235**
Operating revenues and other income	1 841	4 529	1 403	156	0	**7 930**
EBITDA*)	515	1 672	551	-97	-26	**2 616**
Cost of sales	695	1 685	617	84	-164	**2 917**
Depreciation and impairment	214	1 114	246	36	-36	**1 574**
Operating profit	301	558	305	-133	11	**1 042**
Share of profit/loss in equity accounted investments**)	4	4	0	0	0	**8**
Financial income	15	17	3	243	-204	**74**
Financial expenses	167	148	40	363	-210	**506**
Profit before tax	153	431	268	-252	17	**617**
Tax expense	161	95	59	-55	4	**263**
Profit for the year	-7	336	209	-197	13	**354**
Of which income (+) / cost (-):						
Unrealised changes in value, financial instruments (after tax)	-240	0	0	0	0	**-240**
Non-recurring items (after tax)	76	0	0	0	0	**76**

*) 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 2021

(Amounts in NOK millions)	Energy	Telecommunications	Power Grid	Other segment	Elimi-nations	Group
Deferred tax asset (resource rent)	52	0	0	0	0	**52**
Goodwill	5 515	827	1	0	0	**6 342**
Other intangible assets	8 422	1 026	0	396	0	**9 845**
Tangible fixed assets (incl. right-of-use assets)	12 863	9 618	5 737	325	-240	**28 303**
Equity accounted investments	66	677	0	17	0	**759**
Other non-current financial assets	0	1	0	93	0	**94**
Other financial fixed assets	459	103	15	15 034	-15 118	**493**
Current assets	5 509	1 373	645	5 407	-3 003	**9 932**
Total assets	32 886	13 624	6 398	21 272	-18 360	**55 820**
Equity	12 892	4 532	1 385	6 628	-4 729	**20 709**
Deferred tax liability	7 899	456	324	2	-17	**8 663**
Non-current interest-bearing liabilities (incl. non-current lease liability)	343	3 323	67	12 834	-116	**16 451**
Other non-current liabilities	6 285	3 058	3 367	42	-10 477	**2 275**
Current liabilities (incl. non-current lease liability)	5 466	2 256	1 255	1 766	-3 022	**7 721**
Total equity and liabilities	32 886	13 624	6 398	21 272	-18 360	**55 820**
Investments in tangible and intangible fixed assets (excl. right of use)	405	1 445	1 015	57	0	**2 922**
Investments in shares and interests	0	2	1	54	0	**56**

BUSINESS AREA'S ASSETS AND LIABILITIES 2020

(Amounts in NOK millions)	Energy	Telecommunications	Power Grid	Other segment	Elimi-nations	Group
Deferred tax asset (resource rent)	34	0	0	0	0	**34**
Goodwill	5 515	829	1	0	0	**6 345**
Other intangible assets	8 429	1 377	0	97	0	**9 903**
Tangible fixed assets (incl. right-of-use assets)	12 839	8 936	4 966	341	-253	**26 829**
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**
Total assets	28 081	12 956	5 377	21 494	-16 746	**51 163**
Equity	12 575	3 967	1 343	6 342	-4 650	**19 578**
Deferred tax liability	7 705	473	261	-20	-19	**8 400**
Non-current interest-bearing liabilities	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	1 702	2 101	708	1 608	-1 417	**4 702**
Total equity and liabilities	28 081	12 956	5 377	21 494	-16 746	**51 163**
Investments in tangible and intangible fixed assets (excl. right of use)	468	1 982	611	99	0	**3 161**
Investments in shares and interests	7	283	0	25	0	**315**

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 fundemental 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 241 million that as per 31

December 2021 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 2021, NOK 71,5 million was recognised in equity (NOK -98,7 million in 2020).

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. In 2021, Lyse entered into a new fair value hedge agreement.

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 31.12.21, NOK 2,4 million has been recognized in equity (NOK -21.9 million in 2020). 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 is recognised at fair value through profit or loss.

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

Key figures from the financial strategy

	Actual 31.12.21	Limits in financial strategy	Target attainment
Duration of the liquidity reserve measured against estimated funding need (number of months)	16 months	6 months	Within target
Actual liquidity reserve (*) compared with capital requirement for next 6 months	NOK 5.772 mill.	NOK 3.402 mill.	Within target
Interest risk			
Simulation of change in net financial expense after taxes given a 1 percentage point interest rate rise (NOK millions)			
Next 12 months	0	25	Within target
12-24 months	24	40	Within target
24-36 months	24	50	Within target
36-48 months	13	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 2021. 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

	Energy price change	
(In NOK thousands)	**30%**	**-30%**
As at 31 December 2021	-204 650	204 650
As at 31 December 2020	-8 908	8 908

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

	Exchange rate change	
(In NOK thousands)	**10%**	**-10%**
As at 31 December 2021	320 724	-320 724
As at 31 December 2020	294 693	-294 693

IMPACT ON EQUTY OF CHANGE IN EXCHANGE RATE

	Exchange rate change	
(In NOK thousands)	**10%**	**-10%**
As at 31 December 2021	-513 027	513 027
As at 31 December 2020	-497 458	497 458

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)

	Interest rate change	
(In NOK thousands)	**+50 bp**	**-50 bp**
As at 31 December 2021	-4 528	4 528
As at 31 December 2020	-17 738	15 843

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

	Interest rate change	
(In NOK thousands)	**+50 bp**	**-50 bp**
As at 31 December 2021	-34 699	34 699
As at 31 December 2020	-23 842	24 574

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. In accordance with the expected credit loss model, Lyse records lifetime expected credit losses on receivables. The loss provision is based on the Group’s assessment of the expected losses. As at 31 December 2021, NOK 26.2 million has been allocated to cover losses (2020: NOK 14.7 million). This constitutes around 1.1% of trade receivables (2020: 0.9%). Lyse does not expect to incur material losses on receivables. Please also refer to note 22 trade receivables.

Counterparty risk - financial energy contracts

Of the financial energy contracts entered into in 2021 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. In order to reduce risk on connection with energy trading and physical sales contracts, bank or parent guarantees are sometimes requested when entering into such contracts.

Credit risk - other financial instruments

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

Receivables

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

Bank deposits, cash and cash equivalents

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

Lyse's gross credit exposure corresponds to the recognised value of financial assets, which are found in the various notes to the statement of financial position. To the extent that relevant and significant collaterals have been provided, this is presented below.

GROSS EXPOSURE CREDIT RISK

(in NOK thousands)	Note	2021	2020
Other financial assets, non-current	19, 7	853 173	833 430
Derivatives	6, 7, 23	491 420	408 061
Receivables, current and non-current	7, 13, 22	3 285 578	2 503 559
Financial investments, current	7, 24, 25	764 000	279 000
Cash and cash equivalents	7, 24, 25	5 701 614	3 827 274
Gross exposure credit risk		**11 095 785**	**7 851 324**

EXPOSURE REDUCED BY CASH COLLATERAL

(In NOK thousands)	Note	2021	2020
Cash collateral	29	200 000	0
Net exposure credit risk		**10 895 785**	**7 851 324**

(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 2021

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

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

MATURITY ANALYSIS OF FINANCIAL LIABILITIES – REMAINING TERM AS AT 31 DECEMBER 2020

(In NOK thousands)	**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
Non-derivative financial liabilities:						
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
Total financial liabilities	-4 526 347	-1 035 108	-2 810 720	-6 329 017	-11 364 937	-26 066 129
Financial currency derivatives settled gross (inflows)	571 205	435 885	845 771	1 010 841	824 077	3 687 779

*) 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 contacts, up to 2040, whereby there is a physical delivery of industrial power that is settled at a fixed EUR price and therefore has an embedded currency derivative. Refer to note 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 2021

(In NOK thousands)	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	62 612	62 612	62 612
Other non-current financial assets		93 965	0	0	0	93 965	93 965
Derivatives	6,23	399 785	0	0	0	399 785	399 785
Derivatives - hedge accounting	6,8,23	0	0	91 635	0	91 635	91 635
Bonds - short term financial investments	24	0	764 000	0	0	764 000	764 000
Trade receivables and other current receivables	22	0	0	0	3 222 966	3 222 966	3 222 966
Bank deposits, cash and cash equivalents	24	0	0	0	5 701 614	5 701 614	5 701 614
Total assets		**493 750**	**764 000**	**91 635**	**8 987 191**	**10 336 576**	**10 336 576**

CARRYING VALUE PER MEASUREMENT CATEGORY – LIABILITIES 31 DECEMBER 2021

(In NOK thousands)	Note	Liabilities at fair value through profit and loss	Derivatives as hedging instrument	Liabilities at amortised cost	Total	Fair value
Loans	25	0	0	14 600 496	14 600 496	14 699 078
Non-current financial liabilities in EUR, designated hedging instruments	6,8,25	0	0	2 410 168	2 410 168	2 527 323
Derivatives	6,23	536 989	0	0	536 989	536 989
Derivatives - Hedge accounting	6,8,23	0	7 902	0	7 902	7 902
Accounts payable and other current liabilities	27	0	0	3 605 460	3 605 460	3 605 460
Total liabilities		**536 989**	**7 902**	**20 616 124**	**21 161 015**	**21 376 752**

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE, 31 DECEMBER 2021

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

CARRYING VALUE PER MEASUREMENT CATEGORY – ASSETS 31 DECEMBER 2020

(In NOK thousands)	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	2 408 868	2 408 868	2 408 868
Bank deposits, cash and cash equivalents	24	0	0	0	3 827 274	3 827 274	3 827 274
Total assets		**462 325**	**279 000**	**305**	**6 330 833**	**7 072 463**	**7 072 463**

CARRYING VALUE PER MEASUREMENT CATEGORY – LIABILITIES 31 DECEMBER 2020

(In NOK thousands)	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	2 814 489	2 814 489	2 814 489
Total liabilities		**56 132**	**154 628**	**19 890 176**	**20 100 936**	**20 616 963**

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE, 31 DECEMBER 2020

(In NOK thousands)	**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
Total assets	**290 629**	**9 510**	**441 491**	**741 630**
Derivatives, measured at fair value through profit and loss	0	22 562	33 569	56 132
Derivatives, measured at fair value through other comprehensive income	0	154 628	0	154 628
Total liabilities	**0**	**177 190**	**33 569**	**210 760**

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 31.12.21	2022-2028	2022-2044
The information below concerns the period (where the information is the most applicable in regards to the prevailing hedging strategy)	2022-2028	
Value of future hedging instruments 31.12.2021	EUR 491 million	
Adhering value of hedging objects 31.12.21	EUR 1 266 million	
Degree of hedging 31.12.21	39 %	
Hedging price / Rate 31.12.21	10.69 (average rate, future years)	9.15 EUR (average drawdown rate)
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)

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 2022 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 2021	No. As hedging object and instrument is due in the same future period and there is no over-hedging, the change in value will be approximately equal.	No. As hedging object and instrument is due in the same future period and there is no over-hedging, the change in value will be approximately equal.
Exposed / recognized hedging inefficiencies in 2020	NOK -1.7 million	No. As hedging object and instrument is due in the same future period and there is no over-hedging, the change in value will be approximately equal.
Fair value of hedging instruments 31.12.2021	NOK 92 million	NOK –2 410 million (initial loan amount valued in applicable EUR currency rate on the balance sheet date)
Fair value of hedging instruments 31.12.202+	NOK -127 million	NOK –2 639 million (initial loan amount valued in applicable EUR currency rate at the balance sheet date)
Effect of realized hedge accounting recognized in 2021's profit and loss	Amounts to NOK 9.1 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 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 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.

Category:	**Fair value of hedging in NOK**	**Cash flow hedging NOK**
Future risk exposed cash flow	**Value of loans with fixed interest rate**	**Interest on borrowings with floating interest rate**
Hedging instrument:	**Interest rate swaps with floating interest rate**	**Interest rate swap fixed interest rate**
Management's risk strategy	Hedging is carried out with the aim of avoiding that the value of bond loans 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.	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 31.12.21	2022-2025	2022-2025
The information below concerns the period (where the information is the most applicable in regards to the prevailing hedging strategy)	2022-2025	2022-2025
Value of future hedging instruments 31.12.2021	NOK 300 million	NOK 1 100 million
Adhering value of hedging objects 31.12.21	NOK 300 million	NOK 1 700 million
Degree of hedging 31.12.21	100%	65%
Hedging price / Rate 31.12.21	Lyse pays a floating interest and receive a fixed interest of 1.635% in this deal (future years)	Lyse pay a fixed interest rate between 1.15 – 1.93% and receive a floating interest rate on these deals (future years).
Value of future hedging instruments 31.12.2020	The hedging started in 2021	NOK 1 200 million
Adhering value of hedging objects 31.12.20	The hedging started in 2021	NOK 1 800 million
Degree of hedging 31.12.20	The hedging started in 2021	67 %
Hedging price / Rate 31.12.20	The hedging started in 2021	Lyse pay a fixed interest rate between 1.15 – 2.14% % and receive a floating interest rate on these deals (future years).

