

Third quarter 2016

Presentation to analysts

Finn Bjørn Ruyter
Oslo, 25 October 2016



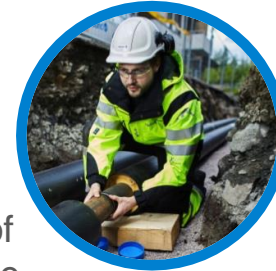
Agenda



- 1 Third quarter 2016 results**
- 2 Hafslund's role in the green shift
- 3 Appendix

Third quarter 2016 highlights

- Historically high year-to-date profit after tax for the third quarter of NOK 1,019 million – up NOK 19 million on the same quarter the previous year.
- EBITDA of NOK 659 million on a par with the previous year.
- Networks' result up NOK 61 million on the same quarter in 2015.
- Energy production and demand slightly lower than the third quarter of 2015 due to lower water flow and mild weather towards the end of the quarter.
- Power price for Oslo area (NO1) of 0.21 NOK/kWh up 0.11 NOK/kWh, from historical low level in the comparative prior-year quarter.
- Introduction of automatic power meters (AMS) and construction of new generator at Vamma proceeding according to plan.



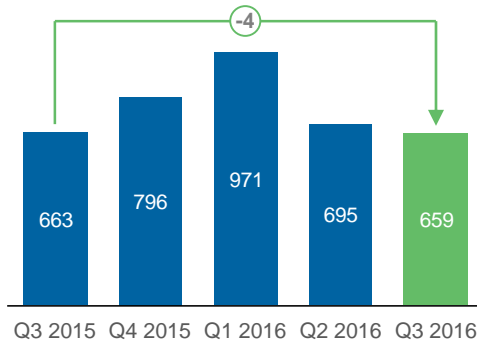
Key figures



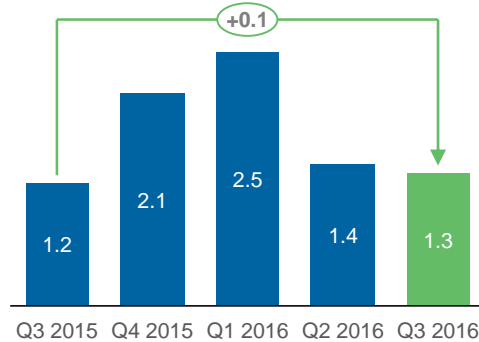
Earnings per share
NOK **1.3**



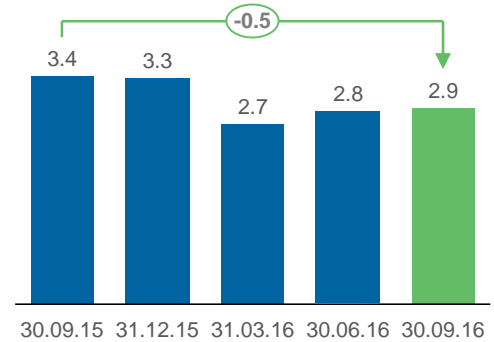
EBITDA (NOK mill)



Earnings per share (NOK)

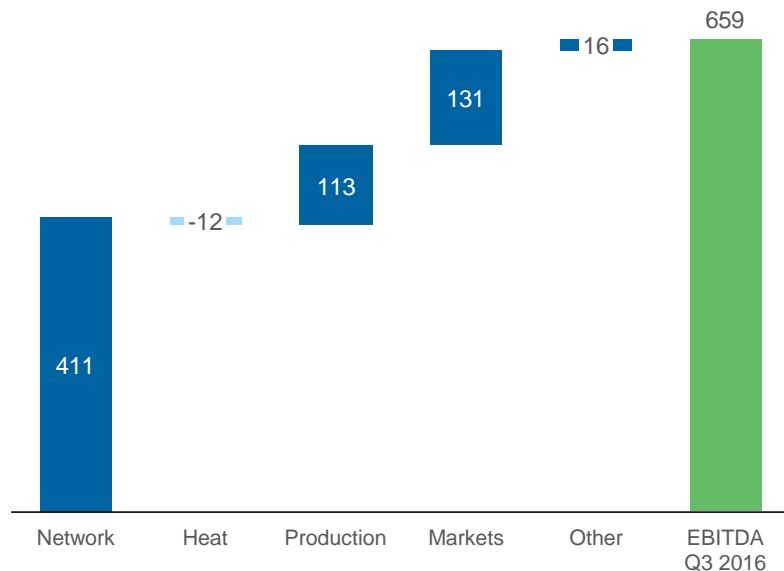


Net debt / EBITDA (x)¹

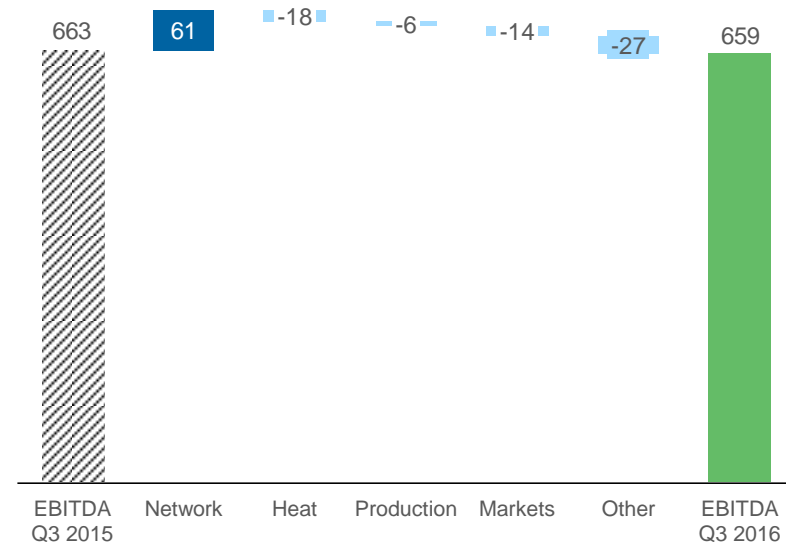


EBITDA per business area

EBITDA Q3 2016 (NOK mill)



Change in EBITDA from Q3 2015 (NOK mill)



HSE

Goal

0

injuries

Last 12 months per
30.09.2016 ¹

9.0

Injuries per million
hours (H2)

Industry average ²

10.9

Injuries per million
hours (H2)

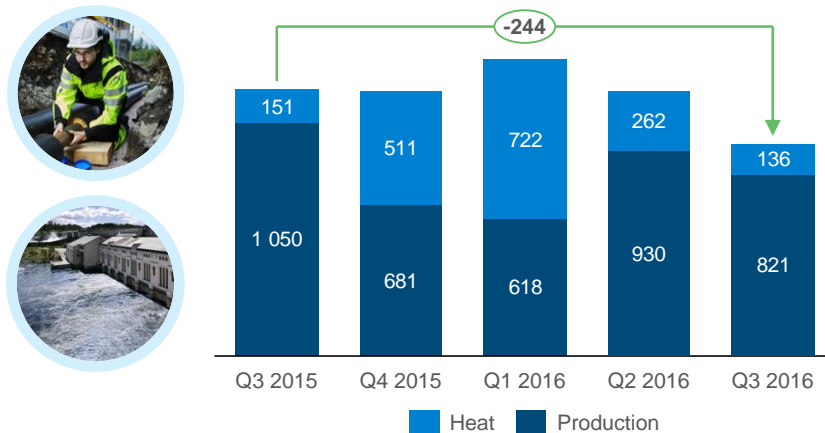
Somewhat higher number of less serious injuries since the previous report. A strong focus on competence building and monitoring of injuries to prevent recurrence.

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

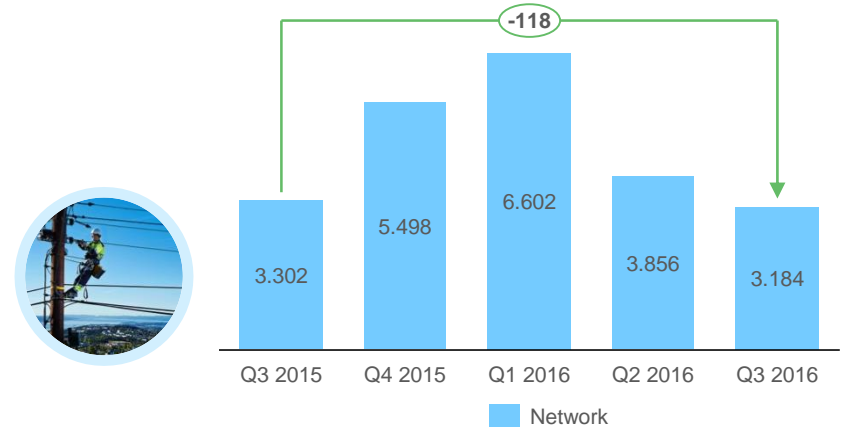
² Industry average for total injuries acc. To Energy Norway's statistics for 2014, for companies in the energy industry, incl. the contractors, but without suppliers

Production and distribution

Heat and Production (GWh)

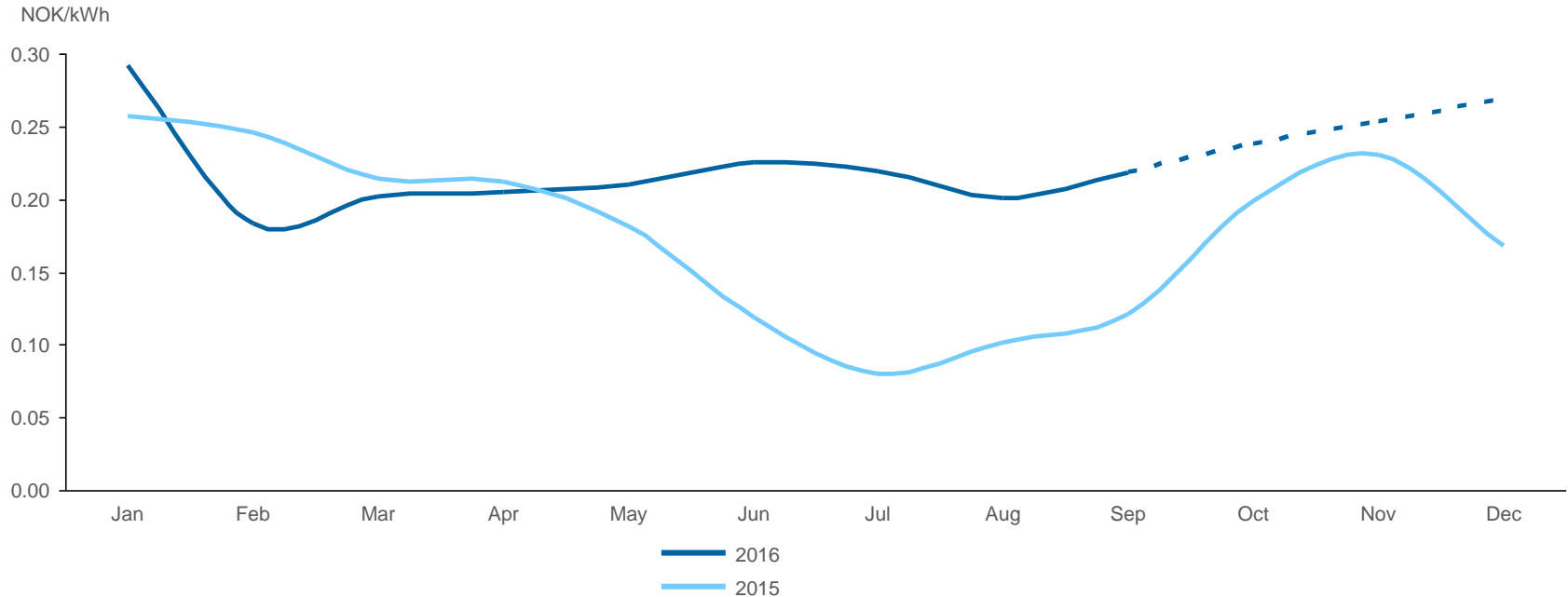


Network (GWh)



