

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
UK

Sent by mail only

Oslo, November 10 2008

Dear Sir/Madam

**ED Improvements to IFRSs**

Hafslund ASA appreciates the opportunity to reply to your exposure draft on Improvements to IFRS.

Hafslund ASA is an integrated utility and service company. The utility business consists of producing, transporting, trading and selling electricity to electricity users primarily in Norway.

The Nordic electricity market is generally considered to be a very liquid market with exchange traded contracts (all financial contracts) going five years into the future. Also the OTC electricity market is largely made up of financially settled contracts.

To optimise the value of the firm the four activities within the utility business are managed and reported independently internally. Thus the production unit enters into financial sales contracts and physically settled sales contracts (some of which are classified as own use) and the selling units enters into end user sales contracts (generally considered to be own use) while economically hedging these short positions by entering into financially settled purchase contracts. Due to the administrative burdens and the challenge of ever changing estimates of volumes to be sold to end users we do not apply hedge accounting in our electricity sales activities. All contracts within the trading activities of the firm are considered within the scope of IAS 39.

The board are proposing to changing the wording in IAS 39.11A to make it clear that the fair value option in that paragraph is no longer to apply to (non-financial) contracts, but only financial instruments. We do not support that proposed amendment. We see this amendment as a major change to the standard that, if carried through, will be limiting our ability to report the economic reality of our operation. As long as we do not have an option on whether to regard a contract to be for own use it is of importance for us to keep the option of being able to fair value those contracts that falls within the current scope of IAS 39.11A.

Yours faithfully  
Anett Kristensen

Hafslund ASA