Category	Fair value of hedging in NOK	Cash flow hedging NOK
Future risk-exposed cash flow, hedging object	**Value of loans with fixed interest rate**	**Interest on borrowings with floating interest rate**
Hedging instrument:	**Interest rate swaps with floating interest rate**	**Interest rate swap fixed interest rate**
Profile of hedging degree for future periods	100% hedging until due date	All the years in the period have hedges. The periods profile is gradually declining.
Renewal of expired hedges	Loan and hedging instrument expire in April 2025. 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 2021	No. As hedging object and instrument is due in the same future period and there is no over-hedging, the change in value will be approximately equal.	No. As hedging object and instrument is due in the same future period and there is no over-hedging, the change in value will be approximately equal.
Exposed / recognized hedging inefficiencies in 2020	The hedging started in 2021	No. As hedging object and instrument is due in the same future period and there is no over-hedging, the change in value will be approximately equal.
Fair value of hedging instruments 31.12.2021	NOK -4.8 million	NOK -3,1 million
Fair value of hedging instruments 31.12.2020	The hedging started in 2021	NOK -28.1 million
Effect of realized hedge accounting recognized in 2021's profit and loss	NOK 1.7 million on accounting line item finance income	NOK 14.3 million on accounting line item finance cost
Effect of realized hedge accounting recognized in 2020's profit and loss	The hedging started in 2021	NOK 14.3 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.

The table below summarizes the effects in the financial statement

(In NOK thousands)	2021				2020			
	Nominal hedge value	**Fair value**	**P&L**	**Regognised hedge reserve**	**Nominal hedge value**	**Fair value**	**P&L**	**Regognised hedge reserve**
Cash flow hedge								
Energy contracts EUR futures	416	92	-9	72	353	-127	-66	-99
Cash flow hedge								
Energy contracts EUR loans	75	-2 410	0	-181	75	-2 639	0	-277
Cash flow hedge								
Electricity certificates SEK	0	0	0	0	3	0	3	0
Cash flow hedge								
Interest rate swaps NOK	1 100	-3	-14	-2	1 200	-28	-14	-22
Fair value hedge								
Interest rate swaps NOK	300	-5	2	0	0	0	0	0
Sum	**1 891**	**-2 326**	**-22**	**-112**	**1 631**	**-2 794**	**-77**	**-397**

Movement in hedge reserve

The table below shows movement in the hedging reserve for 2020-2021:

CHANGE IN HEDGE RESERVE

(In NOK thousands)	2021	2020
Carrying value 1 January	**-397**	**-203**
Change currency futures	170	-35
Change foreign currency loans	95	-130
Change interest rate swaps	19	-29
Carrying value 31 December	**-112**	**-397**

9 Sales revenue

SALES REVENUE 2021

(Amounts in NOK million)	**2021**
Retail sales	
Energy	2 108
Power Grid	46
TV, fiber and other telecom revenues	3 527
Spot sales of hydro power	8 273
Partner revenues	1 516
Transmission income	1 258
Income natural gas, district heating and district cooling	543
Other revenues	388
Sales revenue	**17 660**

SALES REVENUE 2020

(Amounts in NOK million)	**2020**
Retail sales	
Energy	483
Power Grid	26
TV, fiber and other telecom revenues	2 912
Spot sales of hydro power	1 257
Partner revenues	1 352
Transmission income	1 227
Income natural gas, district heating and district cooling	279
Other revenues	629
Sales revenue	**8 165**

10 Gains and losses on power and currency contracts

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

Gains and losses on power and currency contracts are presented as operating revenue in the income statement. This line item was previously presented as "other operating income and expenses" under operating expenses.

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

(In NOK thousands)	Unrealised	Realised	2021	Unrealised	Realised	2020
Positive contributions to the result are presented with a '+' notation (cost -, income +)						
Changes in value, financial instruments						
Financial instruments at fair value through profit and loss						
Financial energy contracts – held for hedging purposes	-639 270	-314 428	-953 698	-57 504	135 292	77 787
Currency derivatives in long-term physical industry contracts in EUR	31 398	-33 016	-1 618	-184 786	-67 437	-252 223
Currency derivatives – held for hedging purposes	0	-9 134	-9 134	0	-65 957	-65 957
Other changes in value						
Long-term financial energy contracts	-33 457	0	-33 457	5 890	0	5 890
Other changes in value for financial instruments recognised through profit and loss	**-641 329**	**-356 579**	**-997 908**	**-236 400**	**1 897**	**-234 503**
Net gains and losses on power and currency contracts	**-641 329**	**-356 579**	**-997 908**	**-236 400**	**1 897**	**-234 503**
Total tax effect of gains and losses on power and currency contracs	162 209	71 184	233 392	63 502	-15 254	48 248
Net gains and losses on power and currency contracts recognised in profit/loss for the year	**-479 121**	**-285 395**	**-764 516**	**-172 898**	**-13 357**	**-186 255**

GAINS AND LOSSES ON POWER AND CURRENCY CONTRACTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

(In NOK thousands)	2021	2020
Other unrealised changes in value for financial instruments recognised through other comprehensive income		
Cash flow hedge, currency forward contracts	169 934	-35 061
Cash flow hedge, interest swap contracts	19 491	-28 534
Cash flow hedge liabilities in EUR	95 318	-129 909
Change in cash flow hedge reserve	0	-593
Unrealised gains and losses on power and currency contracts recognised in other comprehensive income	**284 743**	**-194 097**
Gains and losses on power and currency contracs recognised in total comprehensive income	**-479 773**	**-380 351**

11 Cost of goods sold

COST OF GOODS SOLD 2021

(Amounts in NOK million)	**2021**
Power related purchases	3 869
Transfer costs	383
Digital content services	1 443
Fibre grid and other telecom related cost	162
Cost of sales telecom equipment	100
Other	167
Total	**6 124**

COST OF GOODS SOLD 2020

(Amounts in NOK million)	**2020**
Power related purchases	682
Transfer costs	420
Digital content services	1 343
Fibre grid and other telecom related cost	188
Cost of sales telecom equipment	63
Other	220
Total	**2 917**

12 Salaries and payroll cost

SALARIES AND PAYROLL COST

	Note	2021	2020
Salaries		1 053 187	975 168
Employers' National Insurance contributions		146 727	137 759
Pension costs - defined benefit plans	13	27 527	28 740
Pension costs - defined contribution plans	13	84 960	78 948
Capitalized salary cost		-270 194	-321 667
Other payroll costs		102 424	207 912
Total salaries and payroll cost		**1 144 632**	**1 106 860**
Average number of full-time equivalents		1 391	1 365

13 Pensions

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

The Lyse Group has the following employee pension plans:

	Number of retirees	Number of employees	Year's cost	Estimated cost next year
Public defined benefit pension and public early retirement pension	456	158	29 765	27 959
Defined contribution pension and early retirement pension		1 268	84 960	91 899
Pensions funded through operations		43	2 692	3 200
Total			117 416	123 058

Defined contribution scheme

The company's defined contribution scheme covers a total of 1 268 people as at 31 December 2021. The scheme is organised in accordance with the Defined Contribution Act.

Early retirement pension scheme in the private sector

Employees covered by the defined contribution pension plan are also covered by the early retirement plan (AFP) scheme in the private sector. The scheme is a defined benefit multi-employer scheme compliant with the standards set by the Norwegian Confederation of Trade Unions (LO)/Confederation of Norwegian Enterprises (NHO). The company has an actual financial obligation connected to the AFP scheme. However, the information available is not sufficient to recognise a liability in the annual financial statements for 2021. Consequently and in accordance with IAS 19 no liability for the AFP scheme is recognised as at 31 December 2021.

The contribution to the AFP scheme is recognised as personnel costs and next year's premium is estimated to be NOK 14.9 million.

Defined benefit plan

Lyse has a defined benefit pension plan in line with the collective pay agreement for municipal employees. The pension plan covers a total of 614 people, of which 158 are active employees and 456 are retirees, as well as established rights for those who have left the plan. For active employees the pension plan is partially financed through a 1.5% deduction of gross salary.

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

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

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

AFP scheme in the public sector

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

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:

(In NOK thousands)	2021	2020
Liabilities recognised on balance sheet:		
Defined benefit plans	93 264	223 821
Pension cost recognised in income statement during the year: *)		
Defined benefit plans	29 765	31 187
Defined contribution plans	84 960	78 948
Pensions funded through operations	2 692	2 554
Pension effects through consolidated other comprehensive income:		
Actuarial gains and losses before tax	-79 240	92 933
Tax effect	-16 982	24 992
Other pension effects after tax	**-62 257**	**67 941**

*) 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

(In NOK thousands)	2021	2020
Present value of accrued pension liabilities for defined benefit plans in fund-based schemes	1 706 411	1 641 972
Fair value of pension assets	-1 630 883	-1 433 809
Actual net pension liabilities for defined benefit plans in fund-based schemes	**75 529**	**208 163**
Net present fund-based pension liabilities recognised in the balance sheet	83 165	215 487
Net present fund-based pension funds recognised in the balance sheet	7 636	6 909
Pensions funded through operations	17 735	15 243
Net pension liabilities on the balance sheet *)	**93 264**	**223 821**

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

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

(In NOK thousands)	2021	2020
Pension liabilities 1 January	1 641 972	1 493 879
Pension accruals for the year	25 396	25 316
Interest cost	27 644	34 717
Actuarial gains/losses	96 781	138 968
Employers' National Insurance contributions on contributions	-9 427	-5 344
Changes to estimates	-49 117	-45 564
Reduced pension obligations from business combinations (note 4)	-26 838	0
Pension liabilities 31 December	**1 706 411**	**1 641 972**

CHANGES IN PENSION FUND'S FAIR VALUE:

(In NOK thousands)	2021	2020
Fair value of pension funds 1 January	1 433 809	1 363 219
Actual return on funds in relation to recognised interest income	24 148	31 271
Actuarial gains/losses	175 608	46 446
Administration and financial costs	-2 726	-4 715
Total contributions	72 597	43 151
Total payments from fund	-49 117	-45 564
Reduced pension fund from business combinations (note 4)	-23 435	0
Fair value of pension funds as at 31 December	**1 630 883**	**1 433 809**

UNFUNDED PENSION LIABILITIES

(In NOK thousands)	2021	2020
Pension liabilities 1 January	15 243	13 275
Deposits for the year	1 865	1 914
Interest cost	495	238
Employers' National Insurance contributions	331	303
Benefits paid	-200	-486
Pension liabilities 31 December	**17 735**	**15 243**

THE FOLLOWING FINANCIAL ASSUMPTIONS WERE USED

	**)	01.01.2021	31.12.2021	31.12.2020
Discount rate		1,70%	1,90%	1,50%
Expected return on pension funds		1,70%	1,90%	1,50%
Salary adjustments		2,25%	2,75%	2,00%
Pension adjustments		1,24%	1,73%	0,99%
Adjustment of National Insurance basic amount		2,00%	2,50%	1,75%
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

*) Employers contribution in the subsidiary Signal Bredbånd equals 6.9%
**) Change in assumptions as per 31.12.2020 to 01.01.2021 are reflected in actuarial gains and losses in net pension liabilities of the year.

*Voluntary departure (joint scheme):

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

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

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

	2021	2020
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	8,82%		-7,74%	
Change in wages growth	0,50%	points		
Change in percentage gross pension liabilities	1,24%			

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:

	2021	2020
Present value of this year's pension accruals	25 396	25 318
Interest cost *)	3 497	3 431
Expenditures	2 726	4 501
Employees' pension deductions	-1 855	-2 063
Pensions funded through operations	2 692	2 554
Pension costs, defined benefit plans	**32 456**	**33 741**
Employer's contributions to the defined contribution scheme	70 492	67 380
Premiums from AFP LO/NHO scheme	14 468	11 568
Pension costs, defined contribution plans	**84 960**	**78 948**
Total pension costs	**117 416**	**112 689**

*) 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 57 million for 2022.
The expected contribution to the defined contribution scheme is NOK 81 million for 2022.