Lower production than last year due to reduced water flow, and warmer weather at the end of the quarter reduced the energy demand

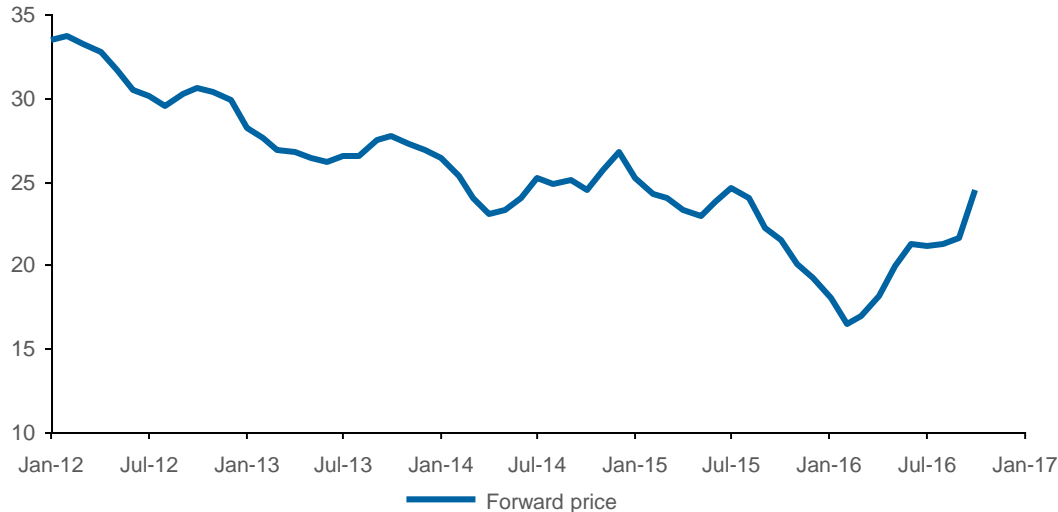
Power price development NO1



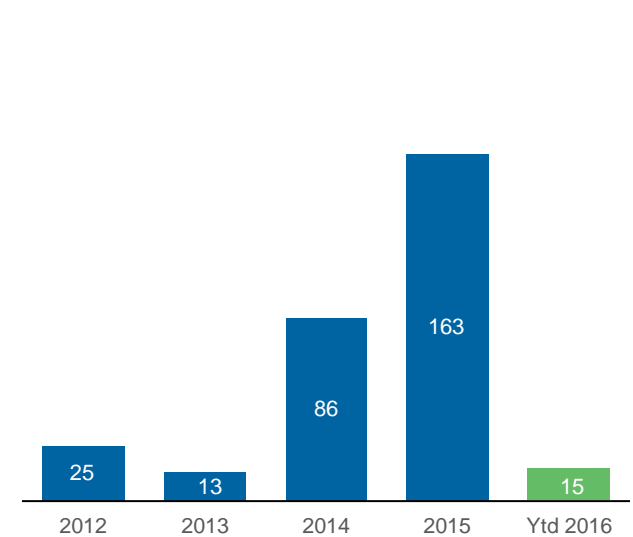
Developments in forward prices and hedge trading

Forward prices for 2017 (YR-17)

øre/kWh



Results from hedging activity (NOK mill)



Rising power prices have reduced the effect hedging activity has on company results

Results per business area



NETWORK



HEAT



PRODUCTION



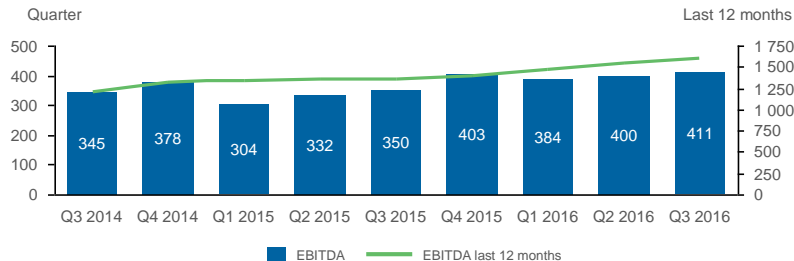
MARKETS

Network



NOK million	Q3 2016	Q3 2015	Ytd 2016	Ytd 2015
Operating revenue	1 103	1 019	3 400	3 143
Gross margin	751	729	2 175	2 113
EBITDA	411	350	1 195	985
Operating profit	255	201	748	599
Energy delivery (GWh)	3 184	3 302	13 642	13 462
Number of customers (in 1 000)	693	686	693	686
Investments	254	222	605	595

Development EBITDA (NOK mill)



Q3 2016

- Operating profit up 27 % from last year.
- Operating costs NOK 39 mill lower than last year.
- Increased amount of lightning strikes compared to Q3 2015 resulted in KILE-costs of NOK 30 mill (17 mill).

Year 2016

- Operating profit for 2016 estimated approximately 25 % higher than 2015.

Network - Forecasted 2016 tariff income and income surplus-/shortfall

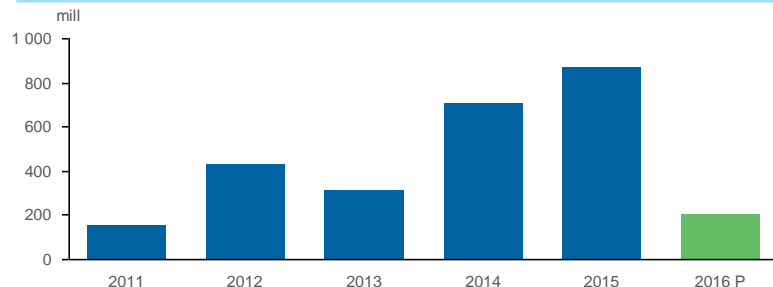


NOK million	2014	2015	2016 P *
Tariff income	3 871	4 149	4 400
- Regulated revenue own network	2 659	2 829	3 800
- Costs to overlying grid	1 006	1 166	1 300
= Income surplus-/shortfall	206	154	(700)

Year 2016

- Tariff income expected higher than 2015 due to increased energy supply and higher network tariffs.
- Regulated revenue includes positive one-offs from acquisition of network operations in Østfold.

Development accumulated income surplus per 31.12.



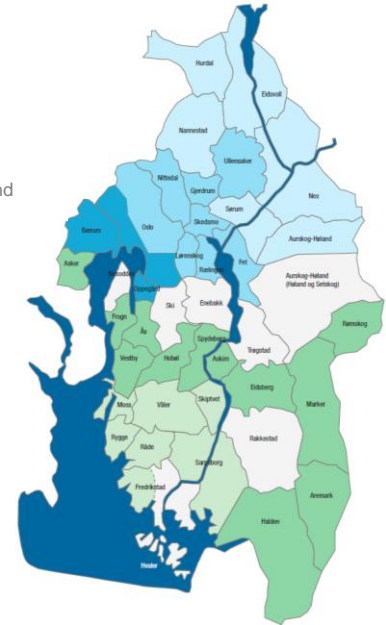
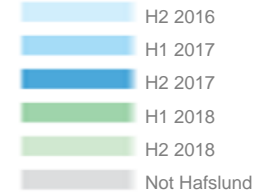
- High regulated revenue in 2016 is used to reduce income surplus.
- Regulated revenue expected substantially lower in 2017 due to one-offs in 2016.

Network - status AMS



- Full scale roll-out of power meters started in August.
- Accumulated investments of NOK 454 mill per 30.09.16 against total project estimate of NOK 2.4 billion.

Roll-out plan

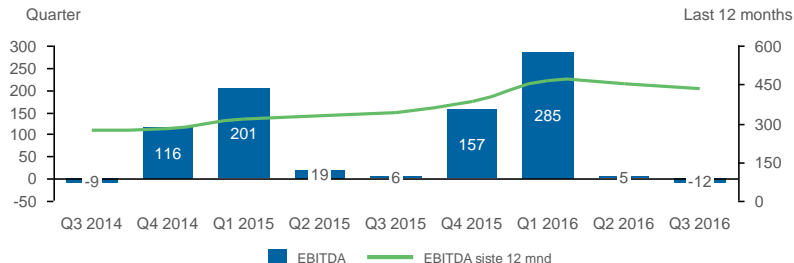


Heat



NOK million	Q3 2016	Q3 2015	Ytd 2016	Ytd 2015
Operating revenue	67	76	737	646
Gross margin	47	61	471	397
EBITDA	(12)	6	278	226
Operating profit	(50)	(30)	170	119
Production volume (GWh)	136	151	1 119	1 056
Gross margin (NOK/kWh)	0.48	0.43	0.46	0.39
Investments	78	52	119	82

Development EBITDA (NOK mill)



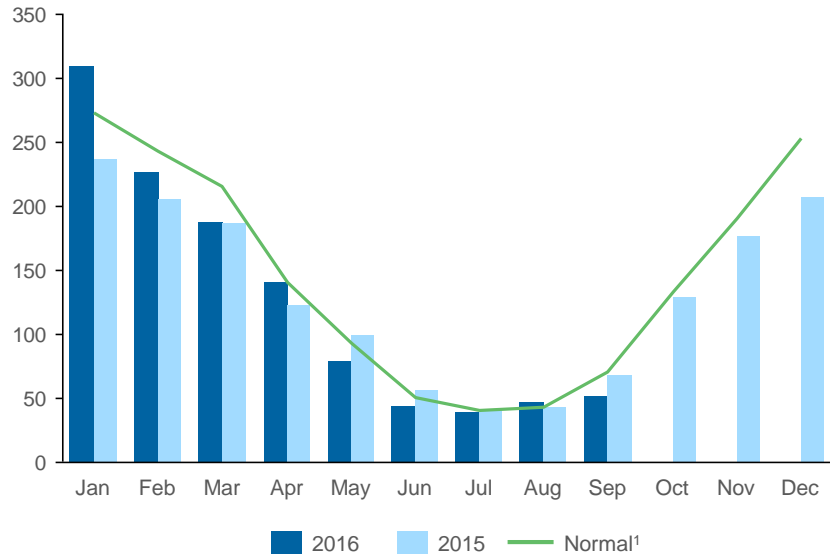
Q3 2016

- Mild weather at the end of the quarter resulted in energy demand 11 % under the normal.
- The positive effect of increased power prices is offset by lower production volume and hedging activities.
- Somewhat higher operating costs due to increased maintenance activity and improvement initiatives.
- Hedge ratio next six months at 64 %.
- New customers connected in Q3 2016 with a total yearly heating requirement of 11 GWh.

