



Hafslund

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Agenda

- **Hafslund today**
- The announced transaction
- Nye Hafslund
- Debt structure in Nye Hafslund
- Financials
- Process and timeline

Hafslund – leading market positions



Norway's largest grid company

~ 700,000
customers

~23% share*



Norway's largest district heating operator

~ 1.7 TWh

~ 35% share*



A medium sized power producer

3.1 TWh

~ 2% share*



Norway's largest retail power supplier
– 5th largest in the Nordics

~ 1.1 mill.
customers

~ 25% share*

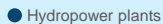
Energy and infrastructure, and power sales

Energy plants and infrastructure in Eastern Norway

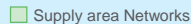
- Critical infrastructure
- Local presence
- Capital intensive business
- Solid growth



**Organic growth
from investments
and population
growth**



Hafslund headquarter



■ Heat, Oslo



leat, Oslo

Power sales in the Nordic region

- Strong Nordic presence
- Synergies across brands and countries
- Capital light business
- Clear multi brand strategy
- High growth ambitions

**1.1 million
customers**



Solvencia

Hafslund
Customer center

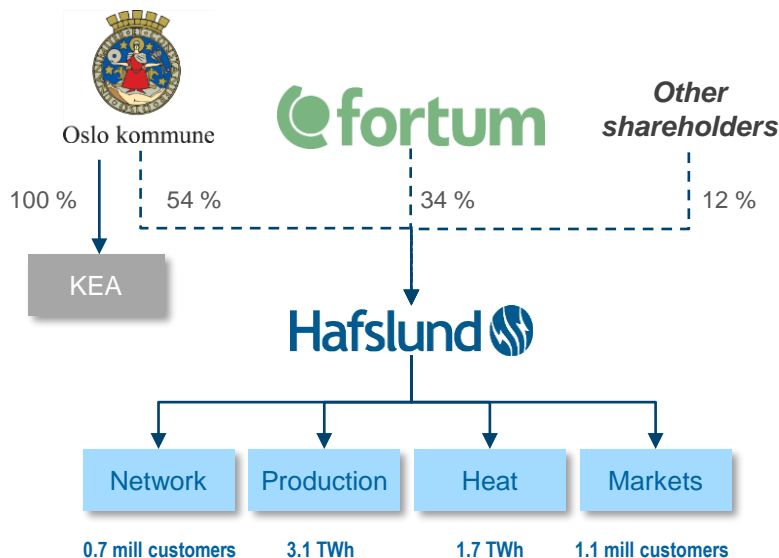
Hafslund
Tellier

Agenda

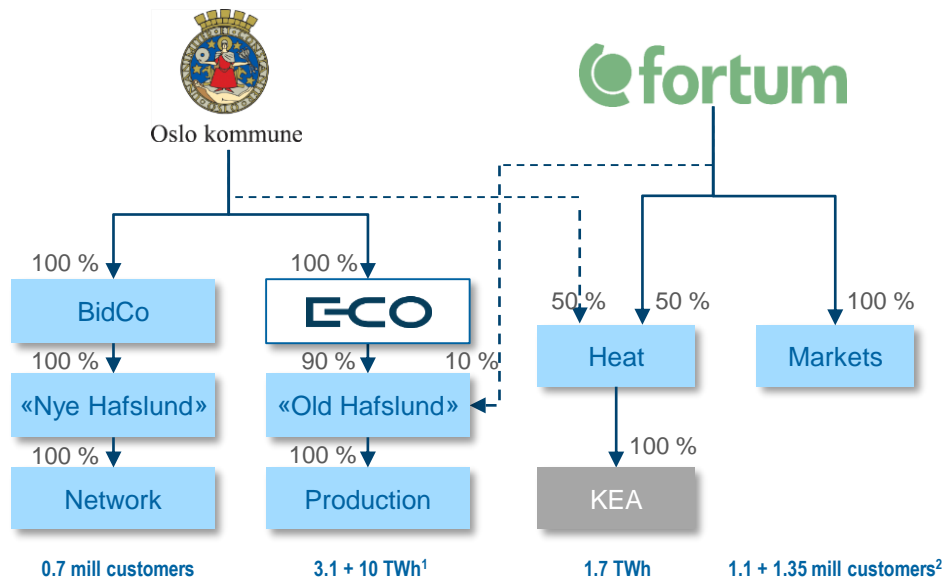
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Structure upon completion of the agreement between the City of Oslo and Fortum

