

Second- quarter 2016

Presentation to analysts

Finn Bjørn Ruyter
Oslo, 12 July 2016



Agenda



1 Second-quarter 2016 results

2 Appendix

Second-quarter 2016 highlights

- EBITDA of NOK 695 million and Profit after tax of NOK 273 million are in line with last year.
- Stable operations in all business areas. Few disruptions and an increase in operating profit for the Network business segment.
- Power prices in the NO1 price area 0.21 NOK/kWh – up 25 per cent from last year.
- The Markets segment maintains customer growth.
- Net interest-bearing debt down NOK 1.0 billion compared to last year, despite of NOK 1.4 billion invested in the last 12 months.



Key Figures



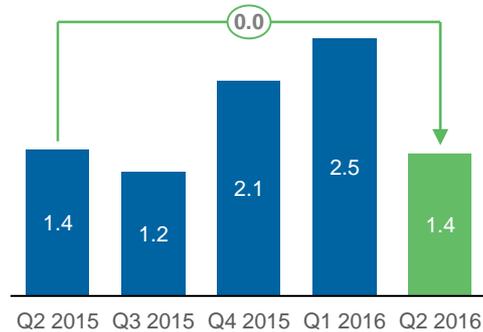
Earnings per share
NOK **1.4**



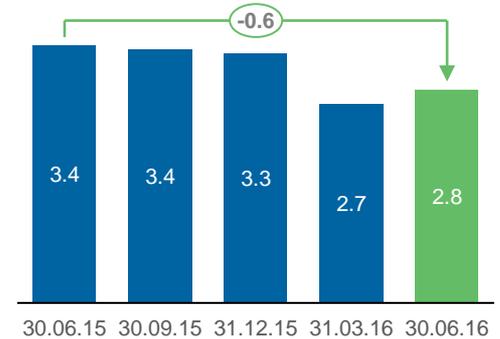
EBITDA (NOK mill)



Earnings per share (NOK)

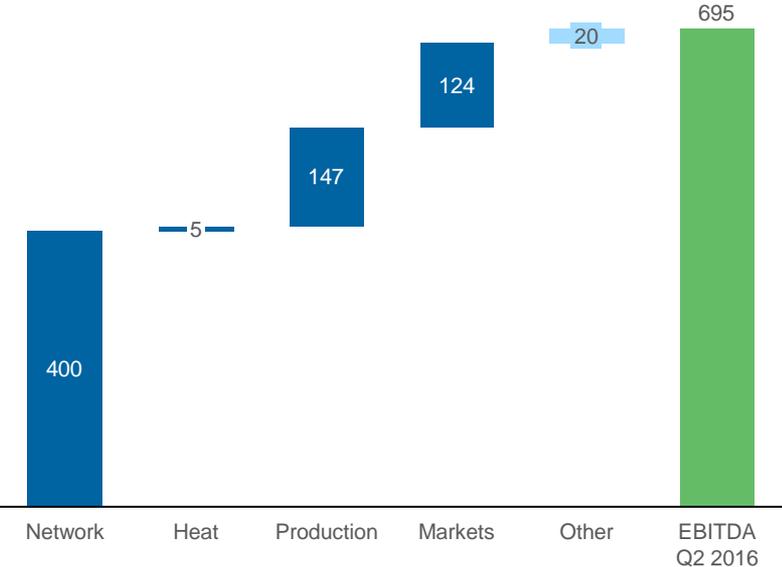


Net debt / EBITDA (x)¹

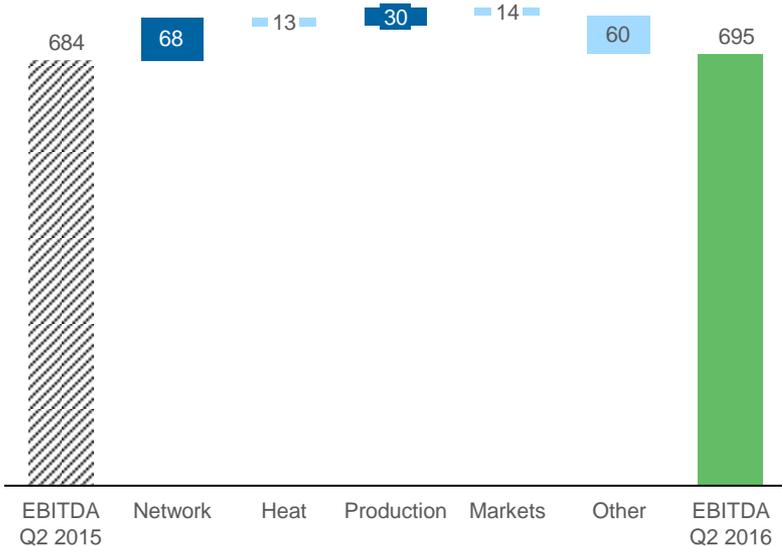


EBITDA per business area

EBITDA Q2 2016 (NOK mill)



Change in EBITDA from Q2 2015 (NOK mill)



HSE

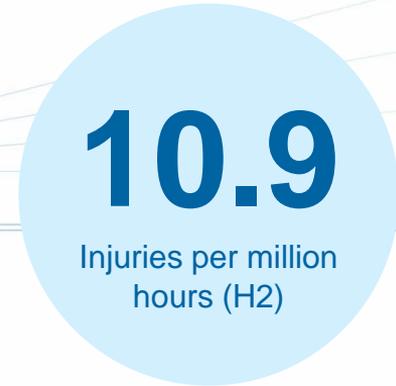
Goal



Last 12 months per
30.06.2016 ¹



Industry average ²

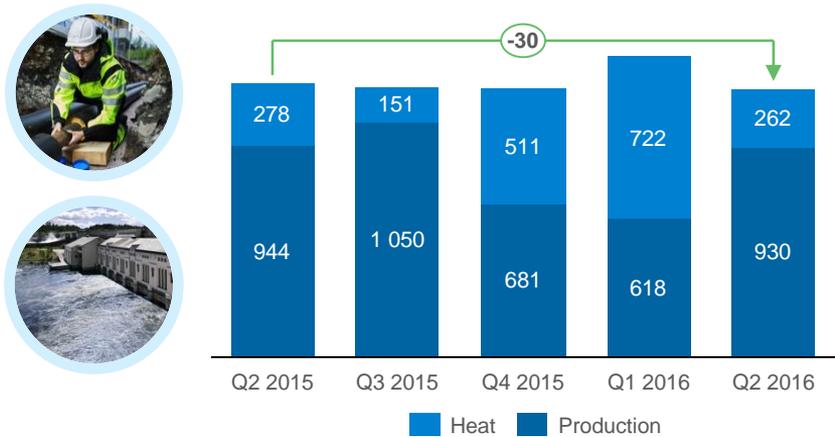


Slight decrease in number of injuries trailing 12 months.