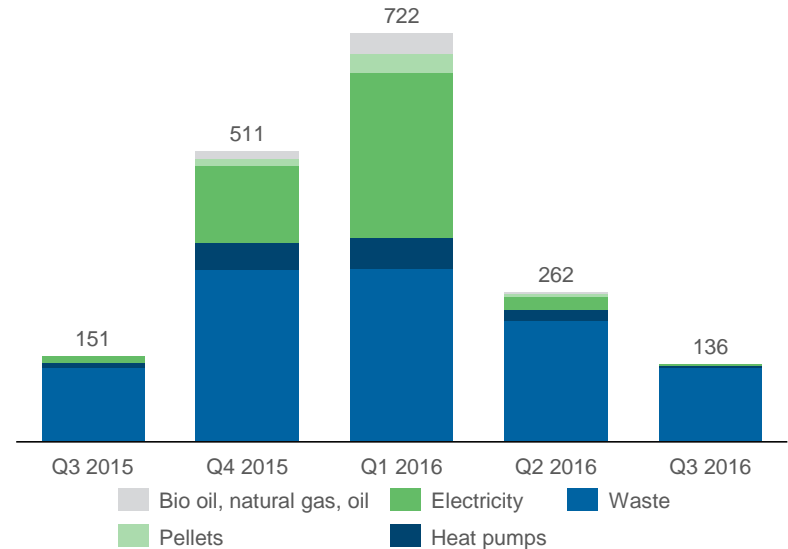
Heat - Volume and fuel mix



Production volume (GWh)



Fuel mix (GWh)



Production

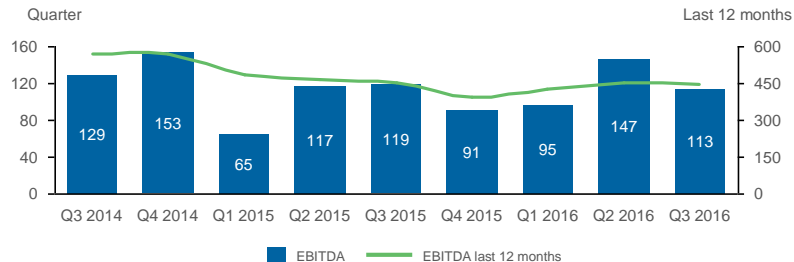


NOK million	Q3 2016	Q3 2015	Ytd 2016	Ytd 2015
Operating revenue	167	176	519	503
EBITDA	113	119	355	300
Operating profit	101	107	322	266
Revenue (NOK/kWh)	0.20	0.17	0.22	0.19
Production volume (GWh)	821	1 050	2 369	2 609
Investments	52	4	179	20

Q3 2016

- Production volume is 22 % below last year and 11 % below the normal.
- Revenue (NOK/kWh) of 0.20 is NOK 0.03 higher than last year and slightly below power price NO1.
- Hedge ratio next six months at 35 %.
- Estimated production in Q4 slightly below normal levels¹.

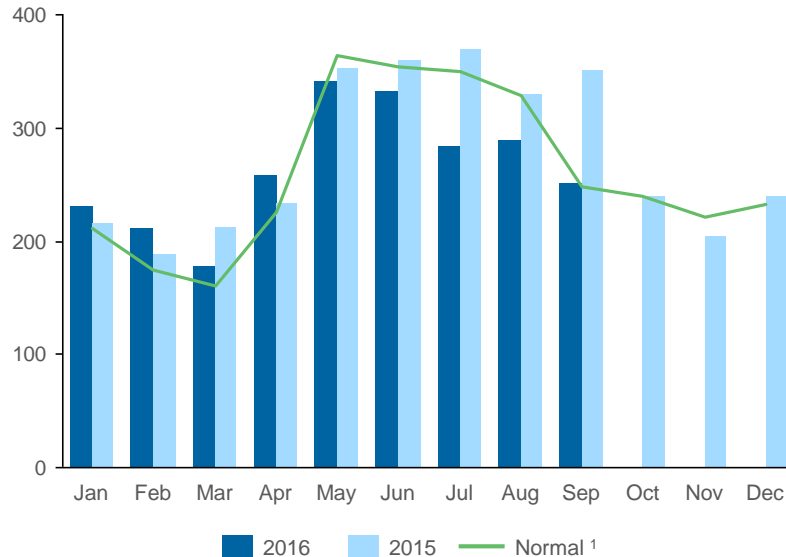
Development EBITDA (NOK mill)



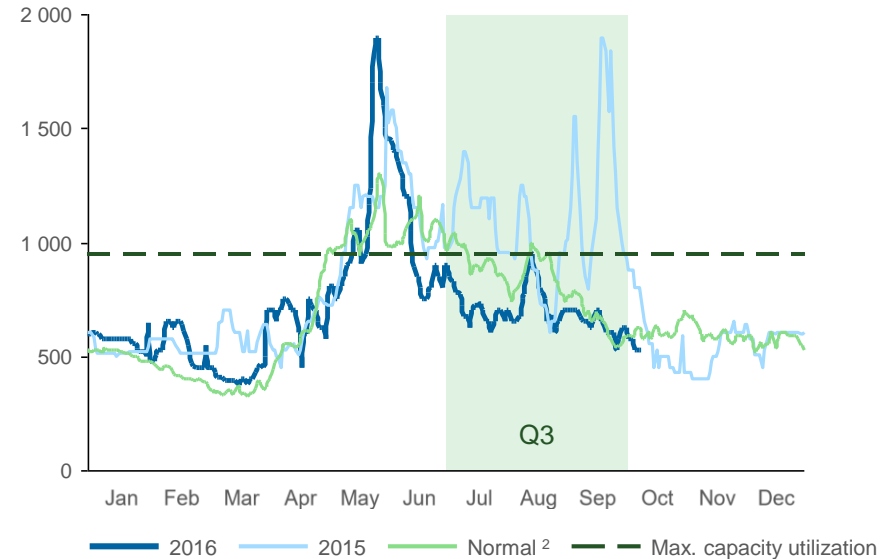
Production and water flow



Production (GWh)



Water flow and capacity utilization (m³/sec)



1: Normal production = 3100 GWh based on 10 years data adjusted for efficiency improvements.

17 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	~ 230 GWh

Status - progress

Investment incurred per 30.09.16	NOK 299 mill
Ground construction finished autumn 2016.	
Startup concrete construction autumn 2016.	
Startup installation autumn 2018.	

Completion scheduled before the 2019 spring flood.

Markets

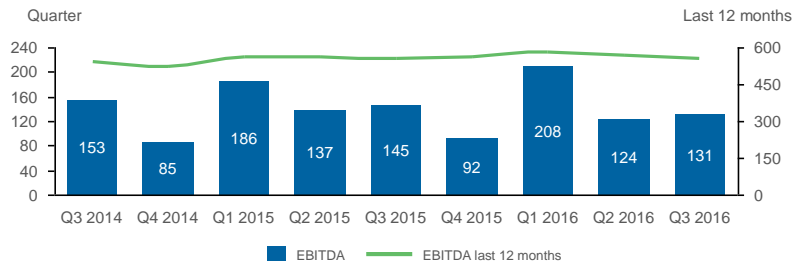


NOK million	Q3 2016	Q3 2015	Ytd 2016	Ytd 2015
Operating revenues	1 273	887	4 995	4 235
Gross margin	392	390	1 257	1 165
EBITDA	131	145	462	468
Operating profit	111	125	396	407
Number of customers (in 1 000)	1 084	1 045	1 084	1 045
Sold volume (GWh)	3 156	3 017	13 774	12 689

Q3 2016

- Satisfying results in a quarter with low energy demand.
- Increased volume due to 39,000 additional customers than in Q3 2015.
- The result reflects costs related to increased marketing activities and somewhat lower margins.
- 1,084,000 customers at the end of Q3, where 365,000 customers are outside Norway.