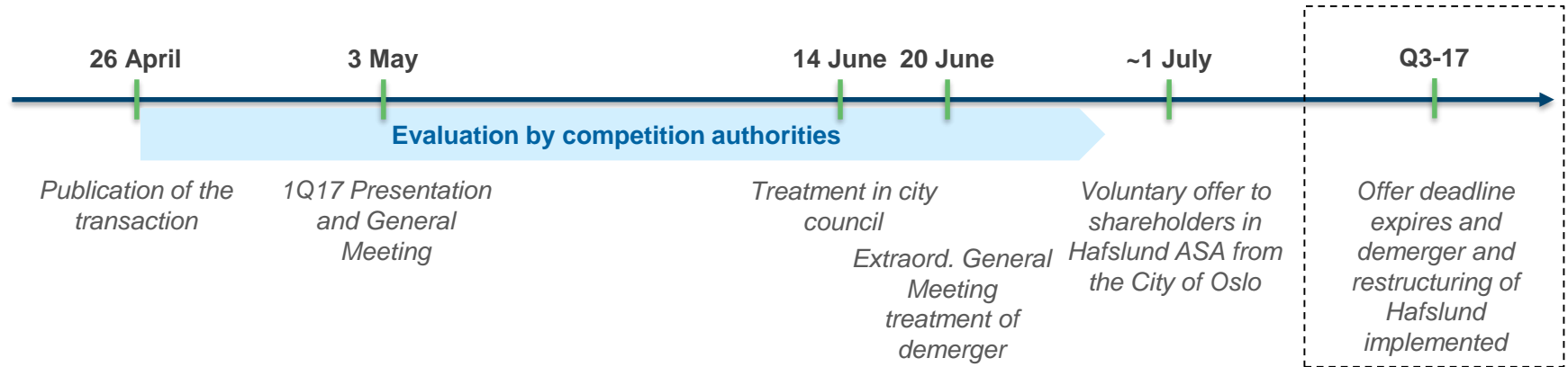
Today's structure



Structure upon completed transaction, autumn 2017



Announced schedule for the transaction



Detailed transaction plan

Step plan for the announced transactions (simplified):

BoD: **15 May**
EGM: **20 June**

Bid: **~1 July**,
Comp. acquisition:
~30 July.

Demerger:
~1 August

Sale of Production,
Heat and Markets:
**Shortly following
demerger**

Closing of all
transactions:
Q3 2017

1. Demerger of Hafslund ASA is approved by BoD and EGM¹
 - All assets, rights and obligations in Hafslund ASA, except for the Production assets, will be demerged into Nye Hafslund. This will also include all external debt in Hafslund.
2. Nye Hafslund will be the owner of Distribution, Heat and Markets
3. The City of Oslo makes a bid for all shares in Hafslund through BidCo, and BidCo effectuates the Compulsory Acquisition
4. The demerger is completed
5. Bidco sells Old Hafslund (including Production) to E-CO (90%) and Fortum (10%).
6. Bidco sells Markets to Fortum (100%)
7. Bidco sells Heat (including KEA²) to Fortum (50%) and the City of Oslo (50%).

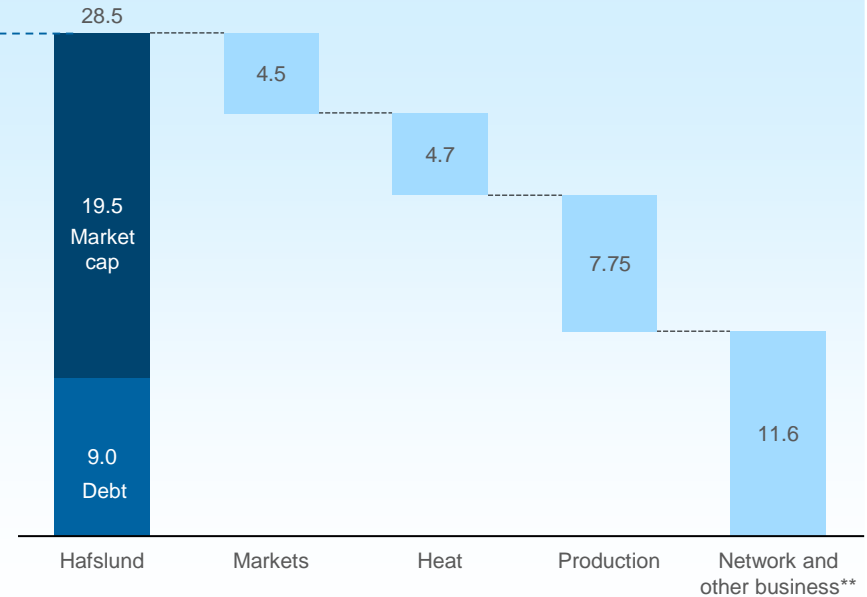
¹ BoD = Board of Directors, EGM = Extraordinary General Meeting; ² KEA = Klemetsrudanlegget AS

Price development and published values

HNB price development last five years



EV values in published transaction * (in NOK bn.)