PENSION FUNDS COMPRISE:

	2021		2020	
Liquidity/Money market	44 034	3%	54 485	4%
Bonds bought	197 337	12%	184 961	13%
Construction bonds	455 016	28%	414 371	29%
Short-term bonds	226 693	14%	242 314	17%
Property	218 538	13%	190 697	13%
Shares and alternative investments	489 265	30%	346 982	24%
Fair value, pension funds	**1 630 883**		**1 433 809**	

14 Other operating costs

OTHER OPERATING COSTS

(In NOK thousands)	2021	2020
External services	464 460	261 860
Office costs	185 612	71 337
Other operating costs, related to partly-owned hydro power stations	49 388	46 428
Repair and maintenance cost	324 820	346 392
Cost related to property, machine hire, equipment and other hire costs	56 577	73 293
Sales and advertising costs	210 313	228 751
Other operating costs	102 798	79 848
Total other operating costs	**1 393 969**	**1 107 909**

15 Financial items

NET FINANCIAL COST

	Note	2021	2020
Interest costs:			
Subordinated loans		47 757	54 602
Bond loans and certificate loans		219 309	232 857
Interest hedge		12 645	14 274
Interest costs, energy sale agreements and free energy		40 384	40 384
Other interest costs		102 615	117 841
Total interest costs	25	**422 710**	**459 958**
Other financial expense			
Disagio		49 378	21 354
Finance element, pension costs	13	4 930	6 269
Other financial expense		29 809	18 947
Total financial expense		**506 826**	**506 529**
Financial income:			
Other interest income		44 092	49 058
Gains through realisation of securities		3 380	0
Dividends		442	646
Agio		33 715	14 846
Other financial income		5 036	9 209
Total financial income		**86 665**	**73 760**
Net financial cost		**420 161**	**432 581**

16 Taxes

Tax expense and tax payable

SPECIFICATION OF TAX EXPENSE

(In NOK thousands)	2021	2020
Tax payable	1 353 645	140 150
Change in deferred tax	-148 308	5 381
Resource rent tax payable	2 046 812	73 167
Change in deferred tax resource rent	96 779	44 367
Over/underprovision relating to previous years, resource rent	69	-1
Over/underprovision relating to previous years	0	312
Total tax expense	**3 348 998**	**263 376**

SPECIFICATION OF TAX PAYABLE ON BALANCE SHEET

(In NOK thousands)	2021	2020
Income taxes payable	709 015	213 336
Natural resource tax payable	121 929	81 319
Resource rent tax payable	1 612 237	73 417
Total tax payable on balance sheet	**2 443 181**	**368 072**

RECONCILIATION FROM NOMINAL TO ACTUAL TAX RATE

(In NOK thousands)	2021	2020
Ordinary profit/loss before tax	5 485 835	617 064
Expected income taxes at nominal tax rate (22 %)	1 206 884	135 754
Tax effect of:		
Net non-deductible income and costs	-635	9 778
Natural resource tax	121 929	81 319
Offset natural resource tax	-132 219	-81 319
Resource rent tax (37 %)	2 143 661	117 533
Over/underprovision relating to previous years	0	311
Other items	9 378	0
Tax expense on ordinary profit/loss	**3 348 998**	**263 376**
Effective tax rate	62%	43%

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

(In NOK thousands)	2021	2020
Deferred tax asset	111 586	84 533
Deferred tax	3 690 198	3 733 505
Net deferred tax	**3 578 612**	**3 648 972**

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

(In NOK thousands)	Note	2021	2020
Carrying value 1 January		**3 648 972**	**1 332 028**
Hydro transaction	4	0	2 391 577
Reclass to deferred tax, recource rent tax		-217 631	0
Recognised through profit and loss in the period		-148 308	5 381
Tax recognised in other comprehensive income		97 786	-72 965
Tax, not recognised in total comprehensive income		197 793	-7 049
Carrying value 31 December		**3 578 612**	**3 648 972**

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

(In NOK thousands)	Note	2021	2020
Carrying valule 1 January		**4 716 437**	**1 241 207**
Hydro transaction	4	0	3 434 660
Reclass from deferred tax		217 631	0
Recognised through profit and loss in the period		96 779	44 367
Remeasurements of pensions		1 672	-3 797
Carrying value 31 December		**5 032 519**	**4 716 437**

CHANGE IN DEFERRED TAX, OTHER COMPREHENSIVE INCOME

(In NOK thousands)	2021	2020
Cash flow hedges	80 312	-54 746
Remeasurements of pensions	17 474	-18 219
Net change in deferred tax, other comprehensive income	**97 786**	**-72 965**

DEFERRED TAX

(In NOK thousands)	Intangible assets	Property, plant and equipment	Derivatives	Deferred tax asset not recognised on the balance sheet	TOTAL
1 January 2020	167 087	1 358 382	102 427	-6 504	1 621 393
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
31 December 2020	**2 266 971**	**1 440 039**	**31 427**	**-4 933**	**3 733 505**
Recognised through profit and loss in the period	-226 775	395 597	-215 804	-32 028	-79 011
Recognised in other comprehensive income	0	0	80 312	0	80 312
Recognised in other equity	0	173 023	0	0	173 023
Reclass to deferred tax, resource rent tax	0	-217 631	0	0	-217 631
31 December 2021	**2 040 196**	**1 791 028**	**-104 065**	**-36 961**	**3 690 198**

DEFERRED TAX ASSET

(In NOK thousands)	Loans and liabilities	Investments	Pensions	Current assets	Tax losses carried forward*	Deferred tax foreign subsidiaries	TOTAL
1 January 2020	210 087	6 182	16 804	12 745	36 772	6 775	289 365
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
31 December 2020	**20 790**	**863**	**12 082**	**1 101**	**42 922**	**6 775**	**84 533**
Recognised through profit and loss in the period	17 175	18 875	8 693	5 931	6 647	-6 775	50 545
Recognised in other comprehensive income	0	0	-17 474	0	0	0	-17 474
Recognised in other equity	0	0	6	0	0	0	6
Adjustment prior years	0	0	0	0	-6 024	0	-6 024
31 December 2021	**37 965**	**19 738**	**3 307**	**7 032**	**43 545**	**0**	**111 585**

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

DEFERRED TAX, RESOURCE RENT TAX

(In NOK thousands)	Property, plant and equipment	Pensions	Gain and loss account	Derivatives	TOTAL
1 January 2020	1 314 988	1 184	-1 357	0	1 314 815
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
31 December 2020	**4 756 263**	**-3 590**	**-2 095**	**0**	**4 750 578**
Recognised through profit and loss in the period	126 033	3 323	3 714	-18 657	114 414
Recognised in other comprehensive income	0	1 672	0	0	1 672
Reclass from deffered tax	217 631	0	0	0	217 631
31 December 2021	**5 099 927**	**1 405**	**1 619**	**-18 657**	**5 084 295**

DEFERRED TAX ASSET, RESOURCE RENT TAX

(In NOK thousands)	Derivatives	Property, plant and equipment	Pensions	Gain and loss account	Tax losses carried forward, resource rent tax	Deferred tax asset not recognised on the balance sheet	TOTAL
1 January 2020	12 795	16 941	486	1 092	60 001	-17 707	73 608
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
31 December 2020	**11 563**	**-20 014**	**1 049**	**2 193**	**57 578**	**-18 228**	**34 141**
Recognised through profit and loss in the period	-11 563	5 073	-761	-178	19 928	5 135	17 635
31 December 2021	**0**	**-14 941**	**288**	**2 015**	**77 506**	**-13 093**	**51 776**

17 Intangible assets

FINANCIAL YEAR 2021

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

FINANCIAL YEAR 2020

(In NOK thousands)	Waterfall rights	Goodwill	Excess value customer relationships	Internally generated	Under develop-ment	Total
Carrying value 1 January	105 301	808 232	705 592	747 842	24 622	2 391 588
Transferred from assets under construction	0	0	0	1 298	0	1 298
Additions	0	2 000	0	177 174	80 507	259 681
Acquisition subsidiary	8 312 000	5 534 595	15 902	6 110	0	13 868 608
Disposal	0	0	0	-36 901	0	-36 901
Reclassification intangibles from tangible fixed assets	0	0	0	-56 562	49 013	-7 549
Amortisation and impairment charge for the year	0	0	-46 728	-176 661	-6 219	-229 608
Foreign currency translation effects*	0	0	0	451	0	451
Carrying value 31 December	**8 417 301**	**6 344 827**	**674 765**	**662 752**	**147 923**	**16 247 568**
Balance 31 December						
Acquisition cost**	8 417 301	6 350 947	843 115	1 148 210	154 142	16 913 714
Accumulated depreciation and impairment losses**	0	-6 120	-168 349	-485 457	-6 219	-666 146
Carrying value 31 December	**8 417 301**	**6 344 827**	**674 765**	**662 752**	**147 923**	**16 247 568**

*) Foreign currency translation effects was included in reclassification in 2020. Presented in a seperate line this year.

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

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 addition of waterfall rights and goodwill in 2020 mainly relates to this transaction.

Other goodwill and intangible assets are mainly allocated to the Group's Telecommunications business area. Excess value mainly consists of customer portfolios. Internally generated intangible assets relate to activated software costs. These intangible assets are depreciated over 13-15 years.

EXPENSED RESEARCH AND DEVELOPMENT COSTS

	2021	2020
Expensed R&D	10 628	5 926

Waterfall rights

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

Goodwill

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 5.32% nominal after tax linked to the Telecommunications business segment and 4.92% for the Energy business segment.

Goodwill related to the Business Area Energy is a technical goodwill. This goodwill consist of the difference between nominal and fair value of deferred tax.

18 Tangible fixed assets

FINANCIAL YEAR 2021

(In NOK thousands)	Energy Facilities	Broadband facilities	Power Grid facilities	Other buildings and land	Machinery and equipment	Assets under constructio n	Total fixed assets	Right-of-use assets	Total
Restated opening balance	**11 433 199**	**7 447 692**	**4 508 517**	**600 135**	**916 019**	**958 187**	**25 863 750**	**965 112**	**26 828 862**
Reclassification Hydro transaction*	560 193	0	0	0	-540 901	-19 292	0	0	0
Carrying value 1 January	**11 993 392**	**7 447 692**	**4 508 517**	**600 135**	**375 118**	**938 895**	**25 863 750**	**965 112**	**26 828 863**
Additions	49 771	503 646	368 980	16 875	58 644	1 474 264	2 472 180	414 795	2 886 975
Addition building	0	0	0	291 441	0	0	291 441	0	291 441
Transferred from assets under construction	82 924	809 991	190 029	16 209	3 528	-1 119 322	-16 641	0	-16 641
Disposals	-16 779	0	-14 460	-1 609	-12 750	8 927	-36 670	-14 669	-51 339
Reclassification	337 710	87 742	14 448	-401 491	-70 819	23 967	-8 442	0	-8 442
Remeasurement and other changes	0	0	0	0	0	0	0	-33 054	-33 054
Depreciation charge for the year	-344 735	-743 945	-232 794	-11 118	-86 718	1 116	-1 418 194	-173 279	-1 591 473
Impairment charge	0	0	0	-1 527	-459	0	-1 987	0	-1 987
Foreign currency translation effects	0	13	0	0	-1 910	0	-1 897	0	-1 897
Carrying value 31 December	**12 102 283**	**8 105 140**	**4 834 720**	**508 915**	**264 634**	**1 327 848**	**27 143 540**	**1 158 905**	**28 302 445**
Carrying value 31 December									
Acquisition cost	17 310 012	14 760 615	8 851 295	1 100 052	1 708 807	1 345 994	45 076 776	1 494 494	46 571 270
Accumulated depreciation and impairment losses	-5 207 729	-6 655 475	-4 016 575	-591 137	-1 444 173	-18 147	-17 933 236	-335 589	-18 268 825
Carrying value 31 December	**12 102 283**	**8 105 140**	**4 834 720**	**508 915**	**264 634**	**1 327 848**	**27 143 540**	**1 158 905**	**28 302 445**

*) Reclassification within categories. The reclassification not change the total carrying value

	Energy Facilities	Broadband facilities	Power Grid facilities	Other buildings and land	Machinery and equipment	Assets under construction	Total fixed assets	Right-of-use assets	Total
Lifetime	3-75 years	3-25 years	15-40 years	33-50 years	3-25 years			See note 30	
Depreciation method	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line				

Land is not depreciated

FINANCIAL YEAR 2020

(In NOK thousands)	Energy Facilities	Broadband facilities	Power Grid facilities	Other buildings and land	Machinery and equipment	Assets under constructio n	Total fixed assets	Right-of-use assets	Total
Carrying value 1 January	**10 067 189**	**6 417 434**	**3 927 072**	**489 108**	**341 224**	**809 905**	**22 051 932**	**916 389**	**22 968 321**
Additions	118 979	1 395 061	348 661	17 084	145 895	877 217	2 902 897	291 232	3 194 129
Acquisition subsidiary	1 662 843	50 732	0	391 997	7 078	13 964	2 126 614	0	2 126 614
Transferred from assets under construction	267 100	324 533	263 822	495	5 556	-861 506	0	0	0
Disposals	-36 682	0	0	348	-12 355	3	-48 686	-188 933	-237 619
Reclassification	55 466	-28 825	165 724	-242 719	-23 153	110 782	37 275	0	37 275
Remeasurement and other changes	0	0	0	0	0	0	0	84 451	84 451
Depreciation charge for the year	-274 599	-705 195	-196 762	-19 336	-88 979	0	-1 284 871	-138 027	-1 422 898
Impairment charge	133 096	-6 048	0	-36 842	-148	-11 470	78 588	0	78 588
Carrying value 31 December	**11 993 392**	**7 447 692**	**4 508 517**	**600 135**	**375 118**	**938 895**	**25 863 749**	**965 112**	**26 828 862**
Carrying value 31 December									
Acquisition cost	16 908 729	11 941 125	8 292 298	1 143 391	1 728 810	1 044 746	41 059 100	1 320 831	42 379 931
Accumulated depreciation and impairment losses	-4 915 337	-4 493 433	-3 783 781	-543 256	-1 353 692	-105 851	-15 195 350	-355 719	-15 551 069
Carrying value 31 December	**11 993 392**	**7 447 692**	**4 508 517**	**600 135**	**375 118**	**938 895**	**25 863 749**	**965 112**	**26 828 862**

Lifetime	3-75 years	3-25 years	15-40 years	33-50 years	3-25 years		See note 30
Depreciation method	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line		

Land is not depreciated

Capitalised interest on facilities under construction

Additions concerning the capitalisation of interest on building loans amounted to NOK 7.4 million in 2021. The interest rate applied was 2.8%.