Development EBITDA (NOK mill)



Group summary



NETWORK



HEAT



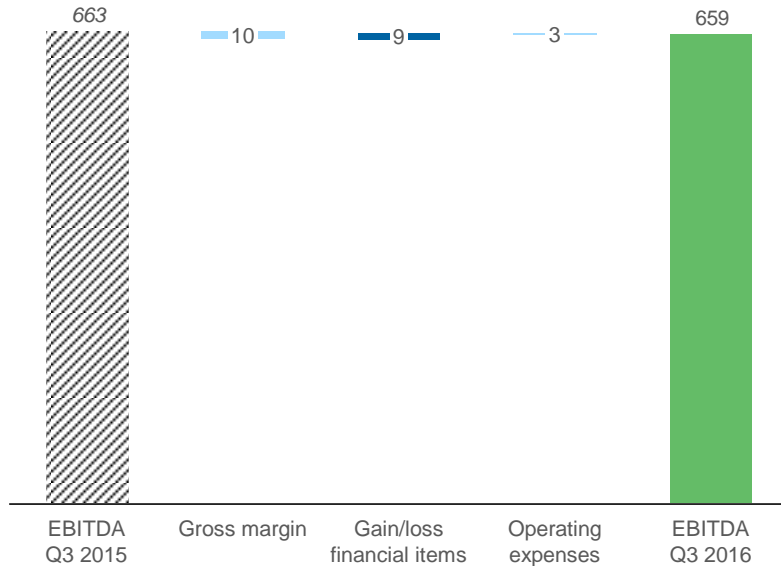
PRODUCTION



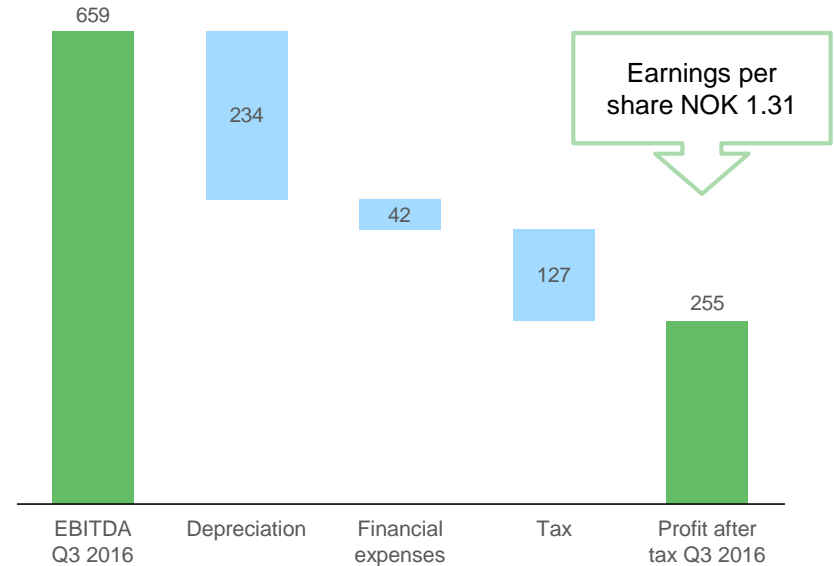
MARKETS

Change in EBITDA, and profit after tax

Change in EBITDA from Q3 2015 (NOK mill)

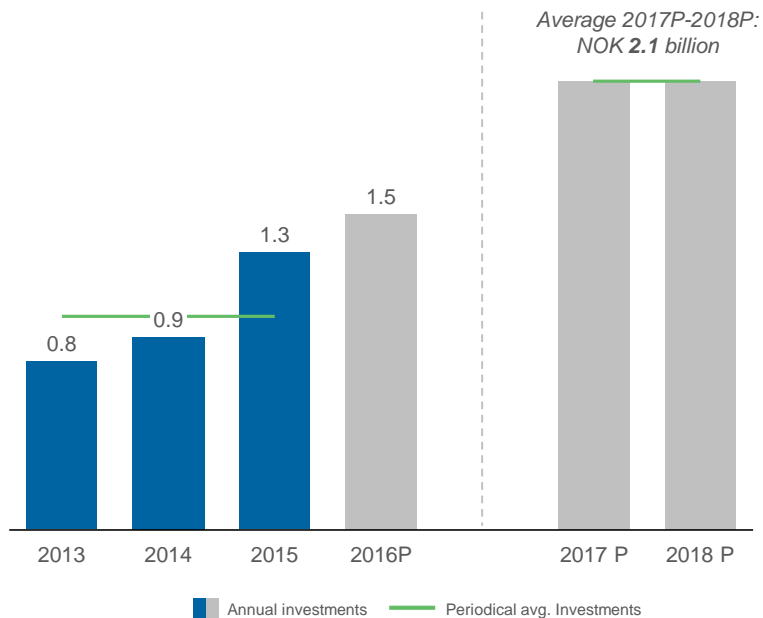


Profit after tax Q3 2016 (NOK mill)

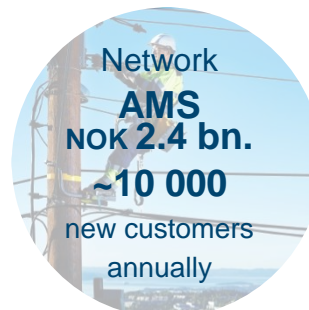


Investments

Investments, excluding acquisitions (NOK bn.)

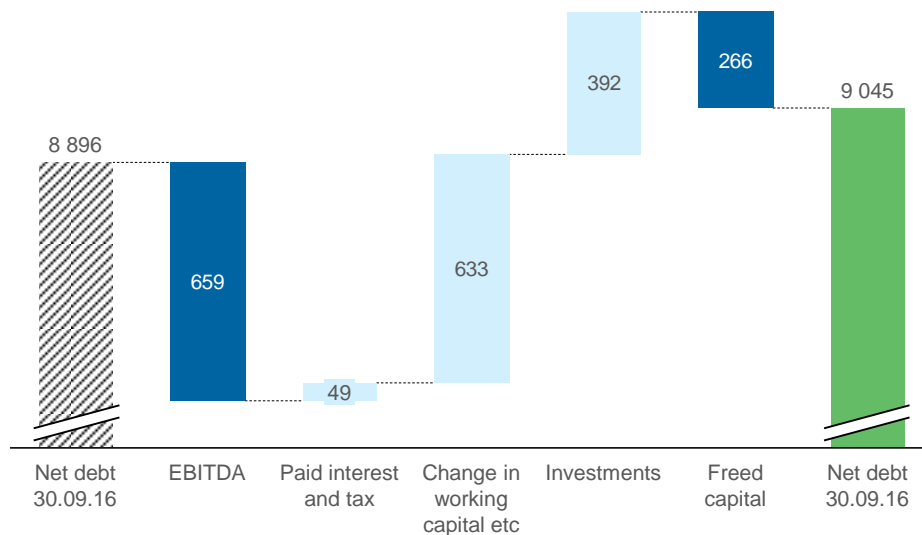


Growth investments towards 2020

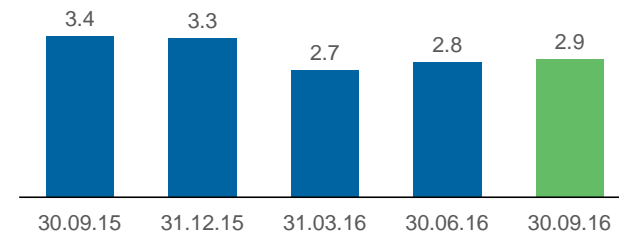


Change in net interest bearing debt

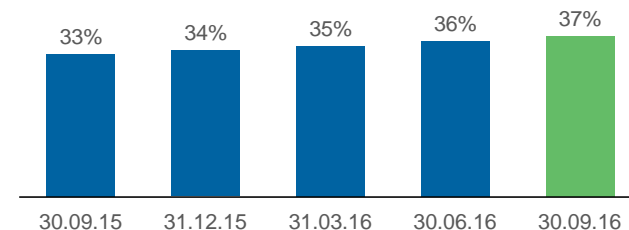
Change in net debt in the quarter (NOK mill)



Net debt / EBITDA (x)¹



Equity ratio (%)



Hafslund's goal is to maintain a rating equivalent to BBB+

Outlook



- Operating profit 2016 for Network estimated about 25 % higher than for 2015.
- Profit after tax for Q4 is expected somewhat lower than last year due to positive one-offs in 2015, while 2016 as a whole is expected better than 2015.
- Increased level of investment driven by AMS and Vamma 12. Average annual investment of NOK 2.1 billion over the next two years compared to an average of NOK 1.0 billion (ex. acquisitions) for the previous three years and NOK 1.5 billion in 2016.
- Q4 and Q1 with seasonal high energy demand for Heat and Markets.


Agenda

A decorative graphic in the top right corner consisting of several concentric circles and a cluster of dots of varying sizes, some connected by thin lines, creating a network-like or atomic structure.

1 Third quarter 2016 results

2 Hafslund's role in the green shift

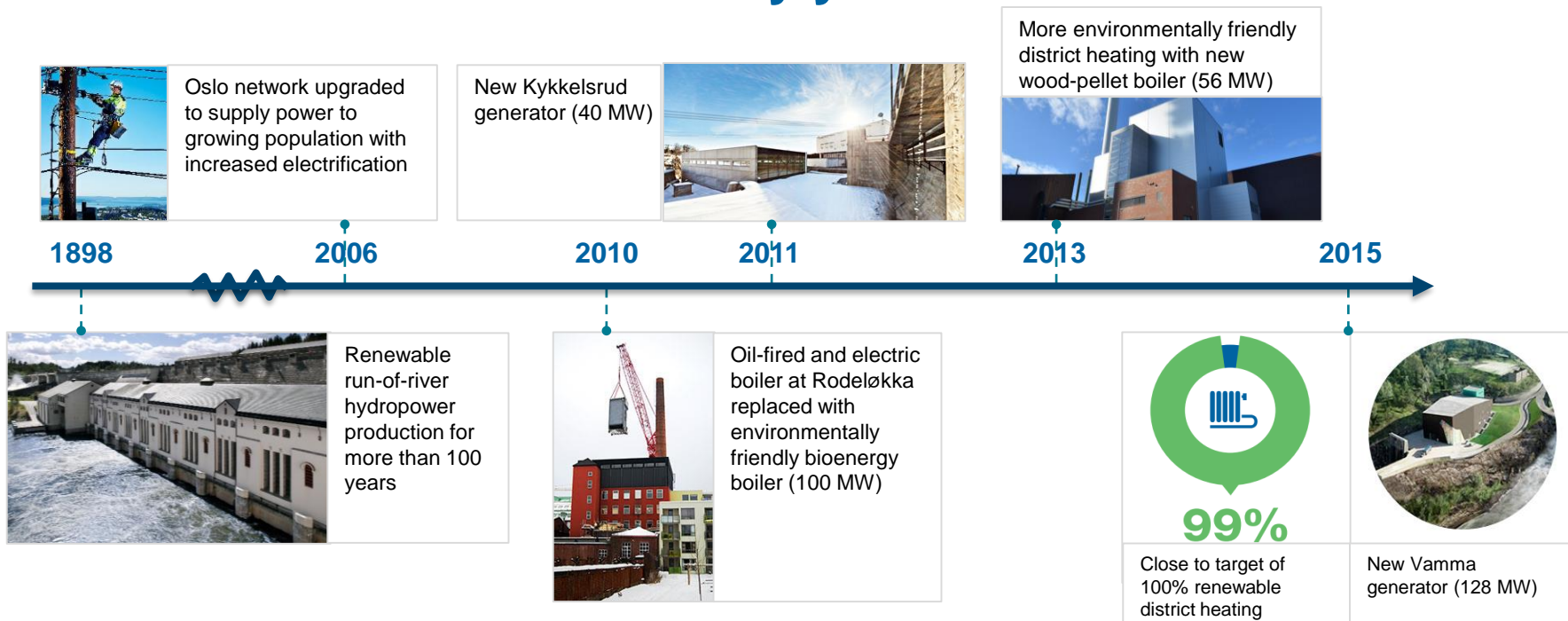
3 Appendix



The background image shows two construction workers in high-visibility yellow and blue uniforms and white hard hats. They are standing on a city street at night, looking at a tablet held by one of the workers. A white Volkswagen car is parked in front of them. The car has 'Hafslund 207' written on its side and a license plate that reads 'EL 61622'. In the background, there are modern buildings with lit windows and a construction crane. A large blue circle with white text is overlaid on the left side of the image. A smaller, semi-transparent circle with a network-like pattern is overlaid on the car. White wavy lines emanate from the bottom left of the large blue circle.