* Values as published in Oslo Stock Exchange announcement 26.04.2017 07:32

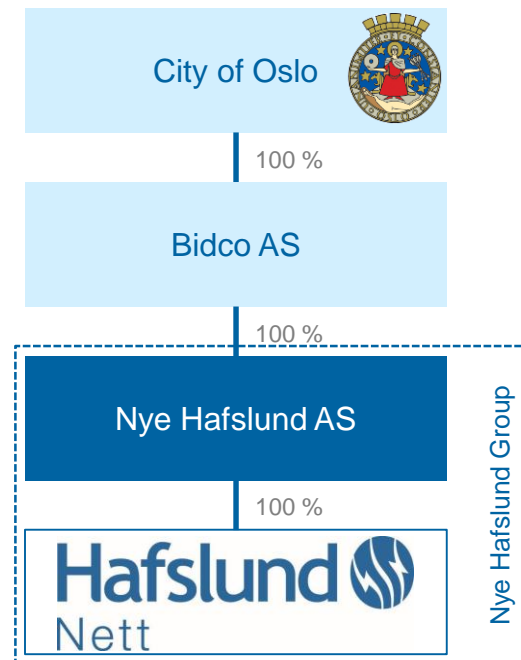
11 ** Implied value based on offer price of NOK 100 per share and debt as of 30 September 2016

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The Nye Hafslund Group will be a focused grid company 100% owned by the City of Oslo

- Nye Hafslund will be a pure and focused grid company with regulated business only.
- The company will be 100% owned by the City of Oslo, which has AAA rating from S&P and Aaa rating from Moody's.
- The regulated business ensures stable cash flows and attractive returns in a long term perspective.
- As the biggest and one of the most efficient grid companies in Norway, Nye Hafslund has a solid fundament for further increased profitability and growth.
- The company has leading expertise in developing, building and operating electricity grids. Its size, cost efficiency and use of digital solutions in operations, ensures one of the lowest grid tariffs and highest returns among grid companies in Norway.
- Nye Hafslund wants to take part in the expected consolidation of the grid industry in Norway, through both acquisitions and mergers.



The largest grid operator in Norway



Key data

Number of customers	~700,000
Energy delivered 2016	19,5 TWh
Share of Norwegian grid	~ 23%
Regulated asset base	NOK 8.8 bn.
ROCE 2016*	9.7%
Efficiency score 2017	113%
Revenue cap 2017	NOK 2.7 bn.

- Located in the extended Oslo region, with significant population growth
- Regional and distribution grid
- Natural monopoly
- Fully regulated through the Energy Act
- Automatic meters by 2019
- One of Norway's most efficient grid operators with high uptime

Increased need for grid efficiency



Increased customer expectations and investment needs ...



Electrification



Aging grid



Extreme weather



ICT and cyber security

Historically high investment levels ahead:

- Investment need in the Norwegian grid of NOK 140 bn. coming 10 years



... high need for

Capital

Stable regulation

Competence

We need to take action – either through cooperation or consolidations

Priorities: Investments and structural growth



Strategic priorities

Organic growth

- Automatic meters (AMS)
- Reinvestments in the grid
- Population growth

Structural growth

- Primarily in geographical proximity

Optimal operations

- High uptime
- Low costs

Target:
The most efficient grid company in Norway

Area



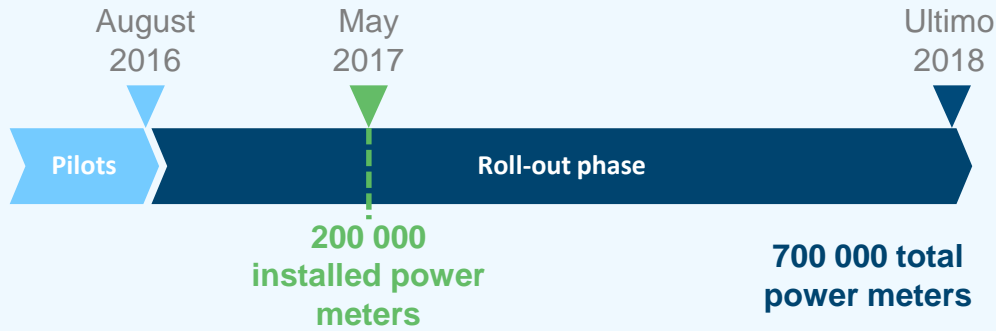
Hafslund's network area

AMS

Invests NOK 2.4 billion in AMS to 700' customers by 2019



Status AMS



- Full scale roll-out of power meters started in August 2016.
- Roll-out is going as planned.
- Accumulated investments of NOK 724 mill per Q1. Total project cost estimate of NOK 2.4 billion is unchanged from earlier.



Roll-out plan

- H2 2016
- H1 2017
- H2 2017
- H1 2018
- H2 2018
- Not Hafslund



Investments in and a robust grid is an important basis for achieving climate targets and the green society

Why is a robust grid important for the green society?

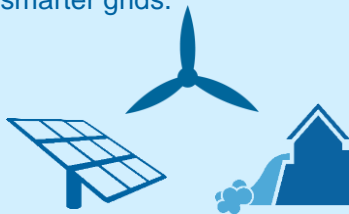
Population growth and electrification

- A strong grid is needed to meet the increased power demand due to population growth and electrification.
- Electrification of transport can alone reduce Oslo's emissions by up to 900,000 tons of CO₂ annually.



Increased share of renewable energy

- A robust grid is required to ensure efficient deployment of all renewable power generation, both in Norway and in Europe.
- Higher degree of variable renewable power into the system requires more capacity and smarter grids.

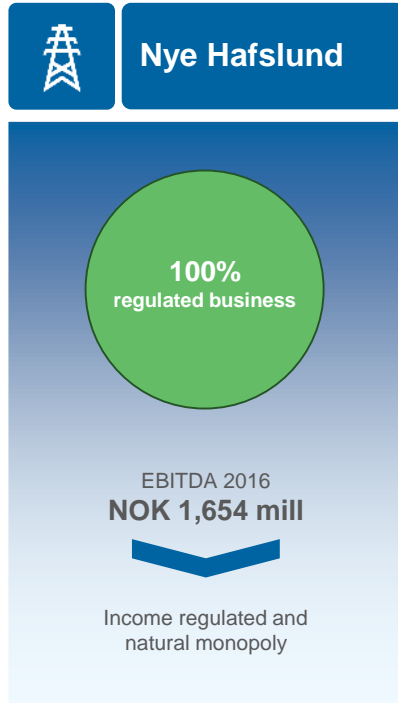


Smart grid and smart cities

- Smart cities and a smart grids are essential to meeting tomorrow's renewable society.
- Digitalization of the network will increase the quality of power supplied and facilitate increased energy savings.



Nye Hafslund – fully regulated business



NVE:

“The main objective of NVE's network regulation is to provide the basis for efficient electricity markets and efficient control of network companies as natural monopolies.”