Impairments

Tangible fixed assets are tested for impairment when there are impairment indicators. An asset is impaired if the book value is greater 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.

19 Investments in joint ventures and associates

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

(in NOK thousands)	Office location	Segment	Ownership	Voting share	2021	2020
Associates:						
NO-UK COM Holding AS	Hjelmeland	Telecom	37%	37%	156 998	164 799
Altifiber AS	Hauge i Dalane	Telecom	34%	34%	71 888	60 114
Other					21 465	62 906
Carrying value associates					**250 351**	**287 819**
Joint ventures:						
Bergen Fiber AS	Bergen	Telecom	37%	50%	339 983	323 783
Forus Energigjenvinning Holding AS	Stavanger	Energy	50%	50%	65 523	58 500
Istad Fiber AS	Molde	Telecom	50%	50%	71 677	69 743
Nordvest Fiber Holding AS	Ålesund	Telecom	50%	50%	31 674	39 017
Carrying value joint ventures					**508 857**	**491 042**
Carrying value associates and joint venture companies					**759 208**	**778 861**

Joint operating arrangements:				
Sira-Kvina kraftselskap DA	Tonstad	Energy	41%	41%
Ulla Førre verkene	Sauda	Energy	18%	18%

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

No contingent liabilities are associate with the investments.

Significant investments for Lyse

Bergen Fiber AS is a 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 share of 37% in the company.

	Joint venture company	
	Bergen Fiber	
	2021	**2020**
Operating income	457 359	381 294
Profit from continuing operations	53 083	19 068
Comprehensive income	53 083	19 068
The Group share of the comprehensive income	**19 800**	**7 112**
The groups ownership in the equity	224 749	203 300
+ Goodwill	81 464	81 464
+ Excess value	33 769	37 324
+ /- other adjustments	0	1 694
= Carrying value	**339 983**	**323 783**

CARRYING VALUE OF INVESTMENTS IN ASSOCIATES

	Note	2021	2020
Carrying value as at 1 January		**287 819**	**112 476**
Additions - new acquisitions		14 576	176 441
Share of profit and loss		-40 352	10 889
Dividend distributed		-3 900	-7 020
Recognised in other equity and retained earnings		-7 792	-4 967
Carrying value as at 31 December		**250 351**	**287 819**
Amortisation of excess value during the year		0	0
Impairment of excess value during the year		0	0
Excess values as at 31 December		-7 211	-10 790

The investment in North Connect KS has been impaired in 2021 due to too large uncertainties related to the investment. Lyse still believes in the concept. The impaired amount of MNOK 53 is included in the line “Share of profit and loss”.

The shares in Nimbus Direct AS was sold in 2021, see note 4 for more information.

CARRYING VALUE OF INVESTMENTS IN JOINT VENTURES

	Note	2021	2020
Carrying value as at 1 January		**491 042**	**469 223**
Additions		0	35 000
Share of profit and loss		19 993	-3 366
Recognised through consolidated profit and loss		0	-4 000
Recognised in other equity and retained earnings		-2 178	-5 815
Carrying value as at 31 December		**508 857**	**491 042**
Amortisation of excess values during the year		-3 664	-3 662
Impairment of excess value during the year		0	0
Excess values as at 31 December		-124 339	-128 003

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.

	2021		2020	
	Sira-Kvina	**Ulla-Førre**	**Sira-Kvina**	**Ulla-Førre**
Energy sales*	2 397 824	1 210 649	285 398	67 220
Share of operating income	155 348	0	65 196	1 016
Share of transmission costs	27 670	938	68 474	12 311
Share of payroll costs	40 951	4 484	37 073	4 000
Share of fees	53 599	28 746	28 898	10 126
Share of ordinary depreciation	28 860	10 126	53 592	28 632
Share of property tax and other operating costs	31 763	17 655	72 064	42 033
Share of net financial profit and loss	197	0	-464	8 622
Share of profit and loss in partly-owned power plants (before tax)	**2 370 132**	**1 148 700**	**90 957**	**-37 488**

*) 2021 numbers are based on 100% share. Lyse's share is 74,4%

Ulla-Førre Power Facility

The 18% share in Ulla-Førre power facility is recognised as a tangible fixed asset on Lyse Kraft DA's balance sheet (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 827 million, and the book value of waterfall rights amounted to NOK 6.4 million.

Sira-Kvina kraftselskap DA

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

	2021	2020
Share of waterfall rights	29 747	29 747
Share of tangible fixed assets	1 807 514	1 756 445
Share of pension funds	7 636	6 909
Share of receivables	130 816	63 105
Share of bank deposits, cash and cash equivalents	92 018	35 402
Share of assets	**2 067 731**	**1 891 608**
Share of accounts payable	3 403	11 699
Share of other current liabilities	235 713	73 391
Share of liabilities	**239 116**	**85 090**

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. Hydro has, after the transaction 31.12.20, a non-controlling interest of 25.6% in Lyse Kraft DA, thus they are defined as a related party, see note 2 for accounting principles. 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, 32 and 33 for more information on owners, management and companies that are included in the consolidation.

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

Purchases from and sales to related parties

SALE OF GOODS AND SERVICES

	2021	2020
Associates	120 825	85 096
Joint ventures	405 714	198 846
Non-controlling interests	1 620 372	0
Municipality of Stavanger	107 554	123 828
Total sale of goods and services	**2 254 464**	**407 770**

PURCHASES OF GOODS AND SERVICES

	2021	2020
Associates	44 649	22 711
Joint ventures	51 659	263 621
Non-controlling interests	1 519 396	0
Municipality of Stavanger	19 268	17 569
Total purchases of goods and services	**1 634 972**	**303 901**

Balance sheet items relating to related parties

Receivables from related parties mainly consists of 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

	2021	2020
Loans to associates	0	167
Total non-current receivables from related parties	**0**	**167**

TRADE RECEIVABLES AND OTHER RECEIVABLES FROM RELATED PARTIES

	2021	2020
Associates	21 416	18 296
Joint ventures	60 285	45 379
Non-controlling interests	93 649	0
Municipality of Stavanger	28 764	34 916
Trade receivables and other receivables from related parties	**204 114**	**98 591**

ACCOUNTS PAYABLE TO RELATED PARTIES

	2021	2020
Associates	45 641	1 288
Joint ventures	103 532	16 206
Non-controlling interests	318 371	0
Municipality of Stavanger	6 486	859
Total accounts payable to related parties	**474 030**	**18 353**

SUBORDINATED LOANS TO OWNERS

	2021	2020
Municipality of Stavanger carrying value as at 1 January	786 168	829 844
Loan repaid during the year	-45 735	-43 676
Interest costs	20 080	31 068
Interest paid	-20 080	-31 068
Carrying value as at 31 December	**740 433**	**786 168**

LOAN FROM OTHER RELATED PARTIES

	2021	2020
Loan from other related parties	68 788	91 718
Carrying value as at 31 Decccember	**68 788**	**91 718**

21 Inventory

INVENTORY

	2021	2020
Decoders	38 927	76 963
Modems and network routers	2 919	18 290
Electricity certificates	950	1 194
Home control centres	46 367	47 675
Technical equipment, operational stores, spare parts	59 218	52 189
Other	33 552	4 427
Total inventory	**181 933**	**200 737**

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 1.2 million in 2021 (NOK 1.4 million in 2020).

WATER INVENTORY IN OWN AND JOINT VENTURE POWER PLANTS

	2021	2020
Water stock in GWh	2 829	4 522
Reservoir levels in %	42%	85%
Year's generation	10 353	6 004

Annual mean generation in the period 2021 amounted to 10 075 Gwh and 5 921 GWh i 2020.
In 2021 RSK power facilities are included in the key figures (see note 4 for further information).

22 Trade receivables and other receivables

OTHER NON-CURRENT RECEIVABLES

	Note	2021	2020
Receivables from related parties	20	0	0
Equity deposit KLP		34 855	34 855
Other non-current receivables		27 757	59 836
Total other non-current receivables		**62 612**	**94 691**

TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES

	Note	2021	2020
Face value of trade receivables		2 206 147	1 559 199
Receivables from related parties	20	204 114	98 591
Bad debt provision		-26 288	-14 724
Net trade receivables		**2 383 973**	**1 643 066**
Other current receivables		838 993	765 802
Total trade receivables and other receivables		**3 222 966**	**2 408 868**

BREAKDOWN OF BAD DEBT PROVISION

	2021	2020
1-6 months	10 560	4 257
More than 6 months	15 728	10 467
Total bad debt provision	**26 288**	**14 724**

RECEIVABLES PAST DUE DATE BUT NOT IMPAIRED

	2021	2020
1-2 months	16 250	276 557
Total receivables past the due date, not impaired	**16 250**	**276 557**

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:

	2021	2020
Balance as at 1 January	14 724	36 622
Movement in provisios for bad debt (receivables)	4 403	-37 403
Actual loss during the year	7 242	15 507
Balance as at 31 December	**26 369**	**14 724**

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 2021

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

NETTING OF DERIVATIVES AS AT 31 DECEMBER 2021

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

CARRYING VALUE AS AT 31 DECEMBER 2020

	Tangible Fixed assets	Non-current liabilities	Current assets	Current liabilities
Energy derivatives				
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
Currency and interest rate derivatives				
Currency derivatives – cash flow hedge	0	81 783	305	44 751
Currency derivatives – signed for hedging purposes	0	0	0	0
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
Interest swap agreements – fair value hedge	0	0	0	0
Total derivatives recognised in the balance sheet	**360 269**	**141 827**	**47 792**	**68 932**

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

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

Energy derivatives

Financial power contracts signed for hedging purposes are contracts signed to secure the price of future power sales and purchases. Financial power contracts - fair value customers' positions, relate to management contracts signed on behalf of customers. The contra entry for the market value of the contracts are trade receivables and accounts payable.
Other financial energy contracts relate to free 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 from the host contract and recognised at fair value through profit and loss. The fair value calculations are based on best estimate of future currency rates on the currency derivatives.

Offsetting

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

Collateral

Cash collateral must be pledged when financial power contracts are traded. Lyse has drawing rights in Danske Bank that are used when pledging such collateral.

24 Cash and cash equivalents

BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	2021	2020
Bank deposits, cash and cash equivalents	5 701 614	3 827 274
Total bank deposits, cash and cash equivalents	**5 701 614**	**3 827 274**

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:

	2021	2020
Drawing facilities and bank syndicate	1 500 000	1 500 000
Overdraft facility SpareBank 1 SR-Bank	300 000	300 000
Total unused drawing facilities	**1 800 000**	**1 800 000**

LIQUIDITY RESERVE

	2021	2020
Bank deposits, cash and cash equivalents	5 701 614	3 827 274
Of which restricted funds	-693 602	-96 903
Unused drawing facilities	1 800 000	1 800 000
Short term financial investments	764 000	279 000
Liquidity reserve	**7 572 012**	**5 809 372**

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	2021	2020
Bond loans		8 577 204	8 850 000
Subordinated loans from shareholding municipalities		1 600 000	1 700 000
Subordinated loans, other		61 693	98 509
Currency loan in EUR		2 302 892	2 526 348
Other loans		3 135 000	2 627 727
Total long-term loans		**15 676 788**	**15 802 583**

SHORT-TERM LOANS:

	Note	2021	2020
First year's instalment on EUR currency loan reclassified from long-term loan		107 276	112 447
First year's instalment on subordinate loans reclassified from long-term loans		129 873	122 929
First year's instalment on bond loans reclassified from long-term loans		1 054 000	995 000
First year's instalment on other loans reclassified from long-term loans		42 727	42 728
Total short-term loans		**1 333 876**	**1 273 104**

NET INTEREST-BEARING LOANS

	Note	2021	2020
Total long-term and short-term loans*	7	17 010 664	17 075 687
Short-term financial positions	24	-764 000	-279 000
Bank deposits, cash and cash equivalents	24	-5 701 614	-3 827 274
Net interest-bearing loans		**10 545 051**	**12 969 413**

*) Includes unrealised disagio on currency loan

UNREALISED DISAGIO ON LONG-TERM AND SHORT-TERM LOANS

	Note	2021	2020
Unrealised disagio on currency loan in EUR		-232 219	-354 597
Total unrealised disagio on currency loan		**-232 219**	**-354 597**

DEVELOPMENT OF NET INTEREST-BEARING LOANS

	Note	2021	2020
Opening balance as at 1 January - net interest-bearing loans		12 969 413	10 127 265
Change in cash and cash equivalents		-1 874 339	251 020
Change in short-term financial positions		-485 000	360 760
New long-term loans issued		1 800 000	3 550 000
Paid instalments		-278 849	-292 228
Redemption of loans		-920 000	-804 000
Repurchase of long-term loans		-539 000	-565 000
Change with no cash effect		-127 174	341 596
Closing balance 31 December - net interest-bearing loans		**10 545 051**	**12 969 413**

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 2021

	Amount	Interest
Year 2012-2022 (LYSK88)	238 000	fixed rate 5.40%
Year 2012-2022 (LYSK91)	500 000	fixed rate 4.8%
Year 2014-2024 (LYSK103)	250 000	fixed rate 4.35%
Year 2015-2025 (LYSK113)	725 000	fixed rate 3.3%
Year 2016-2026 (LYSE02)	400 000	fixed rate 3.275%
Year 2016-2022 (LYSE07)	166 000	3-month NIBOR + 1.08%
Year 2017-2027 (LYSE08)	500 000	fixed rate 3.00%
Year 2017-2023 (LYSE09)	282 000	3-month NIBOR + 0.82%
Year 2017-2023 (LYSE10 ESG)	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)	500 000	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)	750 000	3-month NIBOR + 0.60%
Year 2020-2027 (LYSE22 ESG)	750 000	3-month NIBOR + 0.69%
Year 2020-2028 (LYSE23 ESG)	600 000	fixed rate 1.73%
Year 2021-2031 (LYSE24)	100 000	3-month NIBOR + 0.75%
Year 2021-2025 (LYSE25)	295 204	Fixed rate 1.635%
Year 2021-2026 (LYSE 26 ESG)	300 000	3-month NIBOR 0 0.5%
Total Lyse AS	**9 631 204**	
Total Lyse Group	**9 631 204**	

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 2021, the Lyse Group has NOK 1 100 million in future interest swaps agreements available to hedge the interest payment due on the subordinated loan. Hedging documentation has been prepared and the hedge is meeting the hedge accounting requirements and thus hedge accounting has been applied. The fair value changes of this hedge is booked against other comprehensive income, see notes 7, 8 and 23.