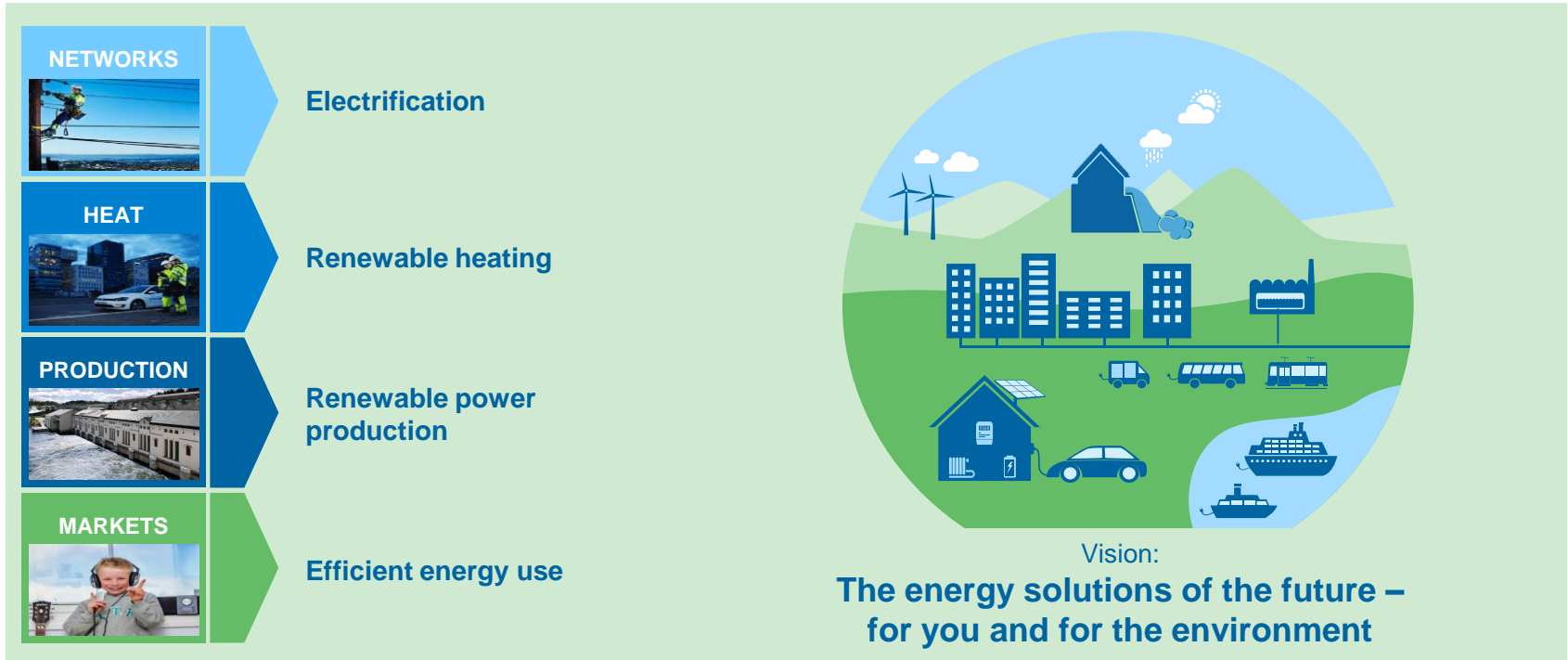
Hafslund's role in the *green shift*

Hafslund has had a strong focus on green and renewable solutions for many years

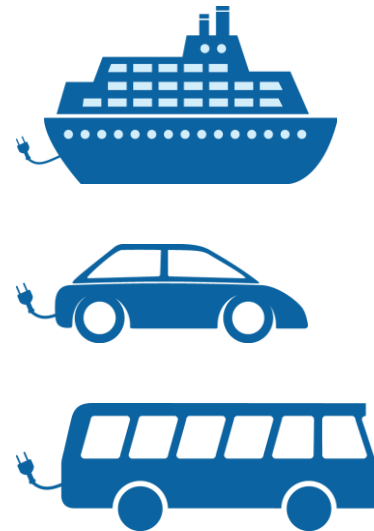
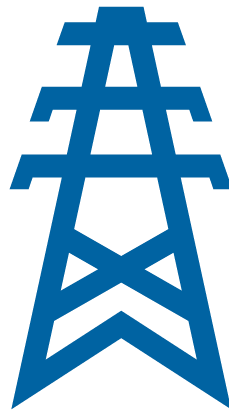
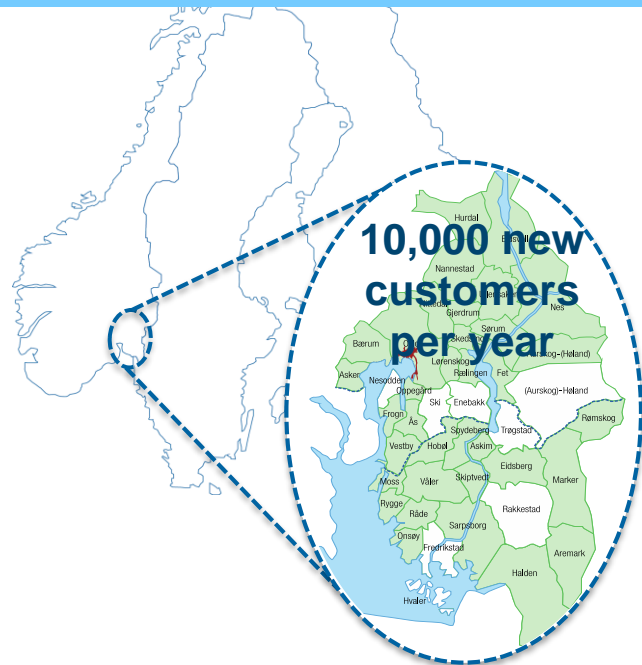


For Hafslund, it is a strategic priority to offer green and renewable energy solutions

Hafslund is *green* in all business areas

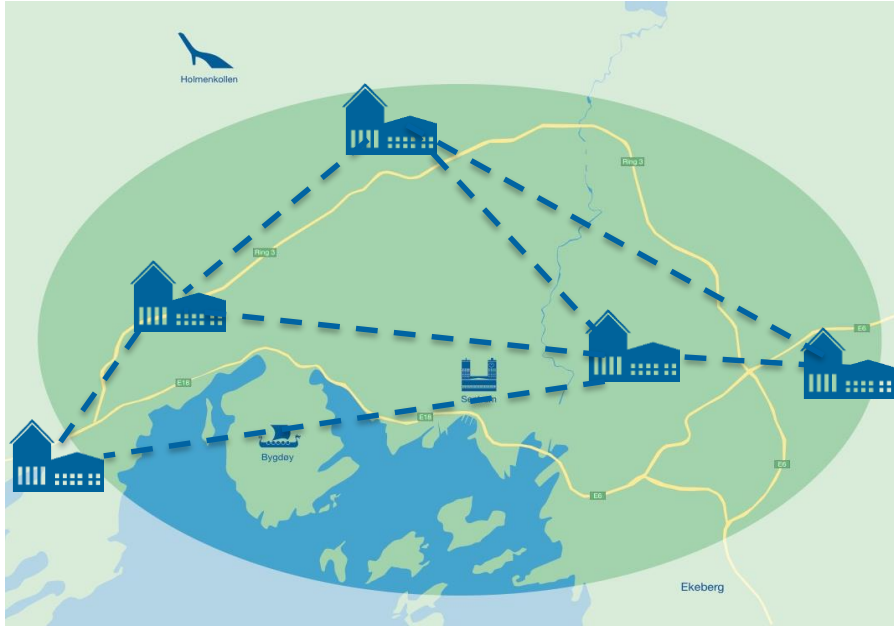


Network: A robust electricity network is the key to electrification



The electricity network will have the capacity to handle the growth in population and the increasing demand for power as a result of increased electrification

The network is dimensioned to handle increased electrification



- Within Hafslund's grid area, 168 main transformers supply a total of 19 TWh of renewable energy per year.
- Hafslund's investments in upgrading the network is approaching NOK 1 billion per year to supply electricity to a growing population and increasing electrification.

The network supplies renewable electricity, 100% emission-free, to Oslo, Akershus and Østfold

Hafslund has modernised and upgraded capacity throughout the grid area

Electrification of the transport sector



63% of CO₂ emissions in Oslo are from fossil-fuelled transport



Challenge: The transport industry releases more than 900 000 tons of CO₂ in Oslo annually. This is equivalent to 1-2 TWh with electrical transport solutions.