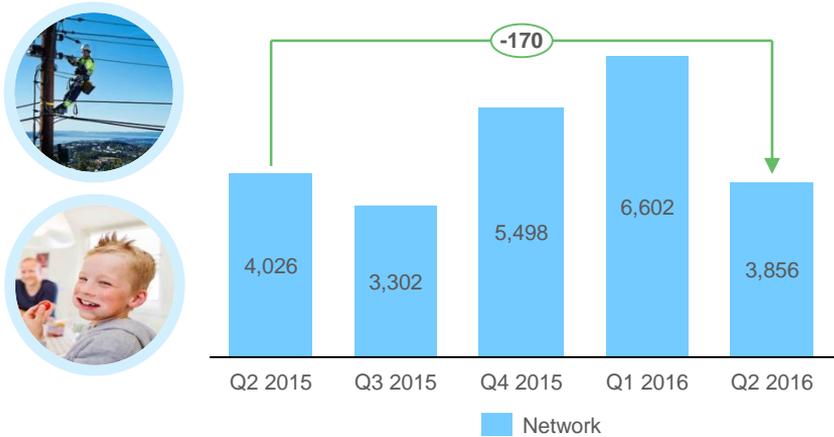
¹ last 12 months, the total number of injuries per million manhours on own employees and suppliers in our facilities in Hafslund Group excl. Market
² Industry average for total injuries acc. To Energy Norway's statistics for 2014, for companies in the energy industry, incl. the contractors, but without suppliers

Production and distribution

Heat and Production (GWh)

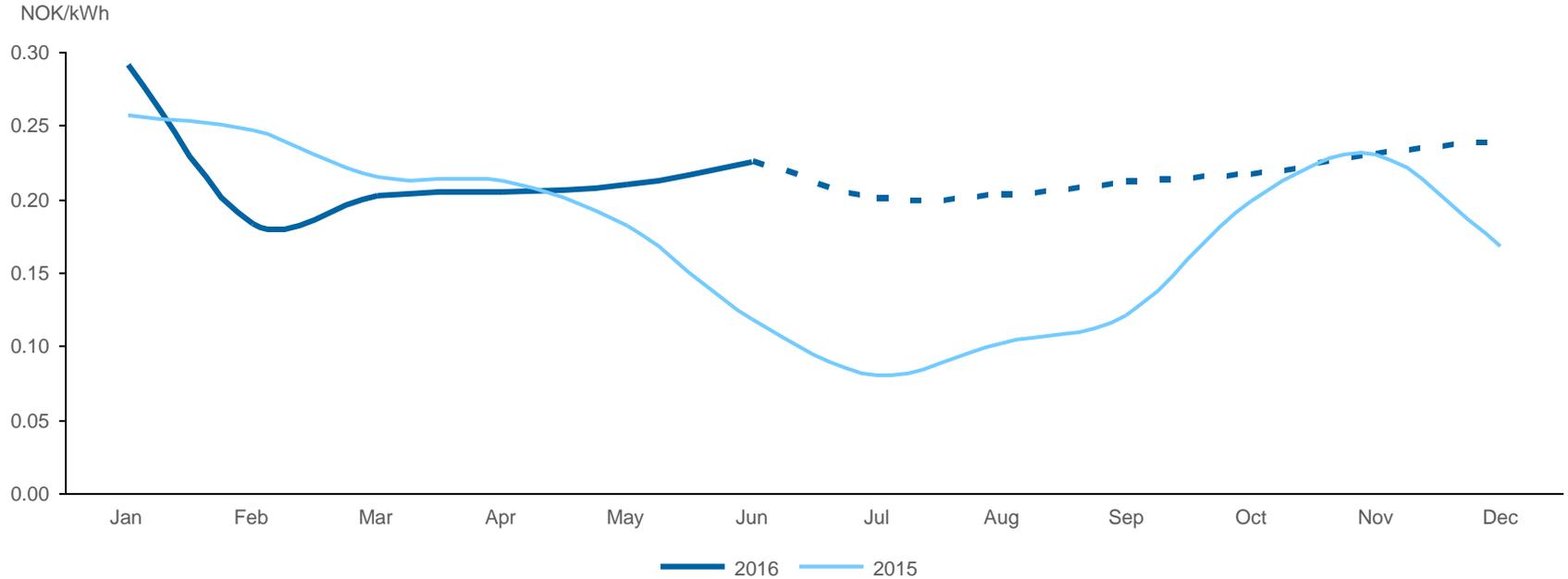


Network (GWh)



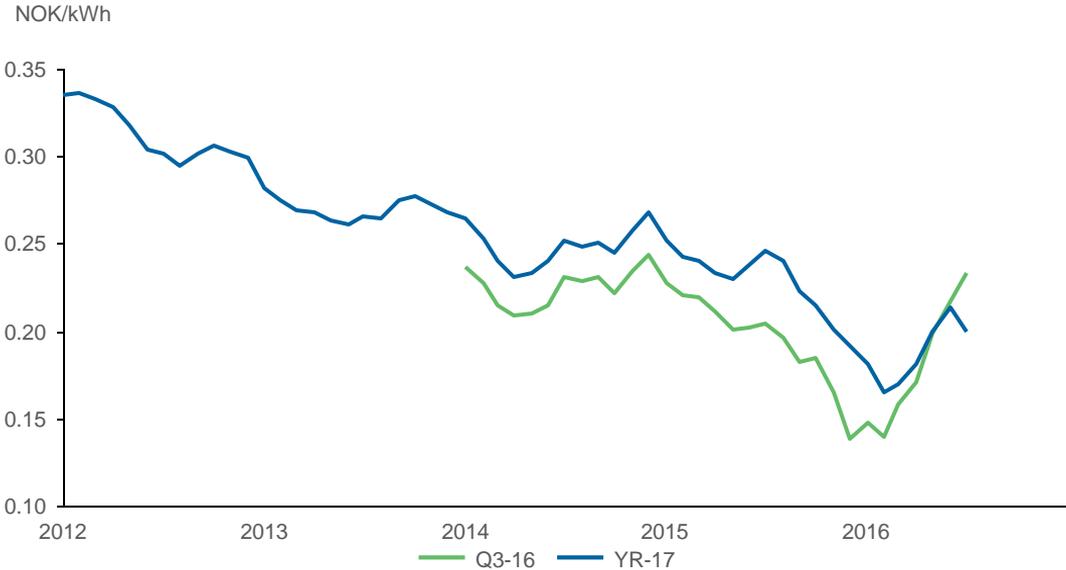
Production in line with last year. Warmer weather gave slightly lower energy distribution compared to Q2 2015.