CURRENCY LOANS IN EUR AS AT 31 DECEMBER 2021

	EUR amounts	Interest	Instalment
Year 2015-2030	91 287	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
Total Lyse AS	**241 287**		

The EUR loans are designated as a hedging instrument in a cash flow hedge. The hedging documentation is prepared and satisfy the requirements for hedge accounting. The loans are recognised at fair value with the currency rate at the balance sheet date and changes in the fair value measured against EUR on the time of draw down is recognised in equity, see note 7 and 8.

INSTALMENT PROFILE LONG-TERM AND SHORT-TERM LOANS

Year	2022	2023	2024	2025	2026	Thereafter	Sum
Amount	1 333 876	588 123	3 075 123	3 727 480	1 537 276	6 748 786	**17 010 664**

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

	2020	Cash flows	No cash flow effects			2021
			Currency adjustments	Fair value adjustments	Other Changes	
Long-term interest-bearing loan	15 802 583	-851	-124 943	0	0	15 676 789
Short-term interest-bearing loan	1 273 104	168 048	-107 276	0	0	1 333 876
Interest swap agreements cash flow hedging	28 094	0	0	-24 988	0	3 106
Interest swap agreements fair value hedging	0	0	0	4 796	0	4 796
Financial leases	680 124	192 306	0	0	-98 319	774 111
Total liabilities of financing activities	**17 783 905**	**359 503**	**-232 219**	**-20 192**	**-98 319**	**17 792 678**

26 Other liabilities

	Note	2021	2020
Asset retirement and protect obligation		23 054	17 748
Physical free power		7 533	7 533
Compensation power		30 580	30 580
Total long-term provisions		**61 167**	**55 861**
Free power liabilities		861 060	861 060
Monetary compensation		29 827	31 454
Leasing liabilities	30	774 111	680 124
Other non-current liabilities		26 292	92 768
Deferred revenue	2	842 333	586 308
Total other non-current liabilities		**2 533 624**	**2 251 714**

Asset retirement obligation

Lyse has a commitment related to the external restoration of the Oltedal power plant as the building is designated as protected. As at 31.12.2021, NOK 10 million has been provided for the exterior restoration of the old Oltedal station building. In connection with the expected removal of old equipment in the power station of Lysebotn I, NOK 9.8 million has been accrued for. Lyse additionally has a removal obligation of NOK 3.3 million related to the refuelling station and district heating system.

Physical free power and compensation power

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

Monetary compensation

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

Free power liabilities

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

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

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:

	2021	2020
Tangible fixed assets	429 807	251 590
Intangible fixed assets	832 809	0
TOTAL	**1 262 616**	**251 590**

Contractual investment obligations regarding intangible assets relate to 5G frequencies, as well as future leasing of dark fiber.

27 Current liabilities

ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	Note	2021	2020
Accounts payable		967 167	1 057 640
Accounts payable from related parties	20	474 030	18 354
Other current liabilities		1 162 494	1 087 054
Deferred revenue	2	24 422	15 977
Public duties payable		977 347	635 464
Total accounts payable and other current liabilities		**3 605 460**	**2 814 489**

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

PROVISIONS

	2021	2020
Balance as at 1 January	10 000	15 000
Movement during the year	-10 000	-5 000
Balance as at 31 December	**0**	**10 000**

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 2021	1 008 983	1 008 983	266 608	1 275 591
Changes in share capital and premium reserve during the period	0	0	0	0
As at 31 December 2021	**1 008 983**	**1 008 983**	**266 608**	**1 275 591**

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

As of the 1st of January 2020 Stavanger municipality has merged with Rennesøy and Finnøy municipality. The number of shares and voting rights is updated to reflect this.

The table below shows the ownership distribution as of 31 December 2021.

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

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 that 15 % of total assets. There is also a special limitation on obligations to partly-owned companies and subsidiaries with no controlling ownership interest where such pledges, security declarations and guarantees must not exceed a limit of NOK 500 million at any given time. The limitations do not apply to ordinary guarantees entered into in conjunction with trade in securities and financial instruments, and ordinary sales pledges in the case of supplies of goods and services on credit and security in conjunction with statutory requirements for security. The capital requirements are monitored on an ongoing basis. The Lyse Group complies with these requirements.

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

Regarding financial trading activities on Nasdaq OMX Commodities there has been entered into an agreement with Sparebank 1 SMN where the bank is a clearing representant and ensures security lines and settlement of contractual obligations. Lyse Produksjon AS and Lyse Energi AS have a limit up to EUR 20 million. The total limit amounts to EUR 60 million if cash for the surplus is deposited on a blocked and pledged account. As per 31.12.2021 EUR 20 million is deposited. Lyse Produksjon AS and Lyse Energi AS are 100% owned by Lyse AS.

SECURITY PLEDGED AS AT 31 DECEMBER 2021

Numbers in NOK millions	
Limits for guarantee pledges according to loan agreements:	**8 373**
Security pledged	
Unconditional guarantee	16
Parent company guarantee	5
House rental garantee	2
Nasdaq powertrade garantee	200
Nasdaq powertrade depot	200
Assets pledged as security	**423**
Unused limit security pledged	**7 950**
Limit for pledges partly-owned companies	**500**
Unused limit pledges partly-owned companies	**500**

OTHER GUARANTEE AGREEMENTS

Tax withholding guarantee (social securities)	**50**

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.

Right of use assets 2021

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

Right of use assets 2020

(In NOK thousands)	Offices and other property	Telecom equipment, fibre and line lease	Operating movable property	Total
Carrying value 1 January 2020	**88 561**	**820 529**	**7 300**	**916 389**
Additions	32 565	256 201	2 465	**291 232**
Additions from acquisitions	0	0	0	**0**
Depreciations	-25 667	-103 614	-8 746	**-138 027**
Disposals	0	-188 933	0	**-188 933**
Divestments subsidiary	0	0	0	**0**
Remeasurement and other changes	4 506	78 495	1 450	**84 451**
Carrying value 31 December 2020	**99 966**	**862 678**	**2 469**	**965 112**

Amount recognised in the income statement

(In NOK thousands)	31.12.21	31.12.20
Depreciation right of use assets	173 279	138 027
Interest cost lease commitments	31 327	52 499
Lease expenses which are excluded from IFRS 16	10 905	34 802
Sum	**215 511**	**225 328**

Amount recognised in the statement of cash flows

Cash payment for the principal of the lease obligation	163 458	194 680
Cash payment for the interest part of the lease obligation	28 848	26 226
Total cash payment for lease liabilities	**192 306**	**220 906**

Leasing liabilities

Current leasing liabilities	147 943	167 870
Non-current leasing liabilities	774 111	680 124
Total leasing liabilities	**922 054**	**847 994**

Maturity plan leasing liabilities - undiscounted contractual cash flows

Less than 1 year	167 007	171 649
1-2 years	158 768	154 212
2-3 years	125 534	142 714
3-4 years	107 177	115 889
4-5 years	55 410	98 737
More than 5 years	479 959	344 717
Total undiscounted leasing liabilities 31 December	**1 093 854**	**1 027 918**

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.

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 performs the audit of all subsidiaries subject to audit. Total fees (excl. VAT) recognised as costs for the Group's auditor for auditing and other services were as follows:

EXPENSED REMUNERATION FEES - STATUTORY AUDITOR

	2021	2020
Statutory auditing	5 030	3 195
Other attestation services	309	573
Tax advice services	0	0
Other services	170	107
Total fees	**5 509**	**3 875**

32 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		2 776	321	605	3 702
Eirik Børve Monsen	Executive Vice President, Economics and Finance		1 889	137	302	2 328
Leiv Ingve Ørke	Executive Vice President, Energy		2 184	217	400	2 801
Toril Nag	Executive Vice President, Telecommunications		1 970	159	344	2 473
Grethe Høiland	Executive Vice President, Power grid		1 713	255	540	2 508
Jens Arne Steinsbø	Executive Vice President Strategy og Technology		1 522	142	234	1 898
Gyrid Holmen	Executive Vice President, HR		1 426	268	254	1 948
Astrid Rebekka Norheim	Executive Vice President, Customers and Marketing	1	1 461	119	201	1 781
Harald Espedal	Chairman of the Board		237	0	0	237
Stine Rolstad Brenna	Deputy Chair		211	0	0	211
Svein Ingvar Gjedrem	Board Member		130	0	0	130
Jonas Skrettingland	Board Member		123	0	0	123
Kate Torunn Hidle	Board Member		103	0	0	103
Irene Grasveit	Board Member		103	0	0	103
Arne Malvin Sele	Employee Representative		123	0	0	123
Karen Ommundsen	Employee Representative		103	0	0	103
Morten Larsen	Board Observer		62	0	0	62
Marion Svihus	Deputy Board Member		0	0	0	0
Jone Heggheim	Deputy Board Member		7	0	0	7
Siv Margrete Gottschalksen Grønhilder	Deputy Board Member		0	0	0	0
Elisabet Lerstøl Oftedal	Deputy Board Member		7	0	0	7
Svein Høyland	Deputy Board Member		0	0	0	0
Marie Folstad	Employee representative		0	0	0	0

1) Astrid Rebekka Norheim entered the executive management 01.06.2021, total remuneration is paid by Lyse Dialog AS

The Group management has not received any compensation or financial benefits from other companies in the same Group other than those shown above. No additional compensation for special services beyond normal managerial functions has been provided, nor have any loans or surety been granted. Pension costs for Group management team and officers are included in the Group's general collective pension scheme. Except as noted below, no one on the Group management team or the Board are entitled to salary/remuneration after the end of the employment relationship/assignment.
The Board has no remuneration agreements other than the directors' fee and remuneration for participation in committee work, nor have any loans or surety been granted to directors of the Board.

Chair of the Corporate Assembly is paid NOK 93 000. Each representative is also paid NOK 2 600 per meeting.

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

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

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

The Compensation Committee

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

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

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

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

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

Early Retirement Schemes

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

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 Energi AS	(1)	Energy	Stavanger	100%	100%	
Lyse Neo AS		Energy	Stavanger	100%	100%	
Jørpeland Kraft AS		Energy	Stavanger		67%	33%
Lyse Kraft DA	(2)	Energy	Stavanger		74%	26%
RSK Holding AS	(2)	Energy	Nesflaten		74%	26%
Røldal Suldal Kraft AS	(2)	Energy	Nesflaten		68%	32%
RSK II AS	(2)	Energy	Stavanger		68%	32%
Lnett AS	(3)	Power Grid	Sandnes	100%	100%	
Lnett Jærveien 35 AS		Power Grid	Sandnes		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%	
Viken Fiber Holding AS		Telecommunications	Drammen		65%	35%
Viken Fiber AS		Telecommunications	Drammen		65%	35%
Altibox Carrier AS		Telecommunications	Stavanger		100%	
Skagenfiber AS		Telecommunications	Stavanger		100%	
Byfiber AS		Telecommunications	Oslo		57%	
Tveco.net AS	(4)	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%	
Lysstart01 AS		Other	Stavanger	100%	100%	
Lysstart02 AS		Other	Stavanger	100%	100%	
Lyse Vekst AS		Other	Stavanger	100%	100%	
Lyse Elkon AS		Other	Stavanger	100%	100%	
Lyse Lux AS		Other	Stavanger	100%	100%	
Smartly AS	(6)	Other	Stavanger	100%	100%	
Lyse Kraft AS		Other	Stavanger	100%	100%	
Lyse Elnett AS	(7)	Other	Stavanger	100%	100%	
Lyse AS		Other	Stavanger		Parent	

Note
(1) Company changed name from Lyse Energisalg AS to Lyse Energi AS on 30.09.2021 and on the same day Smartly AS was merged with Lyse Energi AS.
(2) Lyse owns 74.4% in Lyse Kraft DA. Lyse Kraft DA owns 100% of RSK Holding AS, RSK Holding AS owns 91.3% of Røldal Suldal Kraft AS, and Røldal Suldal Kraft AS owns 100% in RSK II AS. 14.09.21 it was decided that Røldal Suldal Kraft AS is to be merged with RSK II AS.
(3) Company changed name from Lyse Elnett AS to Lnett AS on 22.11.2021
(4) Company was merged with Viken Fiber AS on 28.04.2021 (accounting effective date 01.01.2021)
(5) Senjanett AS and Herøy Fiber AS merged with Signal Bredbånd on 12.01.2021 (accounting effective date 01.01.2021)
(6) Former Smartly AS was merged with Lyse Energi AS on 30.09.2021 (see note 1). Smartly AS is a newly acquired company with no activities and was acquired on 21.10.2021.
(7) Lyse Elnett AS is a newly acquired company with no activities and was acquired on 12.10.2021.