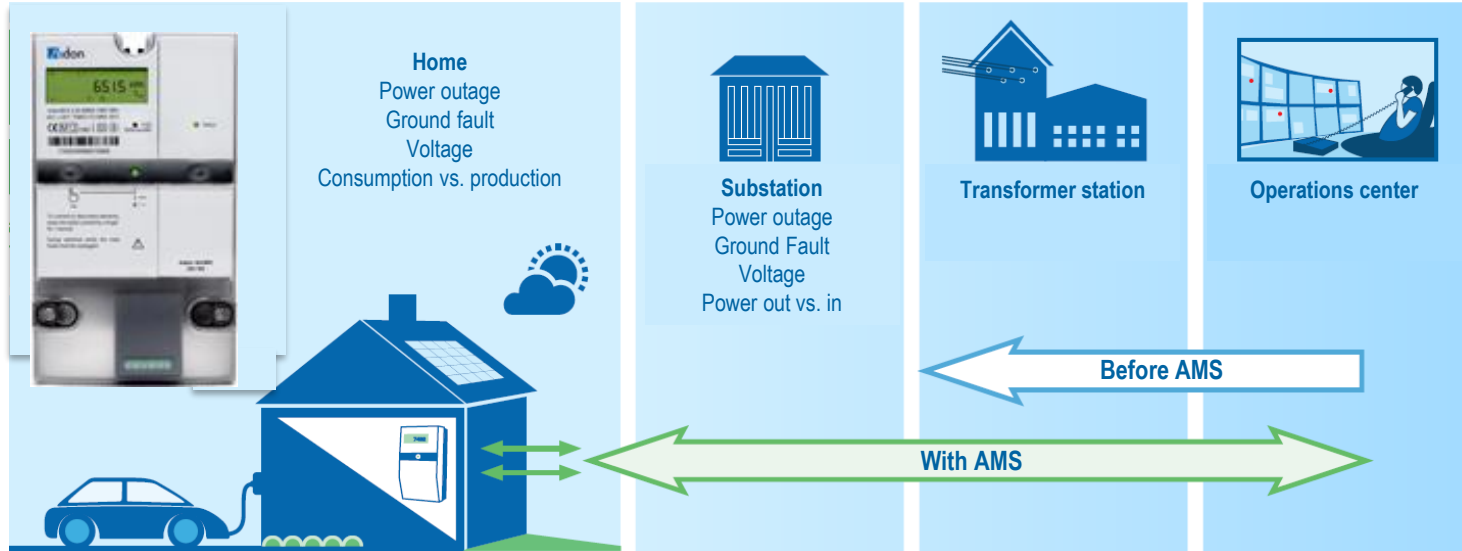
Means of transport	Fossil share
Trains/trams/metro	0%
Cars	96%
Goods vehicles	100%
Buses	73%
Ferries	100%
Ships	94%

Solution: Biofuels or electricity for batteries and hydrogen

AMS meters digitalise the network



700,000 meters provide 35 billion readings per year

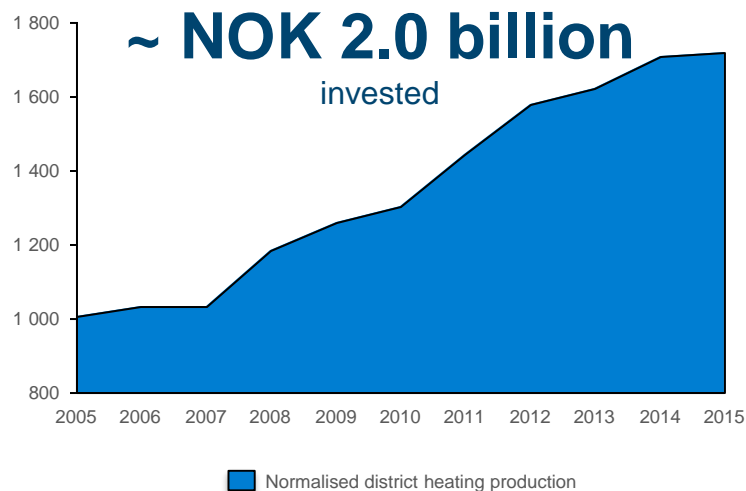


Digitalisation of the network will improve the quality of electricity supply and contribute to increased energy saving

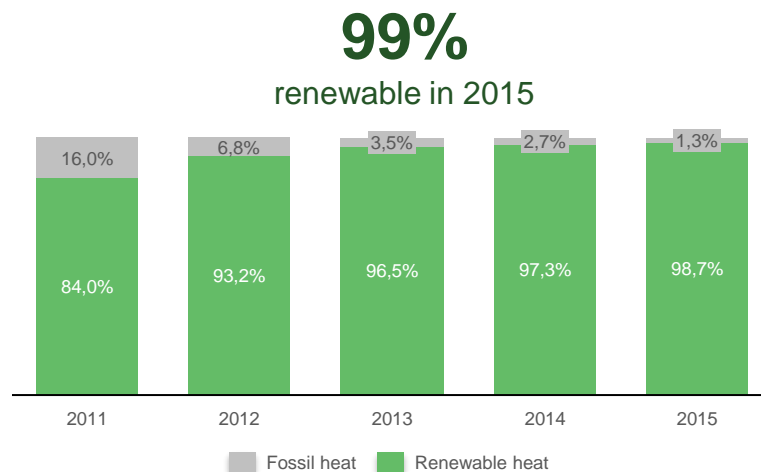
Heat: almost 100% renewable energy



Normalised district heating production (GWh)



Renewable share

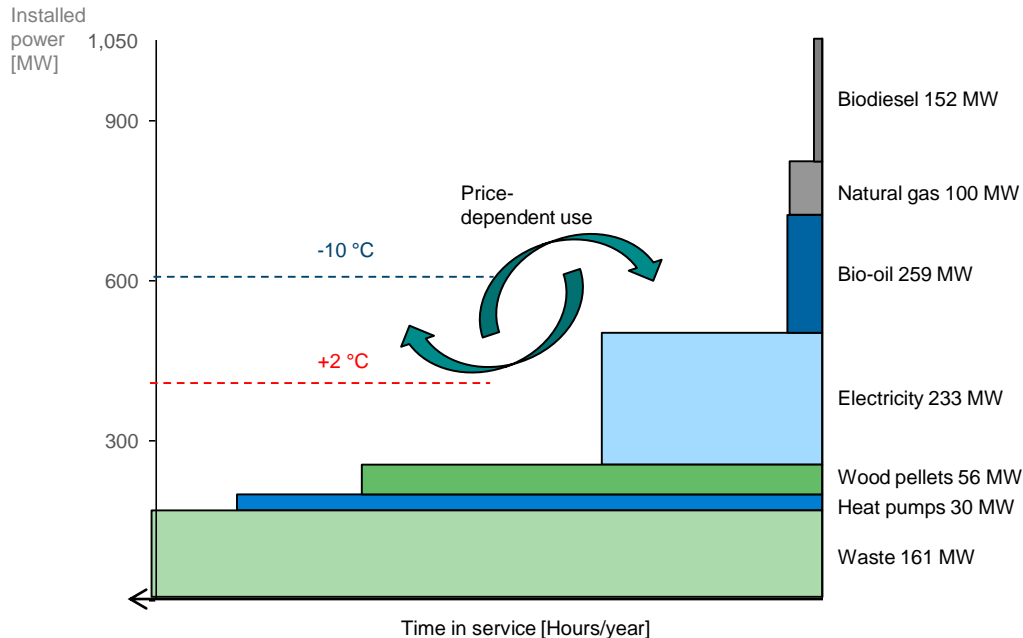


Hafslund's district heating currently covers about 25% of Oslo's heating needs

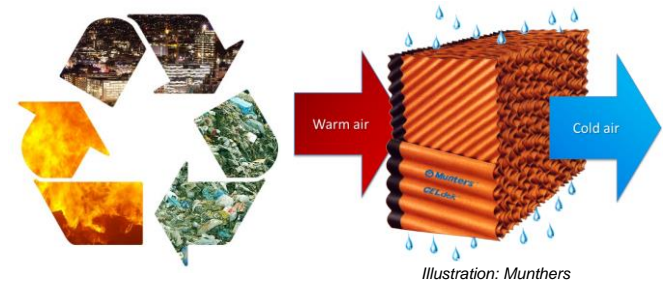
Heating makes use of waste heat that is otherwise lost



Time in service by heating source – aiming for high share of renewable



Opportunity: Heat-based ventilation cooling



- District heating is used to dry air, which is then added to water molecules and cooled
- Increased utilisation of heat from waste incineration, which would otherwise go to waste during the summer

Renewable thermal energy replaces oil-fired heating



20% of CO₂ emissions in Oslo are from fossil-fueled heating



Challenge: 500 GWh fossil heating left in Oslo, equivalent to roughly 270 000 tons of CO₂ emissions.

Solution: Half can be replaced with renewable district heating close to Hafslund's infrastructure, while the rest is based on heat produced with electricity, e.g. heat pumps

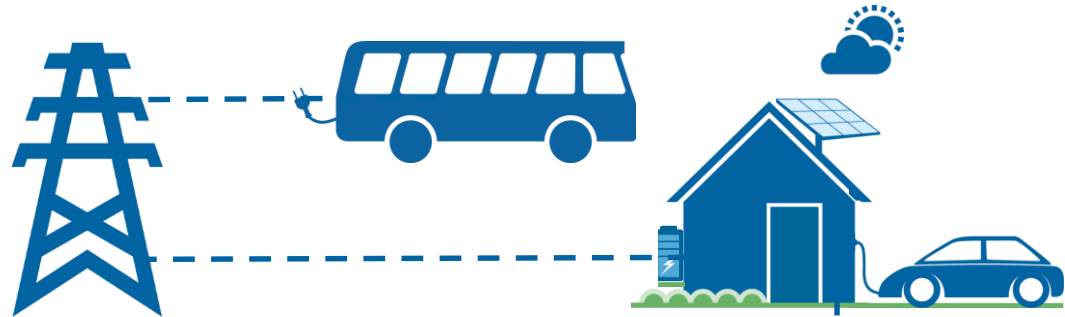
+260 GWh
new district
heating

+240 GWh
electric heating

Hafslund supplies infrastructure to facilitate the removal of fossil fuel use

Solutions from electrification:

- Electricity for chargers
- Electricity for hydrogen stations
- Electricity for heating
- Electricity for heat pumps
- Shorepower to ships

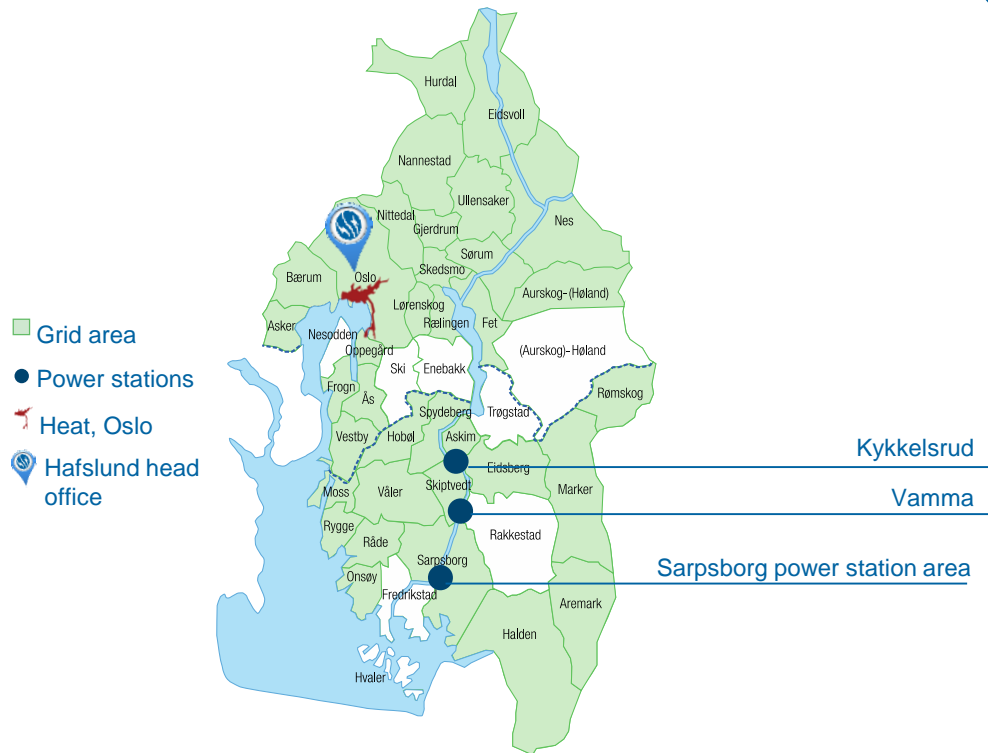


Solutions from district heating:

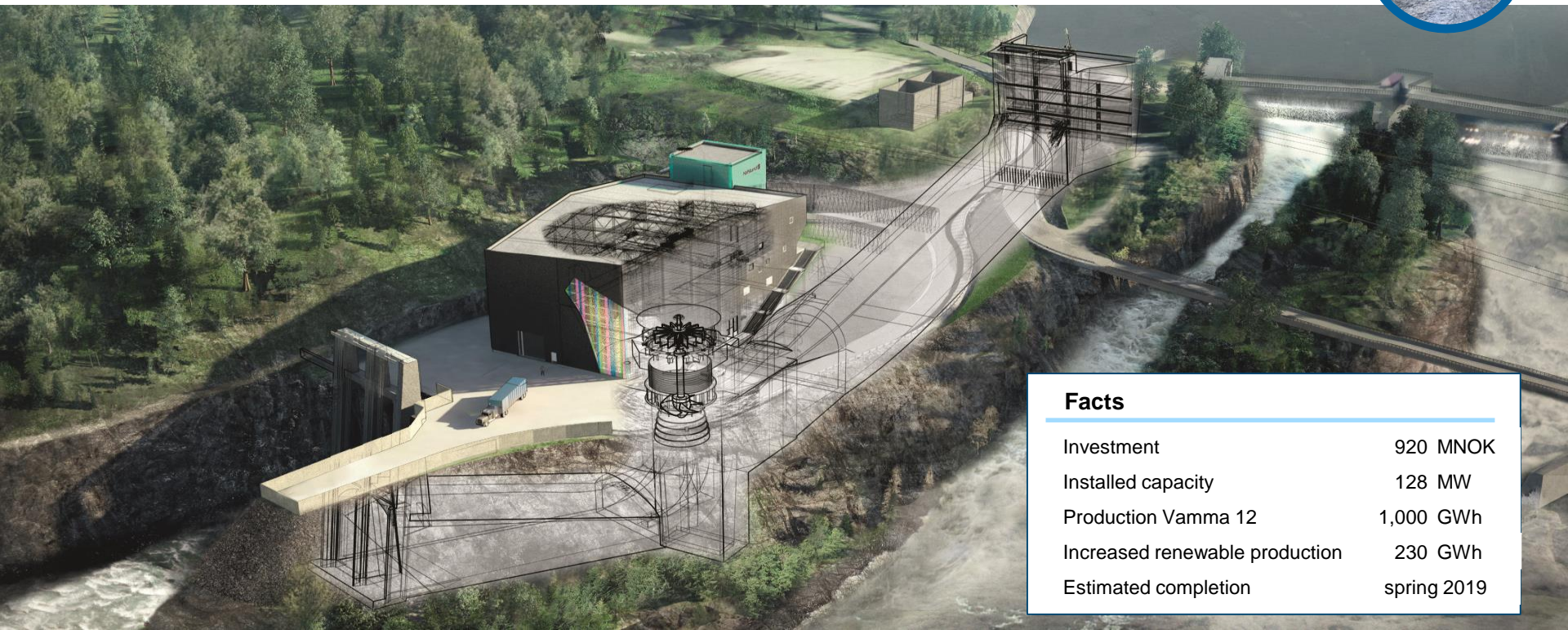
- District heating for heating
- District heating for cooling
- District cooling



Production: Renewable run-of-river hydropower in Glomma



New renewable energy under construction



Facts

Investment	920 MNOK
Installed capacity	128 MW
Production Vamma 12	1,000 GWh
Increased renewable production	230 GWh
Estimated completion	spring 2019

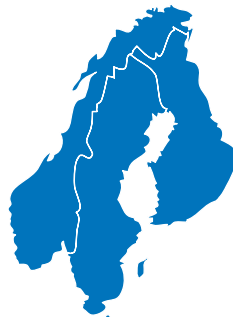
Markets offer customer solutions for efficient energy use



Big in the Nordic region

National leader

Regional player



2007

2013

2020+ →

Grønt Valg
(Green Choice)



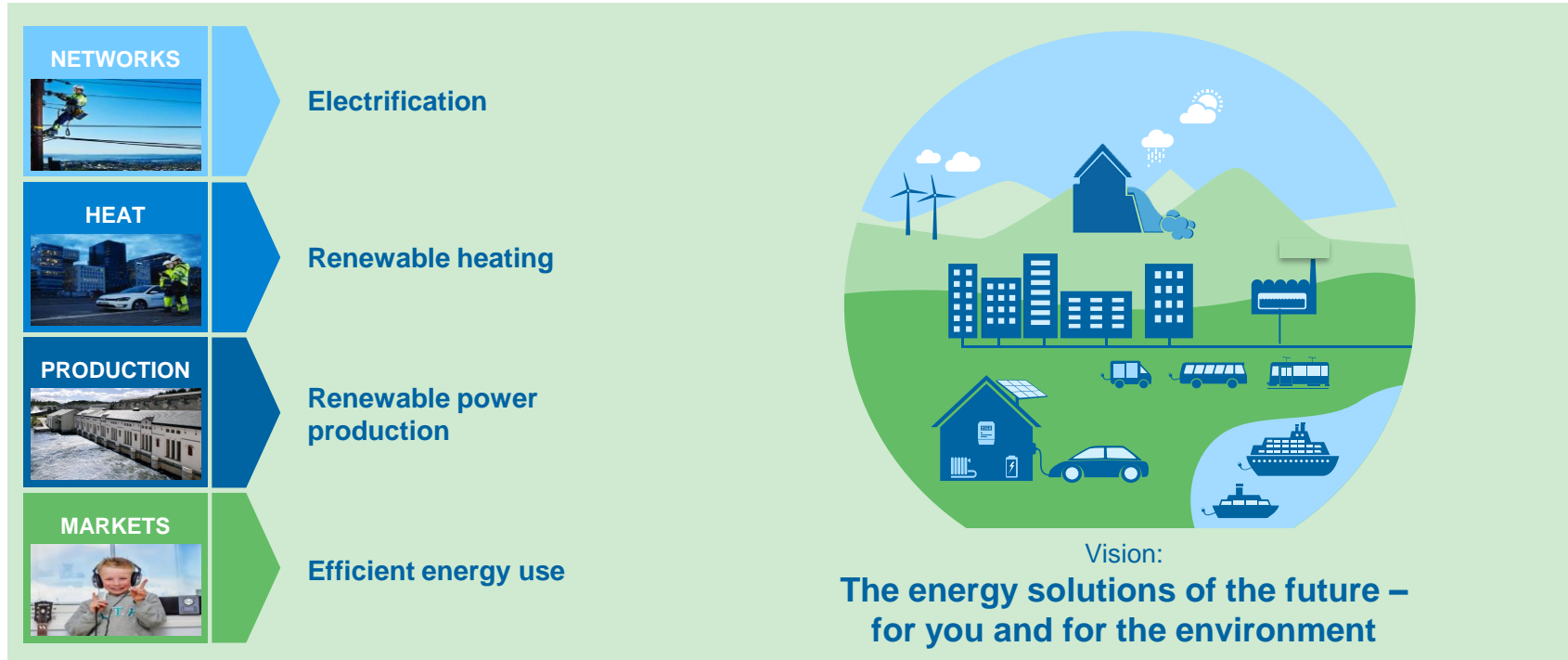
Hafslund Online



Active
environmental
option



Hafslund is fueling the green shift in Oslo, Akershus and Østfold



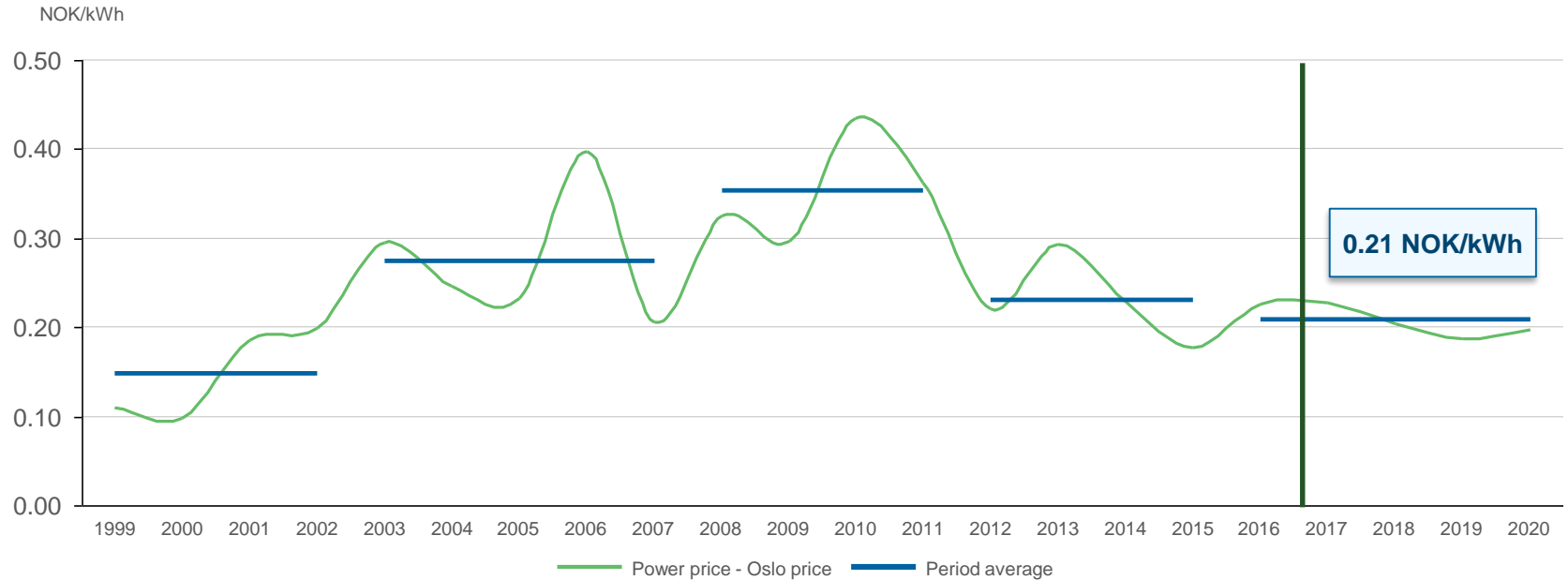
Agenda

A decorative graphic in the top right corner consisting of several concentric circles of varying shades of blue. Inside and around these circles are numerous small dots of different sizes and shades of blue. Faint, curved lines sweep across the background from the left towards the graphic.