Power price development NO1

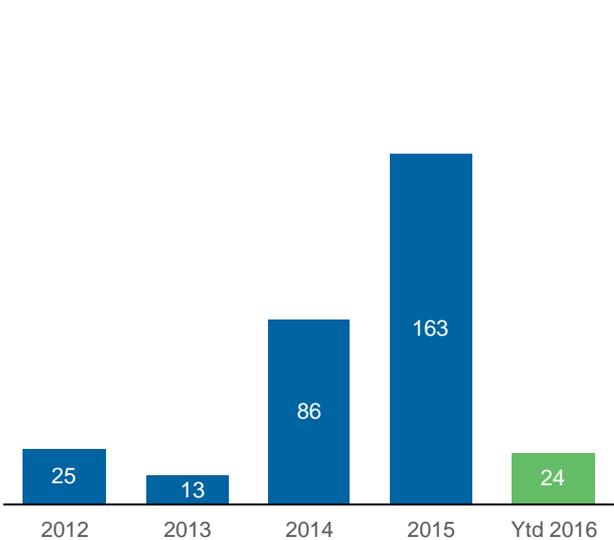


Developments in forward prices and hedge trading

Forward system prices Q3-16, YR-17



Results from hedging activity (NOK mill)



Hedging activity has contributed with positive results in a period with falling power prices.

Results per business area



NETWORK



HEAT



PRODUCTION



MARKETS

Network



NOK million	Q2 2016	Q2 2015	Ytd 2016	Ytd 2015
Operating revenue	1 115	1 053	2 296	2 124
Gross margin	734	715	1 424	1 384
EBITDA	400	332	784	635
Operating profit	256	212	493	398
Energy delivery (GWh)	3 856	4 026	10 458	10 160
Number of customers (in 1 000)	691	685	691	685
Investments	209	211	351	373

Development EBITDA (NOK mill)



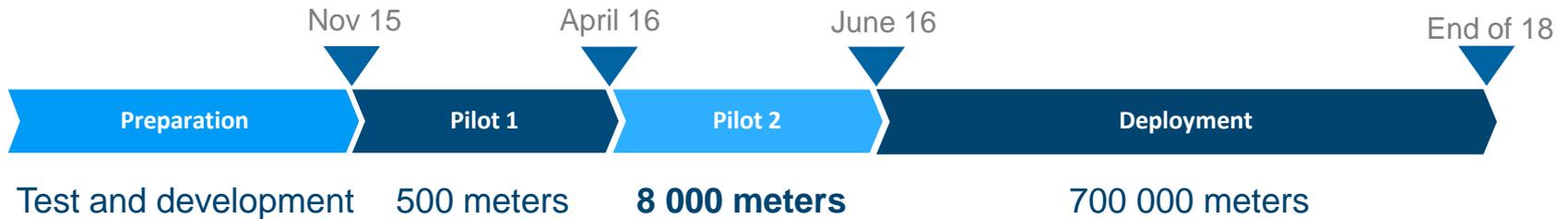
Q2 2016

- Operating profit up 21 % from last year.
- Stable operations and few disruptions.
- NOK 49 million in reduced operating costs.
- Gain from sale of property NOK 14 million.

Year 2016

- Maintaining expectations about operating profit for 2016 approximately 20 % higher than 2015.

Status AMS



- Full deployment scheduled from August.
- Accumulated AMS-investments of NOK 393 million as at 30 June 2016.



Heat



NOK million	Q2 2016	Q2 2015	Ytd 2016	Ytd 2015
Operating revenue	126	131	671	570
Gross margin	79	79	424	336
EBITDA	5	19	290	220
Operating profit	(30)	(17)	220	149
Production volume (GWh)	262	278	984	905
Gross margin (NOK/kWh)	0.36	0.30	0.46	0.38
Investments	27	20	41	30

Development EBITDA (NOK mill)



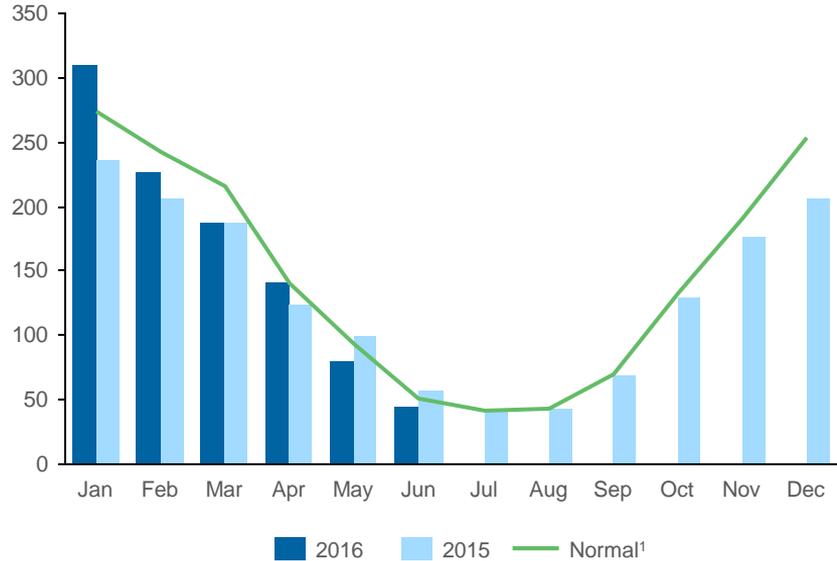
Q2 2016

- Seasonally a quarter with low energy demand.
- Increase in power prices contribute positively to the gross margin (NOK/kWh) but the effect is mitigated by lower production volume and negative hedge trading results.
- Increased operating costs due to higher maintenance activity and improvement measures.
- Hedge ratio next six months at 50 %.
- New customers connected in the first six months of 2016 with a total yearly heating requirement of 10 GWh (4 GWh).