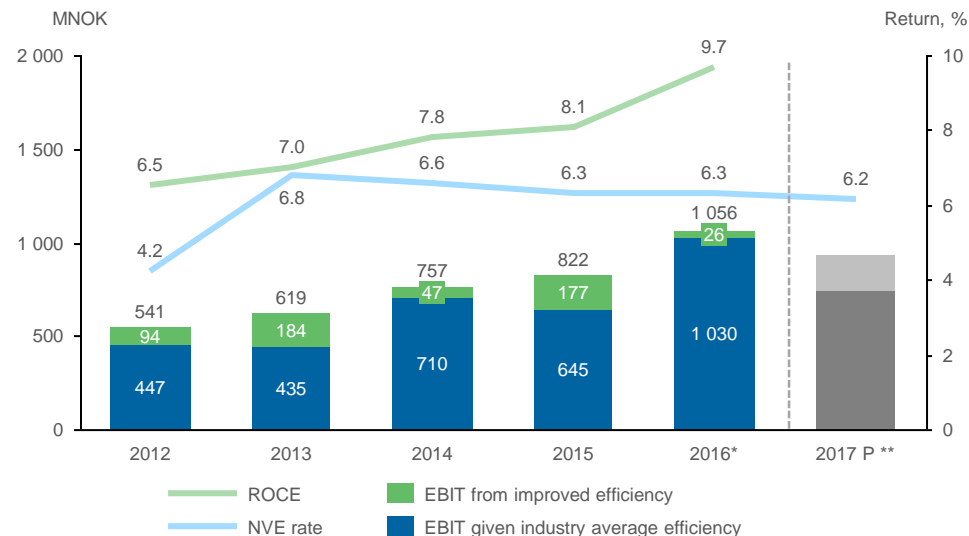


- The electricity grid is a natural monopoly and is regulated by The Norwegian Water Resources and Energy Directorate (NVE).
- The regulation ensures stability and predictability in earnings. As Nye Hafslund will be a pure grid company without exposure to the power price, this implies an improved business risk compared to Hafslund today. The improved business risk allows the company to have somewhat weaker financial ratios and still maintain the creditworthiness of Hafslund today.
- The industry will on average receive a return on the regulated asset base equal to the estimated cost of capital for a grid company («NVE rate»). For 2017 the return is estimated to 6.15%, while the rate was 6.32% in 2016. Companies more effective than the average will obtain higher returns.

The income framework model of NVE honors cost-effective companies

- NVE's model ensures that the most cost-effective companies have the lowest grid tariff to customers while at the same time achieving the highest return on capital.
- Over the last five years, Hafslund has increased operating results by approximately NOK 100 million annually by being more efficient than the grid industry as a whole.
- Hafslund aims to be Norway's most effective grid company and thus increase the results in the years to come.

Results and returns for Networks



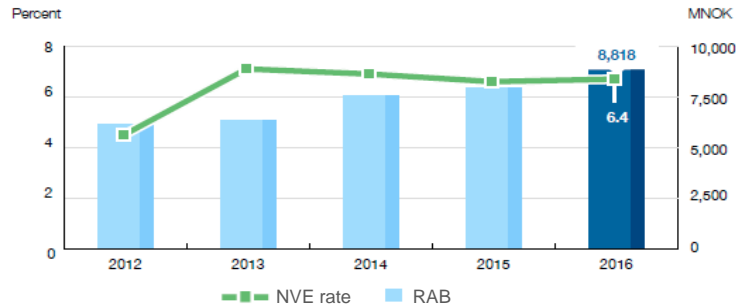
By becoming Norway's most effective grid company, Hafslund will provide customers with the lowest possible grid tariff and achieve the highest possible return on capital

* The result for 2016 includes positive one-time effects related to the regulation (harmony and calibration effect).

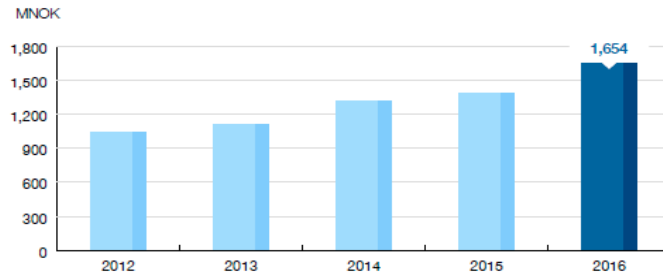
20 ** Estimate for 2017 including notice from NVE on NVE-rate of 6.15%.

Network – solid historical performance

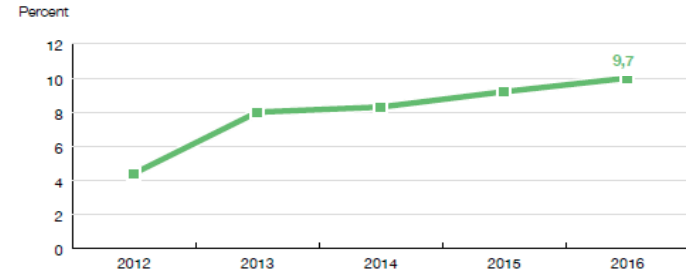
Network: NVE rate and regulated asset base (RAB)



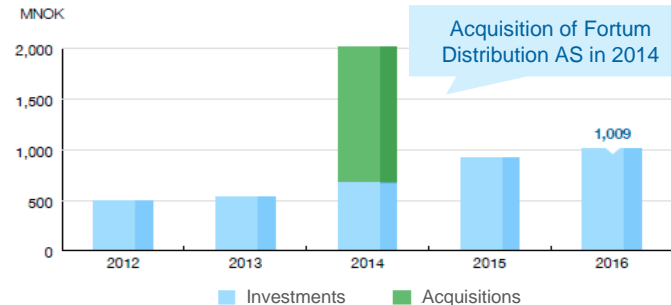
Network: EBITDA*



Network: Return on capital employed (ROCE)