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

Acquisition

Lyse AS has entered into heads of terms with Ice Group ASA regarding the acquisition by Lyse AS of all shares of Ice Group Scandinavia Holding AS and such additional assets and shares which belong to the business of Ice, including all the shares of Ice Communication Norge AS, Phonepartner Norge Holding AS and Ice Retail Holding AS.

The transaction has been approved by the Norwegian Competition Authority, the transaction is pending approval from The Norwegian Communication Authority (NKOM). Expected closing of the transaction is end of March 2022. The acquisition will be settled in cash of approximately MNOK 3,000 and will be financed using available liquidity in Lyse AS. The transaction values the business of Ice at an enterprise value of MNOK 5,560.

If completed, the contemplated acquisition of Ice will establish Lyse as a complete provider of telecom services in Norway, in addition to strengthening the overall telecom infrastructure in Norway.

War in Ukraine

The war in Ukraine has increased market risk, especially in the energy business area. The effect on Lyse's accounts has so far been limited. The management of Lyse monitors the development and continuously monitors the long-term consequences for the company. It is not expected that the war will have a significant effect on operations in the long run, but there is uncertainty about the market situation going forward.

Financial Statement

Lyse AS

Key figures Lyse AS

			2021	2020
Operations				
Operating revenues		NOK mill.	354	261
Operating profit		NOK mill.	-219	-130
Profit before tax		NOK mill.	960	347
Profit for the period		NOK mill.	789	270
Return on capital				
Net operating margin	(1)	%	-62%	-50%
Total return on capital	(2)	%	6%	3%
Return on equity	(3)	%	13%	5%
Balance sheet				
Total capital		NOK mill.	24 880	21 853
Equity		NOK mill.	6 266	6 079
Capital employed	(4)	NOK mill.	20 400	20 448
Equity ratio	(5)	%	32%	36%
Interest-bearing liabilities		NOK mill.	14 134	14 369
Liquidity				
Liquidity reserve	(6)	NOK mill.	7 306	5 062
Cash flow from operations	(7)	NOK mill.	-458	-312
Investments in tangible fixed assets		NOK mill.	342	79
No. of full-time equivalents			**164**	**122**

Definitions:

(1) Net-operating margin	Operating profit and loss as a % of operating income
(2) Total return on capital	Operating profit and loss + financial income as a % of average total capital
(3) Return on equity	Profit for the year as a % of average equity
(4) Capital employed	Equity + interest-bearing liabilities
(5) Equity ratio	Total equity + any subordinated shareholders' loans/total capital
(6) Liquidity reserve	Distributable means of payments + unused drawing rights/limits
(7) Cash flow from operations	Distributable means of payments + unused drawing rights/limits

Statement of profit and loss

(Amounts in NOK 1000)	Note	2021	2020
Operating revenues			
Other operational revenue	2	353 960	261 034
Total operating revenues		**353 960**	**261 034**
Operating costs			
Payroll costs	3	186 289	152 204
Depreciation	4, 17	59 667	16 365
Impairment	4	0	6 219
Other operating costs	3, 5	326 681	216 072
Total operating costs		**572 637**	**390 860**
Operating profit		**-218 677**	**-129 827**
Financial income and financial expenses			
Income from investments in subsidiaries	6	1 284 268	595 263
Other financial income	6	232 664	244 297
Impairment of financial fixed assets	7	0	188
Other financial expenses	7, 17	338 057	362 550
Net financial profit and loss		**1 178 875**	**476 822**
Profit and loss before tax		**960 198**	**346 995**
Tax expense	8	170 736	76 647
Profit for the year		**789 462**	**270 348**

Statement of comprehensive income

(Amounts in NOK 1000)	Note	2021	2020
Profit for the year		**789 462**	**270 348**
Items that will not recycle over profit and loss in future periods			
Other pension effects	15	8 434	-12 516
Items that will recycle over profit and loss in future periods			
Cash flow hedging, currency forward contracts	13	19 490	-29 525
Statement of comprehensive income for the period		**27 924**	**-42 041**
Total comprehensive income for the period		**817 386**	**228 307**

Statement of financial position as at 31 December

FIXED ASSETS

(Amounts in NOK 1 000)	Note	31.12.2021	31.12.2020
Intangible assets			
Other intangible assets	4	397 062	96 525
Deferred tax assets	8	0	15 446
Total intangible assets		**397 062**	**111 971**
Tangible fixed assets			
Buildings and assets under construction	4	9 774	7 063
Machinery and equipment	4	8 342	22 290
Right of use asset	17	43 421	45 197
Total tangible fixed assets		**61 537**	**74 551**
Financial fixed assets			
Investments in subsidiaries	9	4 543 003	4 456 933
Other investments	10	25 349	60 113
Other receivables	11	10 548 444	10 598 145
Total financial fixed assets		**15 116 796**	**15 115 191**
Total non-current assets		**15 575 395**	**15 301 713**

CURRENT ASSETS

Receivables			
Trade receivables	11	91 550	10 885
Group contributions receivable	11	1 284 268	595 263
Other receivables	11	2 422 438	2 683 614
Total receivables		**3 798 256**	**3 289 762**
Investments			
Short-term financial investments	12, 18	764 000	279 000
Total investments		**764 000**	**279 000**
Bank deposits, cash and cash equivalents	12	4 741 922	2 982 736
Total current assets		**9 304 178**	**6 551 498**
Total assets		**24 879 573**	**21 853 211**

EQUITY

(Amounts in NOK 1000)	Note	31.12.2021	31.12.2020
Paid-in capital			
Share capital	21	1 008 983	1 008 983
Additional paid-in capital		266 608	266 608
Total paid-in capital		**1 275 591**	**1 275 591**
Retained earnings			
Retained earnings and other equity		4 990 769	4 803 407
Total retained earnings		**4 990 769**	**4 803 407**
Total equity		**6 266 360**	**6 078 998**

LIABILITIES

Provisions			
Pension liabilities	15	29 756	49 741
Total provisions		**29 756**	**49 741**
Other non-current liabilities			
Subordinated loans	16	1 600 000	1 700 000
Bond loans	16	8 577 204	8 850 000
Liabilities to financial institutions	16	2 652 892	2 919 075
Long-term leasing obligation	17	36 979	40 602
Derivatives	13, 14	5 165	26 475
Deferred tax liability	8	2 893	0
Total other non-current liabilities		**12 875 133**	**13 536 152**
Total non-current liabilities		**12 904 889**	**13 585 893**
Current liabilities			
Liabilities to financial institutions	16	1 304 003	900 175
Short-term leasing obligation	17	7 812	5 989
Accounts payable	11	69 238	53 457
Tax payable	8	160 266	77 350
Public duties payable		13 434	10 184
Derivatives	13, 14	2 737	1 619
Other current liabilities	11	4 150 833	1 139 547
Total current liabilities		**5 708 323**	**2 188 320**
Total liabilities		**18 613 213**	**15 774 213**
Total equity and liabilities		**24 879 573**	**21 853 211**

This translation from Norwegian has been prepared for information purposes only.
Stavanger, March 24st 2022

Harald Espedal Chairman of the Board	Stine Rolstad Brenna Deputy Chair	Kate Hidle 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

(Amounts in NOK 1000)	2021	2020
Ordinary profit and loss before tax	960 198	346 995
Ordinary depreciation	59 668	16 365
Impairment tangible fixed assets	0	6 219
Group contributions recognized as income	-1 284 268	-595 263
Pension cost without cash effect	-9 925	1 956
Impairment of shares	0	188
Change in accounts receivables and other current receivables	753 030	-1 437 608
Change in accounts payable and other current liabilities	3 013 057	246 877
Of which change in corporate account*	-3 869 428	1 220 030
Change in other items without cash effect	-2 950	-2 093
Net cash flow from operational activities	**-380 618**	**-196 334**
Tax paid	-77 350	-115 336
Net cash flow from operations	**-457 968**	**-311 670**
Receipts from sale of tangible fixed assets	2 532	11 806
Payments on purchase of tangible fixed assets	-46 189	-79 461
Receipts from sale of financial fixed assets	72 513	0
Payments on purchase of financial fixed assets	-26 810	-25 287
Net receipts – loans from subsidiaries	-932 241	-1 051 114
Payments to investments in subsidiary	-86 070	-30 450
Net deposits/withdrawals from short term financial placements	-485 000	360 000
Net cash flow from investing activities	**-1 501 265**	**-814 506**
Receipts from new long-term borrowings	1 250 000	3 250 000
Repayment of non-current liabilities	-1 357 977	-1 657 356
Repayments of current liabilities	-8 294	0
Change in corporate accounts*	3 869 428	-1 220 030
Dividens paid to company shareholders	-630 000	-600 000
Receipts of group contributions	595 263	802 059
Net cash flow from financing activities	**3 718 420**	**574 673**
Net change in cash and cash equivalents	1 759 187	-551 503
Cash and cash equivalents as at 1 January	2 982 735	3 534 238
Current financial assets	764 000	279 000
Cash and cash equivalents as at 31 December	**5 505 922**	**3 261 735**

*Intercompany balances related to the cash pool agreement are presented gross. For additional information, please see note 12.

Statement of changes in equity

STATEMENT OF CHANGES IN EQUITY 2021

(Amounts in NOK 1000)	Share capital	Premium reserve	Other reserves - not recognized in profit and loss	Other equity	Total equity
Equity 1 January 2021	**1 008 983**	**266 608**	**-22 351**	**4 825 757**	**6 078 997**
Profit for the year	0	0	0	789 462	789 462
Statement of other comprehensive income					
Other pension effects	0	0	8 434	0	8 434
Cash flow hedging	0	0	19 490	0	19 490
Comprehensive income after tax	**0**	**0**	**27 924**	**789 462**	**817 386**
Reclassification	0	0	295	-295	0
Dividends	0	0	0	-630 000	-630 000
Other changes recorded directly against equity	0	0	0	-23	-23
Equity 31 December 2021	**1 008 983**	**266 608**	**5 868**	**4 984 901**	**6 266 360**

STATEMENT OF CHANGES IN EQUITY 2020

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

Notes to the financial statements 2021

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.

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 and other intangible assets. Impairment tests are conducted when impairment indicators are present. Such indications might include changes in market prices, agreement structures, negative events, or other operational circumstances. Impairment losses are 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 transformed to the customer and in accordance with the amount that reflects what the company expects to receive for the good or service.

Revenue from the sale of goods and services is assessed at the fair value of the payment, net after deducting VAT, returned items, discounts and reductions. Sales are entered into the income statement once revenue can be measured reliably, it is probable that the financial benefits linked to the transaction will flow to the company and special criteria linked to the forms of sale have been fulfilled.

Tax

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

A deferred tax asset is 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 and other intangible assets

Tangible non-current assets and other intangible assets are accounted for at acquisition cost or manufacturing cost, less depreciation. Acquisition cost includes cost directly related to the acquisition of the fixed asset. Manufacturing costs include direct and indirect costs attributable to the fixed assets. Borrowing costs incurred during the manufacture of tangible non-current assets are 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
Other intangible assets	3-8 years

The useful life of fixed assets, as well as the residual value, are assessed on each balance sheet date and changed if necessary. When the carrying amount of an asset is higher than the estimated recoverable amount, the value is written down to the recoverable amount.

Gains and losses on disposable assets are recognized in the income statement and constitute the difference between the sales price and the book value.

Changes in presentation of fixed assets and intangible assets

The company has decided to change the presentation of investments in assets under construction from fixed assets to intangible assets. The change only affects the presentation, thus there is no effect on the operating profit.