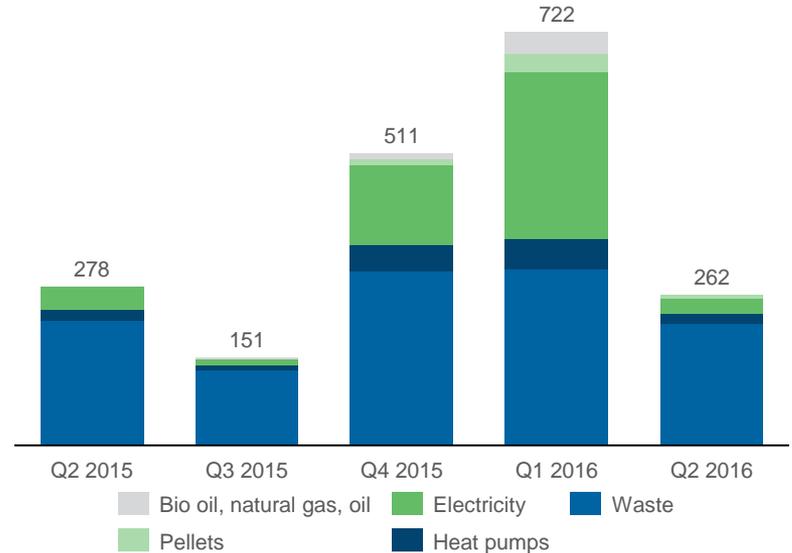
Heat - Volume and fuel mix



Production volume (GWh)



Fuel mix (GWh)



Production



NOK million	Q2 2016	Q2 2015	Ytd 2016	Ytd 2015
Operating revenue	199	176	352	327
EBITDA	147	117	242	181
Operating profit	136	105	221	158
Revenue (NOK/kWh)	0.21	0.19	0.23	0.21
Production volume (GWh)	930	944	1 548	1 559
Investments	62	5	127	16

Q2 2016

- Increase in power prices and normal production volume.
- Revenue (NOK/kWh) of 0.21 is NOK 0.02 higher than last year and in line with power price NO1.
- Results from hedging activity NOK 2 million (NOK 24 million).

Development EBITDA (NOK mill)



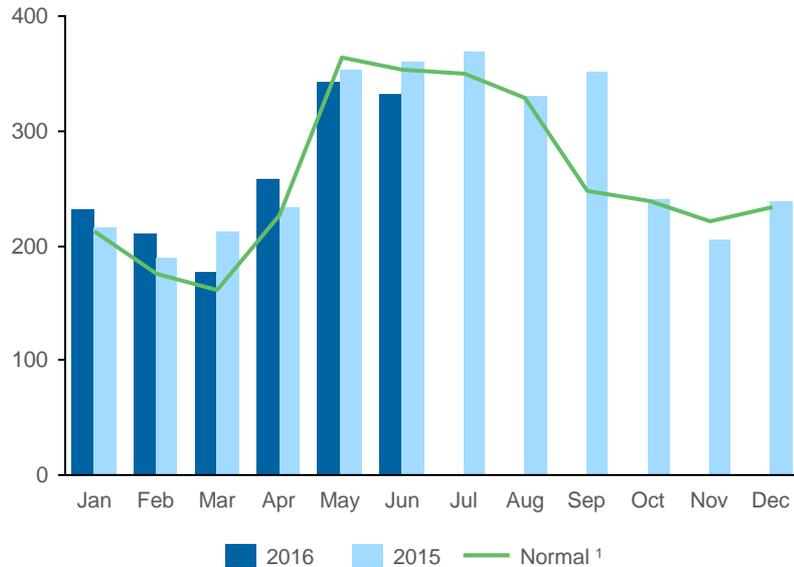
Other

- Hedge ratio next six months at 37%.
- Estimated production in Q3 approximately 870 GWh - 6% below normal levels.

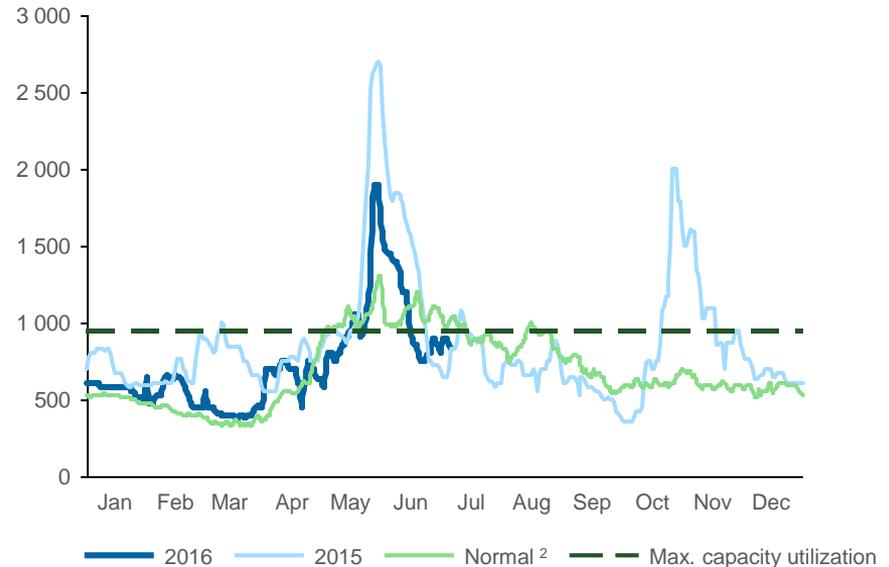
Production and water flow



Production (GWh)



Water flow and capacity utilization (m³/sec)



1: Normal production = 3100 GWh based on 10 years data adjusted for efficiency improvements.
 2: Normal = Median water flow last 10 years

Construction of Vamma 12 according to plan



Facts

Investment	NOK 920 mill
Installed effect	128 MW
Production Vamma 12	~ 1 000 GWh
Increased renewable energy production	~ 228 GWh

Status - progress

Investment incurred per 30.06.16	NOK 248 mill
Ground construction to finish autumn 2016.	
Startup concrete construction autumn 2016.	
Startup installation autumn 2018.	