Network: Investments



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Information from the City of Oslo regarding the debt structure in Nye Hafslund (I)

From the City of Oslo stock exchange notice on 26 April:

“Nye Hafslund will own Distribution as a fully regulated grid company, and ensure stabile future earnings for its owners and lenders. The Company will aim to maintain a credit profile which will form basis for borrowing terms and conditions comparable with those of Hafslund today. It is expected that all existing interest-bearing debt in Hafslund is transferred to Nye Hafslund and that parts of this debt will be redeemed to achieve the desired balance sheet, dividend capacity and creditworthiness for Nye Hafslund.”

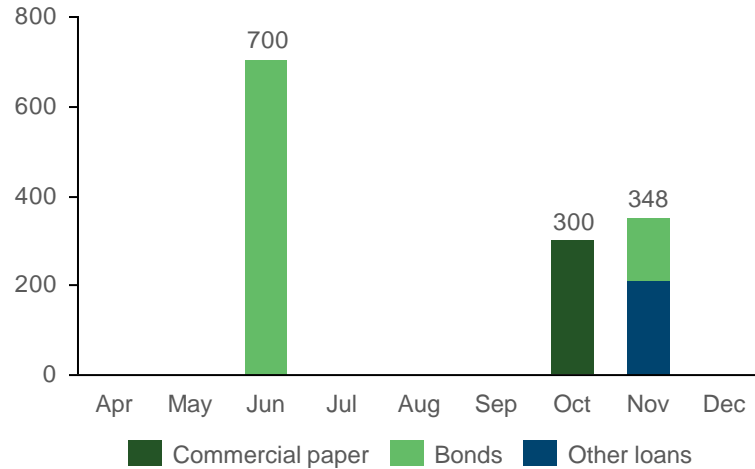
Information from the City of Oslo regarding the debt structure in Nye Hafslund (II)

From summons to bond holder meetings on 13 June:

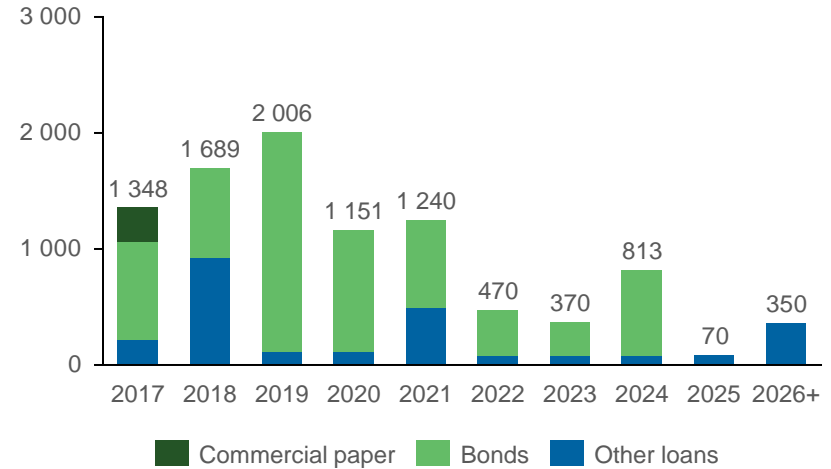
The City of Oslo has not resolved a cash dividend from Nye Hafslund to the City of Oslo in 2017, after completion of the announced transactions. Furthermore, it is the City of Oslo's assessment that the estimated cash holdings in Nye Hafslund specified in the balance sheet will be sufficient to reduce the gross interest-bearing debt so that Nye Hafslund as a well-established grid company can maintain comparable borrowing terms with today's Hafslund ASA. Gross interest-bearing debt is expected to become approximately equal to net interest-bearing debt during the first half of 2018. Nye Hafslund's capital needs will increase somewhat by the end of 2018, partly due to the completion of the rollout of automatic meters (the AMS project). It is not expected that the net interest-bearing debt / EBITDA in Nye Hafslund will exceed 5x.