(Amounts in NOK 1000)	**Originally**	**Reclassified**	**Reworked**
Other intangible assets	0	96 525	96 525
Buildings and assets under construction	103 588	-96 525	7 063
Sum	**103 588**	**0**	**103 588**

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)

Lease obligations

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

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

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

SPECIFICATION OF OPERATING REVENUE

(Amounts in NOK 1000)	2021	2020
Other operating revenue	13 487	11 776
Gains from sales of plant and machinery	2 232	0
Other intragroup revenue	338 241	249 257
	353 960	**261 033**

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

PAYROLL COSTS

(Amounts in NOK 1000)	2021	2020
Salaries	131 671	109 888
Employers' National Insurance contributions	20 356	16 644
Pension costs – defined benefit plans	4 789	4 473
Pension costs – defined contribution plans	11 554	9 552
Other personnel costs	17 919	11 647
Total	**186 289**	**152 204**
Average no. of full-time equivalents	164	122

REMUNERATION TO EXECUTIVE PERSONNEL

(Amounts in NOK 1000)	Salary / fees	Pension costs	Other remuneration
Eimund Nygaard, CEO	2 776	605	321
Board as a whole	1 209	0	0
Total remuneration	**3 985**	**605**	**321**

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:

(Amounts in NOK 1000)	2021	2020
Statutory auditing	1 071	537
Other attestation services	130	305
Other services	0	0

VAT is not included in the auditor's fees.

4 Tangible fixed assets and other intangible assets

(Amounts in NOK 1000)	Machinery and equipment	Other buildings	Assets under construction - intangible	Intangible assets	Total
Acquisition cost 1 January	345 357	22 660	111 300	0	479 317
Additions, purchased fixed assets	2 612	3 281	6 584	433 361	445 838
Additions, self-fabricated fixed assets	0	0	30 111	0	30 111
Reclassified produced fixed assets	-12 055	0	-10 768	22 824	0
Disposals	0	-301	0	0	-301
Scrapping acquisition cost*	0	0	-14 774	0	-14 774
Acquisition cost 31 December	**335 914**	**25 640**	**122 453**	**456 185**	**940 191**
Accumulated depreciation/impairment 31 December	-327 572	-15 868	-15 823	-165 752	-525 015
Carrying value as at 31 December	**8 342**	**9 772**	**106 630**	**290 433**	**415 176**
Depreciation*/**	-4 505	-270	-15 823	-32 401	-52 997
Impairment	0	0	0	0	0

Economic useful life	3-12 years	25-50 years		3-8 years	
Depreciation schedule	Straight-line	Straight-line		Straight-line	

* Accumulated acquisition cost and accumulated depreciation are downgraded in 2021 with the same amount.

** In 2021, kNOK 15 823 has been set aside in depreciation that applies to capitalized ERP adaption to companies that have used the solution.

5 Operating costs

(Amounts in NOK 1000)	2021	2020
Purchase of services from group companies	28 822	11 058
External services	151 835	101 717
Office costs	5 116	7 616
Repair and maintenance	24 980	12 748
Property, machine hire, equipment and other hire costs	21 274	26 277
Sales and advertising costs	20 417	23 719
Other operating costs	74 237	32 937
Total	**326 681**	**216 072**

Recognised R&D costs amounted to 136 kNOK in 2021 compared to kNOK 300 in 2020.

6 Financial income

(Amounts in NOK 1000)	2021	2020
Received group contributions	1 284 268	595 263
Interest income from group companies	184 489	191 402
Other interest income	38 723	50 278
Gains on currency exchange differences	2 878	200
Other financial income	6 574	2 417
Total	**1 516 932**	**839 560**

7 Financial expense

(Amounts in NOK 1000)	2021	2020
Interest expenses subordinated loans	43 904	48 639
Other interest expenses	284 714	304 967
Losses on currency exchange differences	2 761	2 881
Other financial expenses	6 680	6 063
Total	**338 057**	**362 550**

8 Tax

THE YEAR'S TAX EXPENSE IS AS FOLLOWS:

(Amounts in NOK 1 000)	2021	2020
Tax payable	160 266	77 350
Change in deferred tax	10 470	-702
Too much / too little tax calculated previous year	0	0
Total tax expense	**170 736**	**76 648**

CALCULATION OF YEAR'S TAX BASE:

(Amounts in NOK 1 000)	2021	2020
Ordinary profit/loss before tax	960 198	346 996
Permanent differences	-4 122	1 401
Non-taxable group contributions	-180 000	0
Changes in temporary differences that are not recorded as profit and loss	10 779	-16 120
Change in temporary differences	-58 374	19 313
Taxable income	**728 481**	**351 590**
Tax payable (22%) on year's tax base	160 266	77 350

OVERVIEW OF TEMPORARY DIFFERENCES

(Amounts in NOK 1 000)	2021	2020
Plant and machinery	29 675	-11 231
Gains and losses account	17 708	20 249
Net pension liabilities capitalized	-29 756	-49 741
Financial lease obligation	-1 370	-1 393
Financial intruments	-3 107	-28 095
Net temporary differences as at 31 December	**13 150**	**-70 211**
Deferred tax benefit/deferred tax (22 %)	2 893	-15 446

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

(Amounts in NOK 1 000)	2021
22% of profit before tax	211 243
Non-taxable group contributions	-39 600
Permanent differences (22%)	-907
Calculated tax expense	**170 736**
Effective tax rate *)	18%

*) Tax rate compared to profit before tax

9 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%	921 330	1 650 062	648 529
Lnett AS	Sandnes	100%	100%	93 972	1 412 777	1 101 370
Lyse Fiberinvest AS	Stavanger	100%	100%	94 793	1 326 423	1 135 773
Lyse Neo AS	Stavanger	100%	100%	11 271	880 208	893 819
Altibox AS	Stavanger	100%	100%	274 898	492 923	249 930
Lyse Dialog AS	Stavanger	100%	100%	-16 690	89 031	71 605
Lyse Energi AS	Stavanger	100%	100%	-84 245	131 451	150 679
Lyse Vekst AS	Stavanger	100%	100%	3 484	79 478	76 000
Lyse Elkon AS	Stavanger	100%	100%	-8	5 000	5 000
Lyse Kraft AS	Stavanger	100%	100%	-4	120	93
Lyse Eiendom Mariero AS	Stavanger	100%	100%	14 095	141 394	141 622
Lyse Eiendom Jørpeland AS	Stavanger	100%	100%	470	4 263	3 872
Lyse Eiendom Ullandhaug AS	Stavanger	100%	100%	-300	5 177	5 010
Lyse Lux AS	Stavanger	100%	100%	-418	6 232	4 980
Altibox DK	Danmark	100%	100%	-38 537	15 099	54 600
Lyse Elnett AS	Stavanger	100%	100%	0	13	30
Smartly AS	Stavanger	100%	100%	-6	30	30
Lysstart 01	Stavanger	100%	100%	-4	30	30
Lysstart 02	Stavanger	100%	100%	-4	30	30
Total						**4 543 003**

10 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
Nordic Edge AS*	Stavanger	33%	33%	-450	3 925	3 100
Blinktech AS*	Stavanger	45%	45%	-174	-6 752	0
Biogass Konsortium AS*	Stavanger	33%	33%	-879	618	520
Jæren Biopark	Nærbø	33%	33%	-1 104	428	700
Toppindustrisenteret AS*	Oslo	7%	7%	2 885	4 725	85
Total						**4 405**

*P&L and equity are from 2020 as figures for 2021 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	14 487	14 487
Total	**20 943**	**20 943**

11 Receivables and liabilities

RECEIVABLES DUE IN MORE THAN ONE YEAR

(Amounts in NOK 1 000)	2021	2020
Other non-current receivables, group companies	10 547 337	10 593 686
Other non-current receivables, external	1 108	4 459
Total	**10 548 444**	**10 598 145**

ACCOUNTS RECEIVABLES

(Amounts in NOK 1 000)	2021	2020
Accounts receivables to group companies	89 392	7 974
Accounts receivables, external	2 158	2 911
Total	**91 550**	**10 885**

GROUP CONTRIBUTION

(Amounts in NOK 1 000)	2021	2020
Group contribution receivables	1 284 268	595 263
Total	**1 284 268**	**595 263**

OTHER CURRENT RECEIVABLES

(Amounts in NOK 1 000)	2021	2020
Other current receivables, group companies	20 910	21 560
Group cash pool account	1 429 053	2 278 469
Current portion of loans to group companies	906 783	341 705
Other current receivables, external	65 692	41 880
Total	**2 422 438**	**2 683 614**

ACCOUNTS PAYABLE AND CURRENT LIABILITIES

(Amounts in NOK 1 000)	2021	2020
Accounts payable to group companies	1 131	2 090
Accounts payable, external	68 107	51 366
Other current liabilities to group companies	134	2 475
Group cash pool account	4 004 235	984 223
Other current liabilities, external	146 464	152 850
Total	**4 220 071**	**1 193 004**

Receivables for the VAT settlement is included in other receivables and amounts to kNOK 16 901 in 2021 and kNOK 9 462 kNOK in 2020.

12 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.

(Amounts in NOK 1 000)	**2021**
Bank deposits, cash and cash equivalents in Lyse AS	2 155 787
Corporate account bank	2 586 135
Current financial assets	764 000
Total	**5 505 922**

The company has drawing rights established with a syndicate of Nordic banks equivalent of NOK 1 500 000 000.

The drawing rights facility expires in 2024. The cash pool agreement is available until 30.06.2022 and has an unused drawing right of NOK 300 000 000.

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

13 Financial instruments per measurement category

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 2021

(Amounts in NOK 1000)		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	10 548 444	10 548 444	10 548 444
Other non-current financial assets		18 892	0	0	6 456	25 348	25 348
Bonds - short term financial investments		0	764 000	0	0	764 000	764 000
Trade receivables and other current receivables		0	0	0	3 798 256	3 798 256	3 798 256
Bank deposits, cash and cash equivalents		0	0	0	4 741 922	4 741 922	4 741 922
Total assets		**18 892**	**764 000**	**0**	**19 095 078**	**19 877 970**	**19 877 970**

CARRYING VALUE PER MEASUREMENT CATEGORY – LIABILITIES 31 DECEMBER 2021

(Amounts in NOK 1000)		Liabilities at fair value through profit and loss	Derivatives as hedging instrument	Liabilities at amortised cost	Total	Fair value
Derivatives - Hedge accounting		0	7 902	0	7 902	7 902
Accounts payable and other current liabilities		0	0	4 220 071	4 220 071	4 220 071
Total liabilities		**0**	**7 902**	**4 220 071**	**4 227 973**	**4 227 973**

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE, 31 DECEMBER 2021

(Amounts in NOK 1000)	Level 1	Level 2	Level 3	Total 31 December 2021
Investments in funds / shares	14 487	0	4 406	18 893
Bonds - short term financial investments	764 000	0	0	764 000
Total assets	**778 487**	**0**	**4 406**	**782 893**
Derivatives, measured at fair value through other comprehensive income (incl. fair value hedge)	0	7 902	0	7 902
Total liabilities	**0**	**7 902**	**0**	**7 902**

CARRYING VALUE PER MEASUREMENT CATEGORY – ASSETS 31 DECEMBER 2020

(Amounts in NOK 1000)		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
Derivatives - hedge accounting		0	0	0	0	0	0
Bonds - short term financial investments		0	279 000	0	0	279 000	279 000
Bank deposits, cash and cash equivalents		0	0	0	2 982 736	2 982 736	2 982 736
Total assets		**53 657**	**279 000**	**0**	**16 877 099**	**17 209 756**	**17 209 756**

CARRYING VALUE PER MEASUREMENT CATEGORY – LIABILITIES 31 DECEMBER 2020

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE, 31 DECEMBER 2020

(Amounts in NOK 1000)	Level 1	Level 2	Level 3	Total 31 December 2021
Investments in funds / shares	11 629	0	0	11 629
Derivatives, measured at fair value through other comprehensive income	0	0	0	0
Bonds - short term financial investments	279 000	0	0	279 000
Total assets	**290 629**	**0**	**0**	**290 629**
Derivatives, measured at fair value through profit and loss	0	0	0	0
Derivatives, measured at fair value through other comprehensive income	0	28 094	0	28 094
Total liabilities	**0**	**28 094**	**0**	**28 094**

14 Derivatives

CARRYING VALUE AS AT 31 DECEMBER 2021

	Tangible Fixed assets	Non-current liabilities	Current assets	Current liabilities
Interest swap agreements – fair value hedge	0	4 796	0	0
Interest swap agreements – cash flow hedge	0	369	0	2 737
Total derivatives recognised in the balance sheet	**0**	**5 165**	**0**	**2 737**

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
Total derivatives recognised in the balance sheet	**0**	**26 475**	**0**	**1 619**

For further information about derivatives please see Note 13 Financial Instruments per measurement category. For information about credit risk exposure please see note 20 Financial risk management.