Completion scheduled before the 2019 spring flood.

Markets

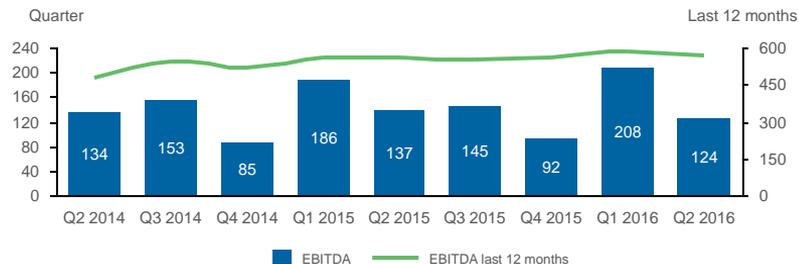


NOK million	Q2 2016	Q2 2015	Ytd 2016	Ytd 2015
Operating revenues	1 368	1 247	3 721	3 348
Gross margin	401	367	866	776
EBITDA	124	137	332	323
Operating profit	99	116	285	282
Number of customers (in 1 000)	1 080	1 062	1 080	1 062
Sold volume (GWh)	3 985	3 895	10 618	9 672

Q2 2016

- Satisfying operating profit in a quarter with low energy demand.
- Improved gross margin as a result of growth in the customer base.
- Increase in market activity and growth-related costs.
- Customer growth of 8,000 in the quarter and 30,000 in the first half of 2016.

Development EBITDA (NOK mill)



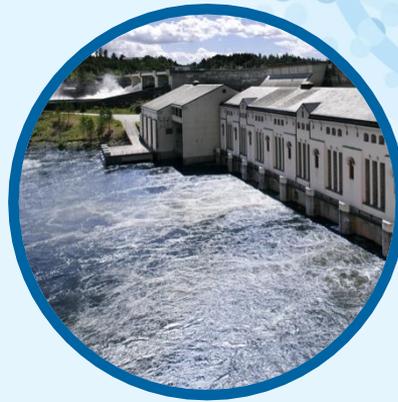
Group summary



NETWORK



HEAT



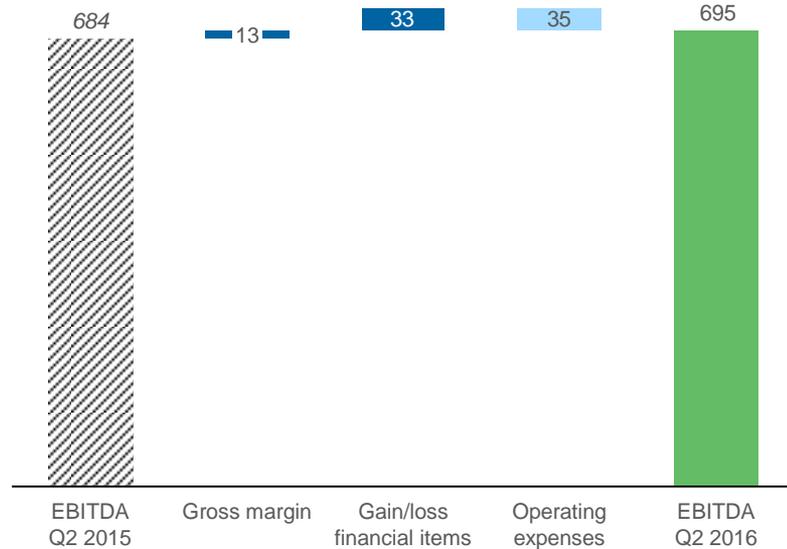
PRODUCTION



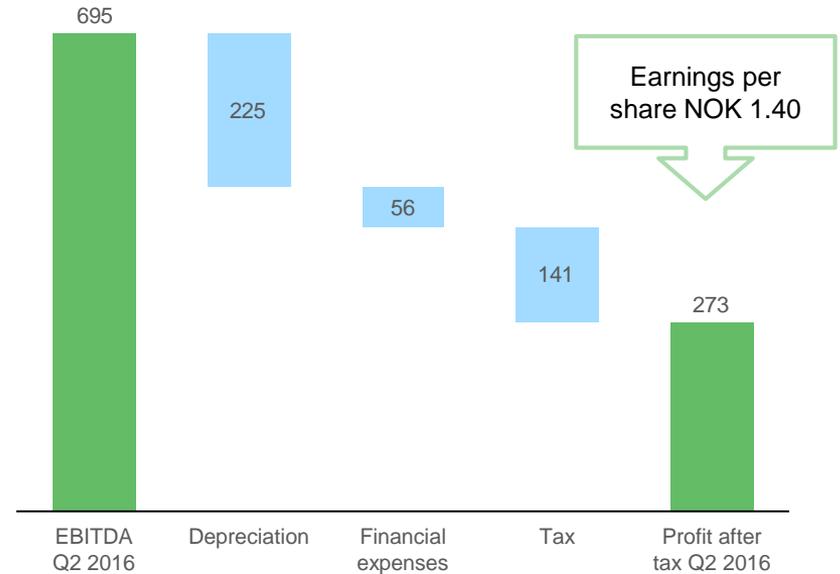
MARKETS

Change in EBITDA, and profit after tax

Change in EBITDA from Q2 2015 (NOK mill)

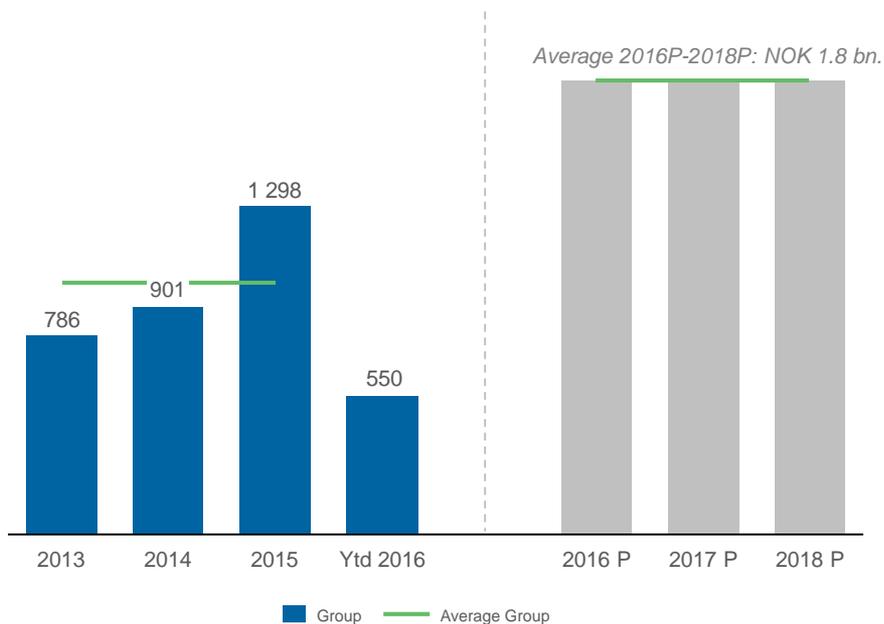


Profit after tax Q2 2016 (NOK mill)