- 1 Third quarter 2016 results
- 2 Hafslund's role in the green shift

3 Appendix

Oslo price (NO1) historic and forward



Group profit and loss account

NOK million	Q3 2016	Q3 2015	Δ	Ytd 2016	Ytd 2015
Operating revenue	2 580	2 158	422	9 581	8 545
Cost of energy	(1 268)	(836)	(432)	(5 310)	(4 441)
Gross margin	1 312	1 322	(10)	4 271	4 104
Gain/loss financial items	28	19	9	107	78
Operating expenses	(681)	(678)	(3)	(2 054)	(2 058)
EBITDA	659	663	(4)	2 324	2 124
Depreciation and write-downs	(234)	(236)	2	(688)	(672)
Operating profit	425	427	(2)	1 636	1 452
Interest expenses etc	(72)	(123)	51	(214)	(300)
Market value change loan portfolio	30	44	(14)	57	105
Financial expenses	(42)	(79)	37	(157)	(195)
Pre-tax profit	383	348	35	1 479	1 256
Tax	(127)	(111)	(16)	(460)	(383)
Profit after tax	255	237	19	1 019	873
Earnings per share (EPS) in NOK	1,31	1,21	0,10	5,22	4,47

Group balance sheet

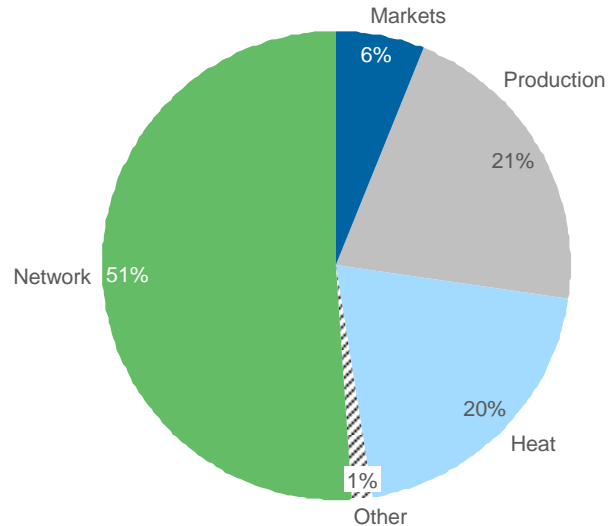
NOK million	2016-09-30	2016-06-30	Δ Q2 2016	2015-09-30
Intangible assets	2 890	2 909	(19)	2 966
Fixed assets	19 297	19 404	(108)	19 133
Financial assets	459	593	(134)	1 164
Accounts receivables and inventory	1 875	1 615	260	1 727
Cash and cash equivalents	421	527	(106)	337
Assets	24 941	25 048	(107)	25 328
Equity (incl. min. int.)	9 291	9 096	195	8 388
Allocation for liabilities	3 679	3 663	16	4 043
Long-term debt	7 719	7 409	310	8 136
Other current liabilities	1 794	2 059	(265)	1 989
Short-term debt	2 458	2 821	(363)	2 772
Equity and liabilities	24 941	25 048	(107)	25 328
Net interest-bearing debt	9 045	8 896	149	9 728
Equity ratio	37 %	36 %	1 %	33 %

Group cash flow

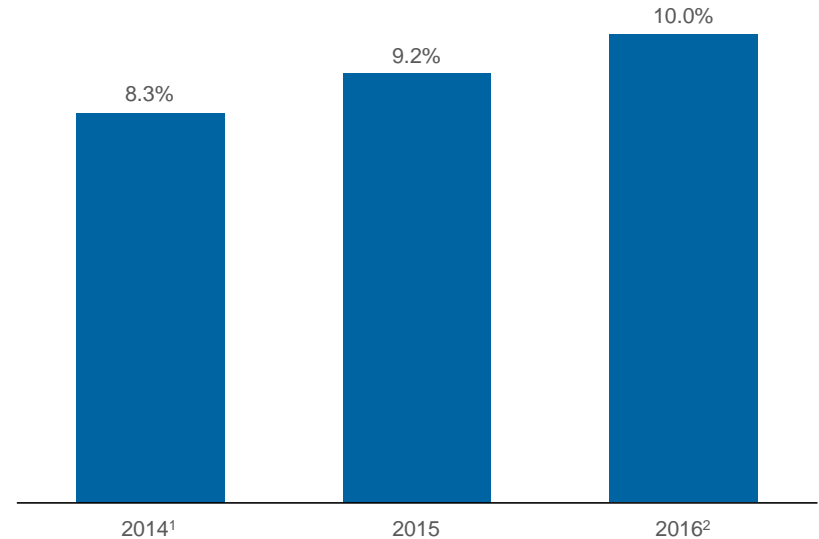
NOK million	Q3 2016	Q3 2015	Δ	Ytd 2016	Ytd 2015
EBITDA	659	663	(4)	2 324	2 124
Paid interests	(49)	(53)	4	(277)	(331)
Paid tax	0	(29)	29	(362)	(257)
Marketvalue changes and other liquidity adjustments	(38)	(40)	2	(99)	(64)
Change in working capital, etc.	(550)	(140)	(410)	314	606
Total cash flow from operations	22	401	(379)	1 900	2 078
Net operations and expansion investments	(392)	(296)	(96)	(942)	(772)
Net purchase/sale of shares etc.	266	12	254	394	12
Cash flow from investments activities	(126)	(284)	158	(548)	(760)
Cash flow to down payments and interests	(104)	117	(221)	1 352	1 318

Capital employed and return on capital employed

Capital employed NOK 22 bn. as of 30.09.2016



Return on capital employed (%)



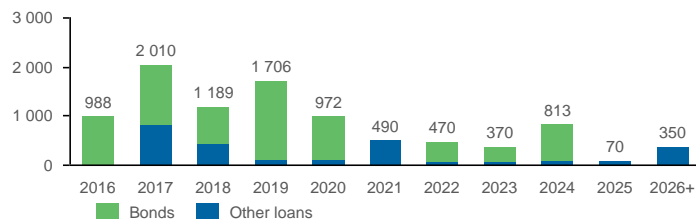
1: Includes write-downs in Bio-El and secondary networks at Søndre Nordstrand of NOK -127 million..

2: Last 12 months

Loans – portfolio data

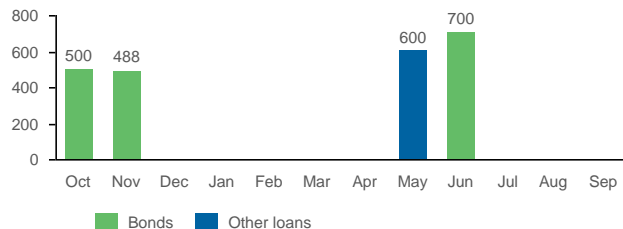
Debt maturity profile

NOK million



Loans at maturity next 12 months

NOK million



	Q3 16	Q2 16	Δ
Bonds	73 %	76 %	-3 %
Commercial paper	0 %	0 %	0 %
Other loans	27 %	24 %	3 %

NOK million	Q3 16	Q2 16	Δ
Nominal value - market value of loans	(160)	(191)	32
Market value interest rate and fx derivatives*	33	30	3
Average interest incl. derivatives (%)	3.3 %	3.4 %	-0.1 %
Loans at maturity next quarter	988	336	652
Unused drawdown facilities	3 717	3 800	(83)

*) incl. currency derivatives under hedge accounting

Key figures

Group	Ytd 2016	Ytd 2015
Capital matters		
Total assets	24 941	25 328
Capital employed	21 982	21 688
Equity	9 291	8 388
Market capitalization	15 116	11 241
Equity ratio	37 %	33 %
Net interest-bearing debt	9 045	9 728

Profitability		
EBITDA	2 324	2 124
Earnings per share (EPS)	5,22	4,47
Cash flow per share	9,74	10,65

Network	Ytd 2016	Ytd 2015
Capital employed	11 279	10 463
Gross margin	2 175	2 113
Energy delivery (TWh)	13 642	13 462
Number of customers (in 1 000)	693	686
NVE-capital (regulatory)	8 294	7 526

Heat	Ytd 2016	Ytd 2015
Capital employed	4 478	4 567
Avg. district heating income (NOK/kWh)	0,71	0,63
Gross margin (NOK/kWh)	0,46	0,39
Sales volume (GWh)	1 119	1 056

Production	Ytd 2016	Ytd 2015
Capital employed	4 622	4 396
Sales price (NOK/kWh)	0,22	0,19
Production volume (GWh)	2 369	2 609

Markets	Ytd 2016	Ytd 2015
Capital employed	1 308	1 449
- of this working capital	(164)	(173)
Number of customers (in 1 000)	1 084	1 045
Volume power sales (GWh)	13 774	12 689

Shareholders as of 30.09.2016

#	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	0	1 979	1 979	1,0 %	0,0 %
5	Folketrygdfondet	60	734	794	0,4 %	0,1 %
6	Avanza Bank AB	109	354	463	0,2 %	0,1 %
7	Nordnet	70	351	421	0,2 %	0,1 %
8	Greenwich Land Securities AS	84	323	408	0,2 %	0,1 %
9	JP Morgan Chase Bank	21		354	0,2 %	0,0 %
10	New Alternatives Fund, Inc	328	0	328	0,2 %	0,3 %
Total, 10 largest shareholders		111 377	74 077	185 455	95,0 %	96,5 %
Other shareholders		4 051	5 681	9 731	5,0 %	3,5 %
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:
 - www.hafslund.no
 - You can subscribe to Hafslund press releases
- Group CFO, Heidi Ulmo
 - heidi.ulmo@hafslund.no
 - Tel: + 47 909 19 325
- Head of Finance and Investor Relations, Martin S. Lundby
 - martin.lundby@hafslund.no
 - Tel: +47 416 14 448

Hafslund 