Hafslund loan portfolio per 30 April 2017

Loans at maturity in 2017 (MNOK)



Debt maturity profile (MNOK)



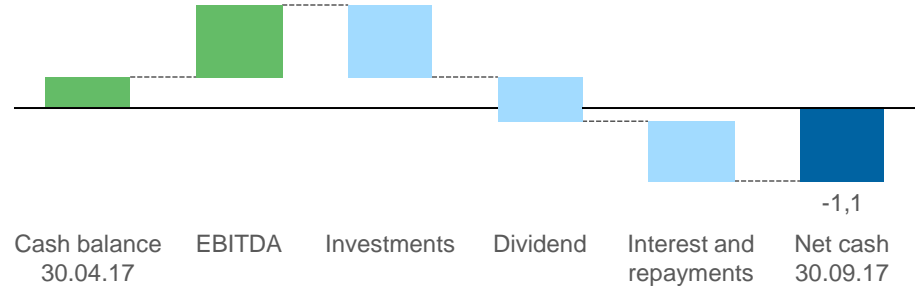
NOK 1.35 bn. in debt matures over the course of 2017.

Indicative liquidity estimates 2017

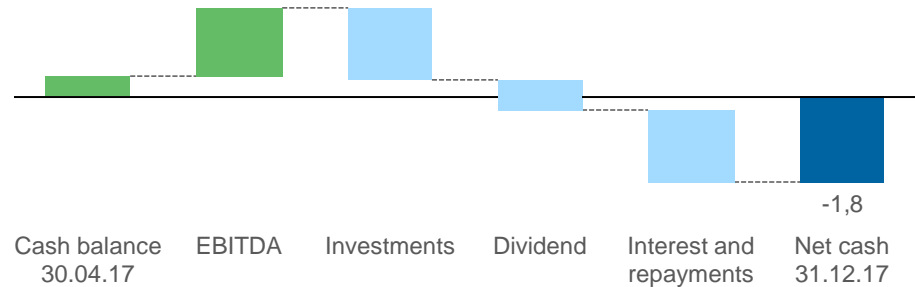
- The estimates are based on cash flow for Hafslund Group from May to September and for Nye Hafslund from October to December, not including the cash effects from the transactions announced by the City of Oslo and Fortum.
- The total cash need is estimated to approx. NOK 1.1 bn. from May to September. Intra-month analyses in the period toward closing, indicates a maximum cash need of approx. NOK 1.3 bn.
- The total cash need is estimated to approx. NOK 1.8 bn. over the course of 2017. Please note that any cash in the Nye Hafslund Group will reduce this amount accordingly.

Disclaimer: Please note that there are significant uncertainty in these estimates.

Indicative cash flow from May-September (BNOK)



Indicative cash flow from May-December (BNOK)



Debt handling in new structure

- All existing financing arrangement shall follow to Nye Hafslund as set out in the de-merger plan, whereby Nye Hafslund will be the borrower/issuer/debtor.
 - Existing bilateral bank loans will be handled through amendment agreements with the banks.
 - Bond holder meetings will be arranged to approve the de-merger and Nye Hafslund as borrower/issuer.
- Need for bridge financing from June to after closing of all transactions. Primarily two alternatives are being considered and these will initially be considered in parallel:
 - i. Waiving (and cancelling part) of the 3,600 MNOK facility. The waiver must include request for consent to i) carry out the de-merger, ii) change the Company to “Nye Hafslund” and iii) carry out the asset disposals. In addition, the available facility will be reduced to ~ 1,800 MNOK. This alternative will indicate that the facility will be drawn.
 - ii. Establishing a new ~ 1,800 MNOK short term bridge loan with a limited amount of banks. This alternative will indicate a termination of the 3,600 MNOK facility and establishing a new facility post closing.
- Bridge financing is intended to be repaid with the cash available in the Nye Hafslund Group after all transactions have been completed.
- Back-up financing is available from Fortum to Nye Hafslund.

Hafslund is working to establish bridge financing to cover short term liquidity over the transaction