Investments

Investments, excluding acquisitions (NOK mill)

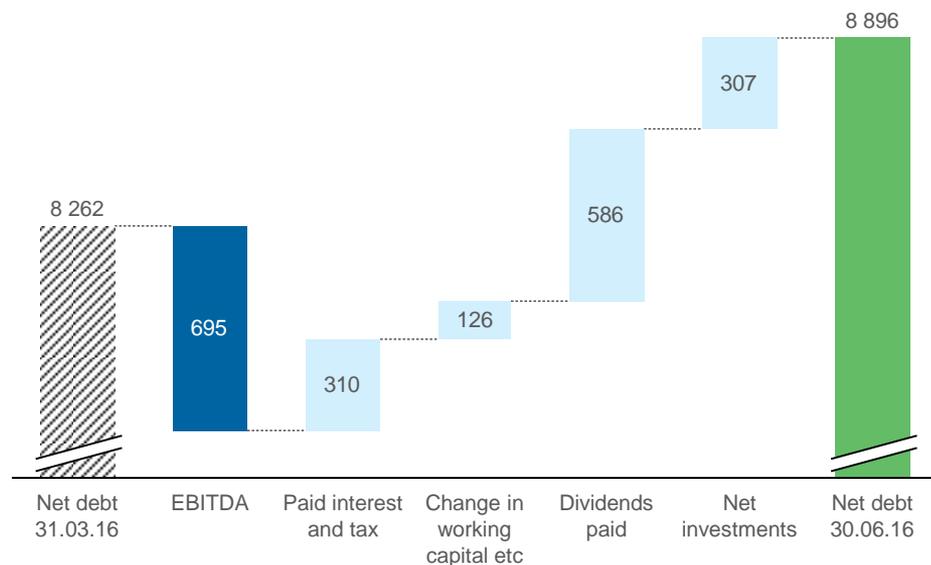


Growth investments towards 2020

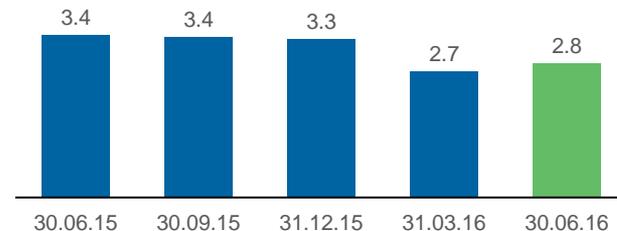


Change in net interest bearing debt

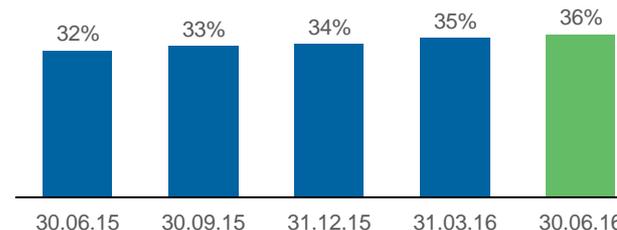
Change in net debt in the quarter (NOK mill)



Net debt / EBITDA (x)¹



Equity ratio (%)



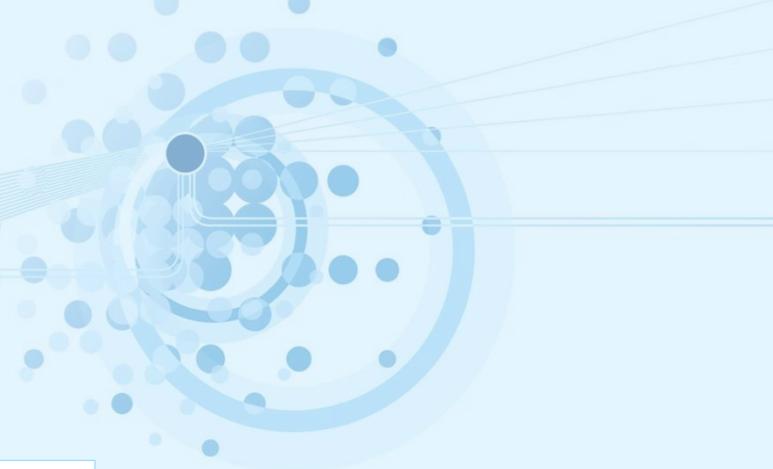
Hafslund's goal is to maintain BBB+ shadow rating

Outlook



- Operating profit 2016 Network expected about 20% higher than for 2015
- At the end of Q2 2016 Oslo price for delivery of power in 2016 (spot price Ytd and forward prices) quoted at 0.22 NOK/kWh against 0.18 NOK/kWh in 2015.
- Increased levels of investment driven by AMS and Vamma 12. Average annual investment level of NOK 1.8 billion next three years, compared to an average of NOK 1.0 billion (excl. acquisitions) last three years.
- Profit after tax for 2016 assumed to be on par with 2015.