15 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:

(Amounts in NOK 1 000)	**Retirees**	**Employees**	**Current year cost**
Public defined benefit pension and public AFP	110	14	3 725
Defined contribution pension and private AFP		152	11 482
Pension funded through operations		17	1 911
Total			**17 118**

LIABILITIES RECOGNIZED ON THE BALANCE SHEET WERE ESTABLISHED AS FOLLOWS:

(Amounts in NOK 1 000)	**31.12.2021**	**31.12.2020**
Present value of accrued pension liabilities for defined benefit schemes in fund-based schemes	315 127	295 774
Fair value of pension funds	-300 237	-259 052
Actual pension liabilities for defined benefit schemes in fund-based schemes	**14 890**	**36 721**
Pensions funded through operations	14 865	13 020
Net pension liability on the balance sheet	**29 756**	**49 741**

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

THE FOLLOWING ASSUMPTIONS WERE APPLIED:

(Amounts in NOK 1 000)					**31.12.2021**	**31.12.2020**
Discount rate					1,90%	1,50%
Return on pension funds					1,90%	2,00%
Salary adjustment					2,75%	1,75%
Pension adjustments					1,73%	0,99%
National Insurance basic amount adjustment					2,50%	1,50%
Employer's National Insurance rate					14,10%	14,10%
Voluntary departure for joint-scheme						
Age	< 24	24 - 29	30 - 39	40 - 49	50 - 55	> 55
Turnover	25%	15%	7,5 %	5%	3%	0%
Mortality tables					**K2103BE**	**K2103BE**

The actuarial assumptions are based on common assumptions within insurance with respect to demographic factors and it is assumed that 42.5% will retire on an AFP pension when they turn 62. The assumptions from last year were used to calculate this year’s pension cost, while this year’s assumptions were used to calculate this year’s net pension liability.

YEAR'S PENSION COST RECOGNIZED IN INCOME STATEMENT

(Amounts in NOK 1 000)	2021	2020
Defined benefit plan	3 068	2 953
Net interest costs	848	1 163
Plan changes	0	0
Employees' contributions to pension premiums	-190	-224
Pensions funded through operations	1 911	1 745
Pension costs, defined benefit plans	**5 637**	**5 635**

PENSION COSTS, DEFINED CONTRIBUTION SCHEME AND AFP

(Amounts in NOK 1 000)	2021	2020
Employer's contributions to the defined contribution scheme	9 837	7 996
Pensions funded through operations	71	71
Premiums for FP LO/NHO scheme	1 645	1 486
Pension cost, defined contribution scheme	**11 553**	**9 552**
Total pension costs	**17 190**	**15 189**

PENSION EFFECTS RECOGNIZED IN EQUITY

(Amounts in NOK 1 000)	2021	2020
Estimation deviation	-10 805	16 045
Intragroup transfers of employees	26	0
Of which tax effect	2 371	-3 530
Net effects recognized in equity (-) reducing pension liabilities	**-8 408**	**12 516**

PENSION FUNDS COMPRISE:

(Amounts in NOK 1 000)	2021	2020
Equity capital instruments	89 771	62 691
Interest-bearing instruments	210 466	196 362
Fair value, pension funds	**300 237**	**259 052**

16 Liabilities to financial institutions

NON-CURRENT LIABILITIES

(Amounts in NOK 1 000)	2021	2020
Other non-current liabilities	2 652 982	2 919 075
Bond loans	8 577 204	8 850 000
Subordinated loans*	1 600 000	1 700 000
Total	**12 830 186**	**13 469 075**

BONDS (1-10 YEARS)

(Amounts in NOK 1 000)	2021	2020
Bond loans	9 631 204	9 495 000
Total	**9 631 204**	**9 495 000**

CURRENT LIABILITIES TO FINANCIAL INSTITUTIONS**

(Amounts in NOK 1 000)	2021	2020
Other liabilities	150 003	155 175
Bond loans	1 054 000	645 000
Subordinated loans	100 000	100 000
Total	**1 304 003**	**900 175**

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

(Amounts in NOK 1 000)	2021	2020
Other non-current liabilities	1 873 787	2 076 560
Bond loans	3 150 000	3 950 000
Subordinated loans	1 200 000	1 300 000
Total	**6 223 787**	**7 326 560**

* 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 2021, the company has NOK 1 100 million in future interest swaps agreements available to hedge the interest payment due on subordinated loan. Hedging documentation has been prepared, and the hedge is meeting the hedge accounting requirements, and thus henge 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.

17 IFRS 16 Leases

Right of use assets 2021

(In NOK thousands)		Offices and other proprety	Operating movable property	Total
Carrying value 1 January 2021		**42 554**	**2 643**	**45 197**
Additions		2 220	114	2 334
Additions from acquisitions		0	0	0
Depreciations		-6 216	-454	-6 669
Disposals		0	-729	-729
Divestments subsidiary		0	0	0
Remeasurement and other changes		3 288	0	3 288
Carrying value 31 December 2021		**41 846**	**1 575**	**43 421**

Right of use assets 2020

(In NOK thousands)		Offices and other proprety	Operating movable property	Total
Carrying value 1 January 2020		**46 856**	**3 101**	**49 957**
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
Carrying value 31 December 2020		**42 554**	**2 643**	**45 197**

Amount recognised in the income statement

(In NOK thousands)	31.12.21	31.12.20
Depreciation right of use assets	6 669	5 854
Interest cost lease commitments	1 619	1 663
Sum	**8 288**	**7 518**

Amount recognised in the statement of cash flows

(In NOK thousands)	31.12.21	31.12.20
Cash payment for the principal of the lease obligation	6 509	5 459
Cash payment for the interest part of the lease obligation	1 617	1 663
Total cash payment for lease liabilities	**8 126**	**7 122**

Leasing liabilities

(In NOK thousands)	31.12.21	31.12.20
Current leasing liabilities	7 812	5 989
Non-current leasing liabilities	36 979	40 302
Total leasing liabilities	**44 791**	**46 291**

Maturity plan leasing liabilities - undiscounted contractual cash flows

(In NOK thousands)	31.12.21	31.12.20
Less than 1 year	7 582	6 603
1-2 years	7 425	6 953
2-3 years	6 576	7 898
3-4 years	6 576	7 898
4-5 years	6 447	8 013
More than 5 years	13 293	16 473
Total undiscounted leasing liabilities 31 December	**47 899**	**53 838**

18 Short-term debt instruments

SHORT-TERM DEBT INSTRUMENTS

(Amounts in NOK 1 000)	2021	2020
Covered bonds (OMF)**	764 000	279 000
Total	**764 000**	**279 000**

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

19 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 2021:

(Amounts in NOK 1 000)	2021
Withholding tax guarantee	50
Other absolute guarantees/guarantees	244
Total	**294**

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.

20 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 1 100 million (cash flow hedging).

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. In 2021, Lyse entered into a new fair value hedge agreement.

The interest swap agreements have different terms to maturity within the period 2022-2025. 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	31.12.21	Target attainment
Duration of the liquidity reserve measured against estimated financing need (no. of months)	6 months	16 months	Within target
Actual liquidity reserve* compared to capital requirement for next 6 months	NOK 3 392 million	NOK 5 762 million	Within target

* Liquidity excl. drawing rights and overdraft

Currency risk

Lyse AS has raised loans totaling EUR 241 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.

21 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%
TOTAL	**1 008 983**	**100%**	**100%**

Neither the chief executive nor the members of the Board own shares or options in the company.

Lyse AS's registered office is in Stavanger. The consolidated financial statements are available from www.lysekonsern.no. Only municipalities can be shareholders. Share acquisition is subject to approval by the Board. Other shareholders shall have first refusal upon the sale or other disposal of shares. Each share represents one vote at the general meeting. Any amendment to the articles of association requires support from at least two-thirds of represented share capital and the support of at least five shareholders.

22 Subsequent events

Through the corona pandemic, Lyse has prioritized safety and health for employees and subcontractors. The company has implemented measures in line with advice from Norwegian Directorate of Health to reduce the spread of the virus. At the same time, stable operations and deliveries are a prioritised task. The company has maintained stable operations through 2021.
The direct economic impact of the pandemic has so far been limited for Lyse, and it is not expected that it will significantly affect the operations in the long term. The company is solid with a significant liquidity buffer in cash and unused credit facilities. The company monitors the development of the coronavirus and continuously assesses potential consequences for the company`s employees and operations.

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. Employees have adapted to the situation in a very good and flexible way. Risk-reducing measures have been implemented and further measures are being assessed continuously.

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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 (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2021 and the income statement, statement of comprehensive income, statement of cash flows and statement of 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 of the Group comprise the balance sheet as at 31 December 2021, the income statement, statement of comprehensive income, statement of cash flows and statement of 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 comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act,
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for seven years from the election by the general meeting of the shareholders on 30 April 2015 for the accounting year 2015.

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 2021. 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

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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.

Energy- and foreign currency instruments and hedge accounting

Basis for the key audit matter

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.

Our audit response

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 annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the general manager) is 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.

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In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility contain the information required by applicable legal requirements and 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 or that the information required by applicable legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act and of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in 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 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 and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to

continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves 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 the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirement

Report on compliance with regulation on European Single Electronic Format (ESEF)

Opinion

As part of our audit of the financial statements of Lyse AS we have performed an assurance engagement to obtain reasonable assurance whether the financial statements included in the annual report, with the file name «lysk-2021-12-31.zip», has been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation given with legal basis in Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements included in the annual report have been prepared, in all material respects, in compliance with the ESEF Regulation.

Management's responsibilities

Management is responsible for the preparation of an annual report and iXBRL tagging of the consolidated financial statements that complies with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary to enable the preparation of an annual report and iXBRL tagging of the consolidated financial statements that is compliant with the ESEF Regulation.

Auditor's responsibilities

Our responsibility is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation based on the evidence we have obtained. We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its annual report in XHTML format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Stavanger, 24 March 2022
ERNST & YOUNG AS

Erik Søreng
State Authorised Public Accountant (Norway)

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

Alternative Performance Measures (APM)

Lyse has reported its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) since 2007. The IFRS-standards have been applied without exception throughout all periods presented in the consolidated financial statements.

As defined in ESMAs guideline on alternative performance measures (APM), an APM is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than financial measures defined or specified in the applicable financial reporting framework.

There are no changes in the definition of key figures from 2020 to 2021.

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 material impairments are excluded. The reason for this is that an impairment affects the return on an asset over the lifetime of the asset, not just in the period in which the asset is impaired or an impairment is reversed. The above items are also excluded from underlying gross operating income and underlying net operating income.

Underlying operating revenue and costs are based on the same definition as underlying operating profit.

- Underlying operating revenue is defined as operating revenues adjusted for unrealised changes in value on financial instruments and material non-recurring items (non-recurring items on operating profit is not relevant for 2021 and 2020).
- Underlying operating costs is defined as operating costs adjusted for unrealised changes in value on financial instruments and material non-recurring items.

Return on capital employed is defined as operating profit (EBIT) divided by capital employed and is calculated based on a rolling 12-month average. It is used to measure the return on the Group's operating activities and also to compare returns with similar companies.

Capital employed is capital necessary to carry out operational activities and is presented in a table with financial key figures. Net interest-bearing debt is used to measure the debt's 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, business combinations and material non-recurring items. Below follows a complete reconciliation of the profit for the year adjusted for unrealized changes in value.

(Amounts in NOK million)	2021	2020
Underlying operating revenue	17 336	8 234
Underlying operating costs	10 775	6 984
Underlying operating profit	6 561	1 250
Unrealised changes in value financial instruments (+ / - revenue/cost)	-674	-304
Material non-recurring items affecting operating profit (+ / - revenue/cost)	0	96
Operating profit (IFRS)	**5 887**	**1 042**
Profit for the year including non-controlling interests (IFRS) after tax	**2 137**	**354**
Unrealised changes in value financial instruments (+ / - income/cost) after tax	511	240
Material non-recurring items affecting profit for the year (+ / - income/cost) after tax	14	0
Profit for the year adjusted for unrealised changes in financial instruments, non-recurring items, including non-controlling interest, after tax	**2 662**	**594**
Non-controlling interests	780	64
Profit for the year allocated to Lyses shareholders adjusted for changes in financial instruments and non-recurring items, after tax	**1 882**	**530**

NET INTEREST-BEARING LOANS (including lease obligation)

	Note	2021	2020
Total long-term and short-term loans *	7	17 010 664	17 075 687
Short-term financial position	24	-764 000	-279 000
Bank deposits, cash and cash equivalents	24	-5 701 614	-3 827 274
Net interest-bearing loans		**10 545 051**	**12 969 413**
Non current lease obligation	30	774 111	680 124
Current lease obligation	30	147 943	167 870
Net interest-bearing loans including lease obligation		**11 467 106**	**13 817 407**

*) including unrealisert disagio on currency loans

RECONCILIATION OF EFFECTS OF UNREALISED CHANGES IN VALUE IN FINANCIAL INSTRUMENTS TO EBIT UNDERLYING OPERATIONS

(Amounts in NOK million)	2021	2020
Operating result (EBIT) underlying operations	**6 561**	**1 250**
Unrealised changes in value, financial energy contracts - held for hedging purposes	-639	-58
Unrealised changes in value, currency derivatives in long-term physical industry contracts in EUR	31	-185
Unrealised changes in value, long-term financial energy contracts	-33	6
Realised changes in value, currency derivatives in long-term physical industry contracts in EUR	-33	-67
Unrealised changes in value, financial instruments	**-674**	**-304**
Significant non-recurring items before tax affecting operating result (+/- income/cost)	0	96
Operating result (IFRS)	**5 887**	**1 042**