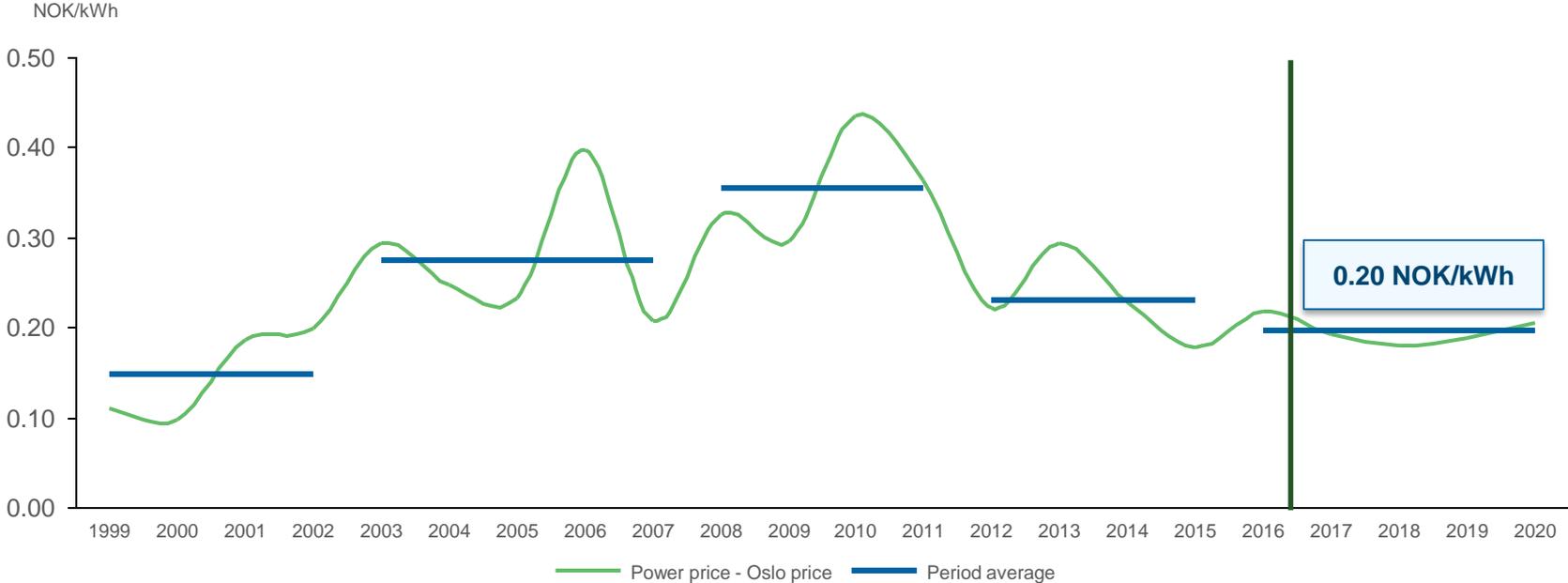
Agenda



1 Second-quarter 2016 results

2 Appendix

Oslo price (NO1) historic and forward



Group profit and loss account

NOK million	Q2 2016	Q2 2015	Δ	Ytd 2016	Ytd 2015
Operating revenue	2 779	2 610	169	7 001	6 387
Cost of energy	(1 451)	(1 295)	(156)	(4 041)	(3 605)
Gross margin	1 328	1 315	13	2 959	2 781
Gain/loss financial items	82	49	33	79	60
Operating expenses	(715)	(679)	(35)	(1 373)	(1 380)
EBITDA	695	684	11	1 666	1 461
Depreciation and write-downs	(225)	(232)	7	(454)	(436)
Operating profit	470	452	18	1 212	1 025
Interest expences etc	(73)	(81)	8	(142)	(176)
Market value change loan portfolio	17	33	(16)	26	60
Financial expenses	(56)	(49)	(8)	(115)	(116)
Pre-tax profit	414	403	10	1 096	909
Tax	(141)	(124)	(17)	(333)	(272)
Profit after tax	273	279	(7)	763	636
Earnings per share (EPS) in NOK	1.4	1.43	(0.04)	3.91	3.26

Group balance sheet

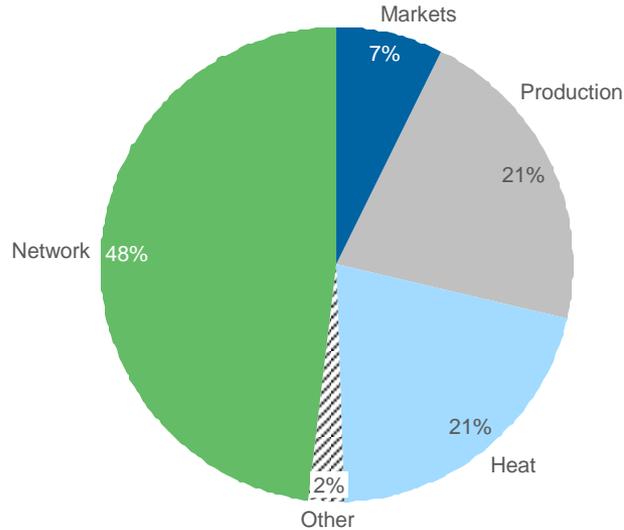
NOK million	2016-06-30	2016-03-31	Δ Q1 2016	2015-06-30
Intangible assets	2 909	2 923	(14)	2 956
Fixed assets	19 404	19 310	94	19 074
Financial assets	593	761	(168)	1 046
Accounts receivables and inventory	1 615	2 420	(805)	1 866
Cash and cash equivalents	527	1 676	(1 149)	265
Assets	25 048	27 090	(2 042)	25 207
Equity (incl. min. int.)	9 096	9 452	(356)	8 154
Allocation for liabilities	3 663	3 613	51	4 018
Long-term debt	7 409	8 332	(923)	8 485
Other current liabilities	2 059	1 653	406	1 723
Short-term debt	2 821	4 040	(1 219)	2 827
Equity and liabilities	25 048	27 090	(2 042)	25 207
Net interest-bearing debt	8 896	8 262	634	9 887
Equity ratio	36 %	35 %	1 %	32 %

Group cash flow

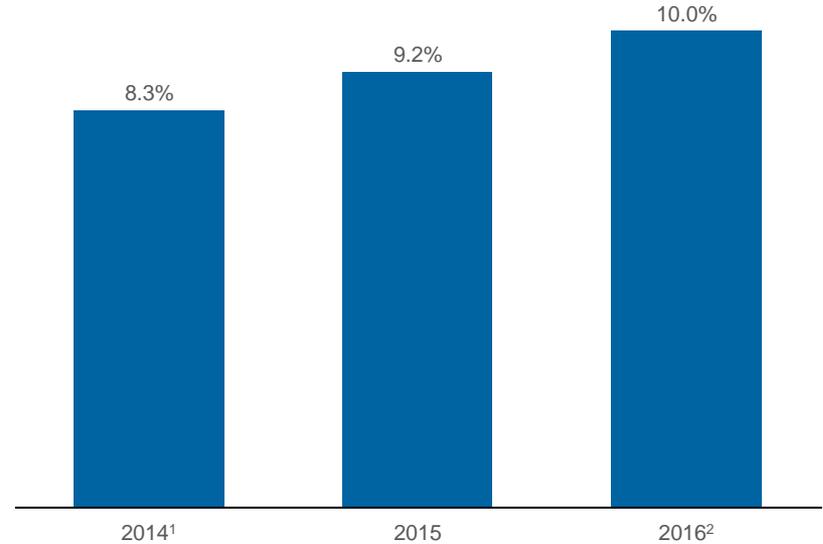
NOK million	Q2 2016	Q2 2015	Δ	Ytd 2016	Ytd 2015
EBITDA	695	684	11	1 666	1 461
Paid interests	(84)	(105)	21	(228)	(278)
Paid tax	(226)	(123)	(103)	(362)	(228)
Marketvalue changes and other liquidity adjustments	(68)	(18)	(50)	(61)	(24)
Change in working capital, etc.	(52)	(290)	238	864	745
Total cash flow from operations	265	148	117	1 879	1 676
Net operations and expansion investments	(314)	(271)	(43)	(550)	(476)
Net purchase/sale of shares etc.	7	0	7	128	0
Cash flow from investments activities	(307)	(271)	(36)	(422)	(476)
Cash flow to down payments and interests	(42)	(123)	81	1 456	1 200

Capital employed and return on capital employed

Capital employed NOK 21.6 bn. as of 30.06.2016



Return on capital employed (%)

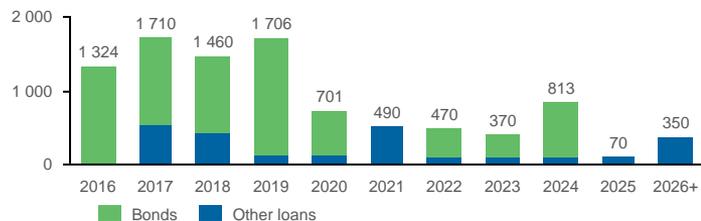


29 1: Includes write-downs in Bio-El and secondary networks at Søndre Nordstrand of NOK -127 million..
2: Last 12 months

Loans – portfolio data

Debt maturity profile

NOK million



Loans at maturity next 12 months

NOK million



	Q2 16	Q1 16	Δ
Bonds	76 %	72 %	4 %
Commercial papers	0 %	3 %	-3 %
Other loans	24 %	25 %	-1 %

NOK million	Q2 16	Q1 16	Δ
Nominal value - market value of loans	(191)	(207)	17
Market value interest rate and fx derivatives*	30	(23)	53
Average interest incl. derivatives (%)	3.4 %	3.4 %	0.0 %
Loans at maturity next quarter	336	300	36
Unused drawdown facilities	3 800	3 800	0

*) Incl. currency derivatives under hedge accounting

Key figures

Group	Ytd 2016	Ytd 2015
Capital matters		
Total assets	25 048	25 207
Capital employed	21 552	21 513
Equity	9 096	8 154
Market capitalization	13 330	11 066
Equity ratio	36 %	32 %
Net interest-bearing debt	8 896	9 887
Profitability		
EBITDA	1 666	1 461
Earnings per share (EPS)	3.91	3.26
Cash flow per share	9.63	8.59
Network	Ytd 2016	Ytd 2015
Capital employed	10 392	9 879
Gross margin	1 424	1 384
Energy delivery (TWh)	10 458	10 160
Number of customers (in 1 000)	691	685
NVE-capital (regulatory)	8 300	7 501

Heat	Ytd 2016	Ytd 2015
Capital employed	4 473	4 582
Avg. district heating income (NOK/kWh)	0.72	0.65
Gross margin (NOK/kWh)	0.46	0.38
Sales volume (GWh)	984	905

Production	Ytd 2016	Ytd 2015
Capital employed	4 606	4 448
Sales price (NOK/kWh)	0.23	0.21
Production volume (GWh)	1 548	1 559

Markets	Ytd 2016	Ytd 2015
Capital employed	1 545	1 816
- of this working capital	(79)	250
Number of customers (in 1 000)	1 080	1 062
Volume power sales (GWh)	10 618	9 672

Shareholders as at 30.06.2016

#	Shareholder	Class A shares held	Class B share held	Total	Ownership	Share of voting rights
1	City of Oslo	67 525	37 343	104 868	53.7 %	58.5 %
2	Fortum Forvaltning AS	37 853	28 706	66 559	34.1 %	32.8 %
3	Kommunal Landspensjonskasse	5 327	3 953	9 280	4.8 %	4.6 %
4	MP Pensjon PK	5	1 929	1 934	1.0 %	0.0 %
5	Folketrygdfondet	74	784	858	0.4 %	0.1 %
6	Greenwich Land Securities AS	84	323	408	0.2 %	0.1 %
7	Nordnet	70	335	405	0.2 %	0.1 %
8	JP Morgan Chase Bank	20	336	356	0.2 %	0.0 %
9	New Alternatives Fund, Inc	328		328	0.2 %	0.3 %
10	Skandinavisk Enskilda banken	26	254	280	0.1 %	0.0 %
	Total, 10 largest shareholders	111 312	73 965	185 277	94.9 %	96.4 %
	Other shareholders	4 116	5 793	9 909	5.1 %	3.6 %
	Total	115 428	79 758	195 186	100 %	100 %

Definitions

Group

Capital employed	Equity + Net Interest-bearing debt + Net tax positions
Equity ratio (in %)	$(\text{Equity incl. Minority interests} / \text{Total assets}) \times 100$
Debt / EBITDA	Net debt at the end of the quarter / EBITDA last 12 months
Earnings per share	Profit after tax / Average no. of shares outstanding
Cash flow per share	Net cash from operations / Average no. of shares
Return on capital employed last 12 months	Operating profit last 12 months / Average capital employed last 12 months
Hedge ratio Hydro power	Ratio of the estimated production portfolio hedged in the period (excluding fixed-price contracts)
Hedge ratio District heating	Ratio of the estimated net power price exposure hedged, by: Sales reduced with electricity use and 1/3 heat pumps

Investor information

- Additional information is available from Hafslund's website:
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