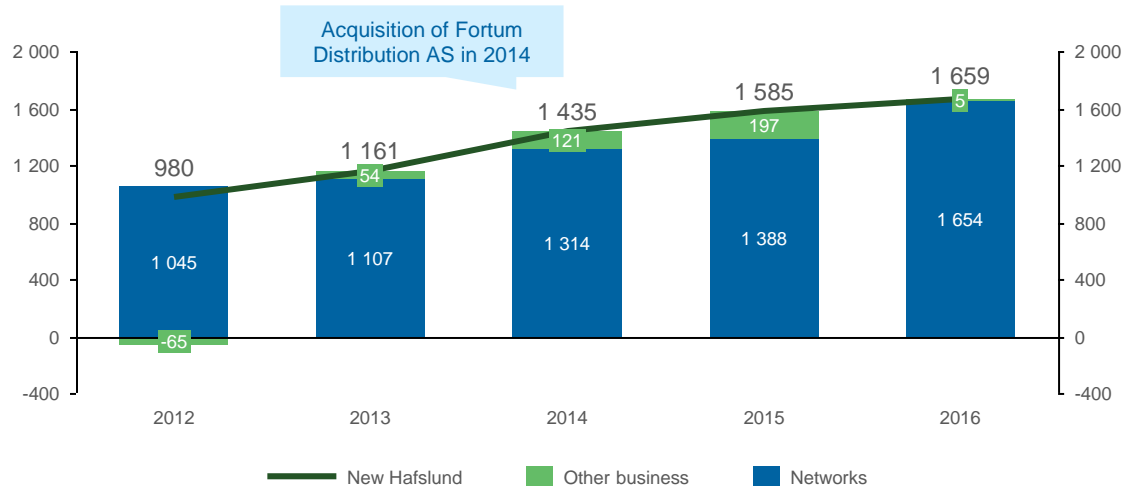
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Historical financials – Nye Hafslund Group (I)

The Nye Hafslund Group figures includes the reported business area Networks and Other business

Historical EBITDA – Nye Hafslund Group (MNOK)



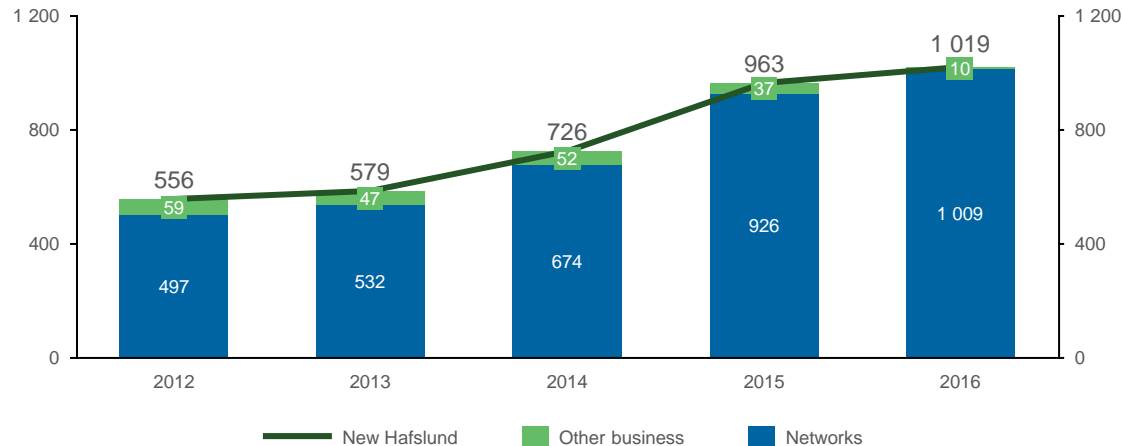
Other business primarily includes the following:

- Staff and support functions.
- Embriq (sold 2015).
- Incineration plants Østfold (partly sold in 2015 and 2016, only Bio-EI Fredrikstad left from 2017).
- Results from affiliated companies; Fredrikstad Energi (49%), Trøgstad Elverk (49%) and Rakkestad Energi (33%).

Historical financials – Nye Hafslund Group (II)

The Nye Hafslund Group figures includes the reported business area Networks and Other business

Historical Investments (excl. acquisitions) – Nye Hafslund Group (MNOK)



Other business primarily includes the following:

- Staff and support functions.
- Embriq (sold 2015).
- Incineration plants Østfold (partly sold in 2015 and 2016, only Bio-EI Fredrikstad left from 2017).
- Results from affiliated companies; Fredrikstad Energi (49%), Trøgstad Elverk (49%) and Rakkestad Energi (33%).

Indicative balance sheet – Nye Hafslund Group

- The City of Oslo has estimated the balance sheet for the Nye Hafslund Group after closing, based on the balance sheet of Hafslund as of February 2017.
- The estimate indicate net interest bearing debt of about NOK 5.7 bn. and an equity ratio of 28%.
- Based on the EBITDA prognosis for 2017 for Nye Hafslund, this debt level indicate a leverage ratio of 3.6x EBITDA.

Estimated balance sheet post closing – Nye Hafslund Group (MNOK)

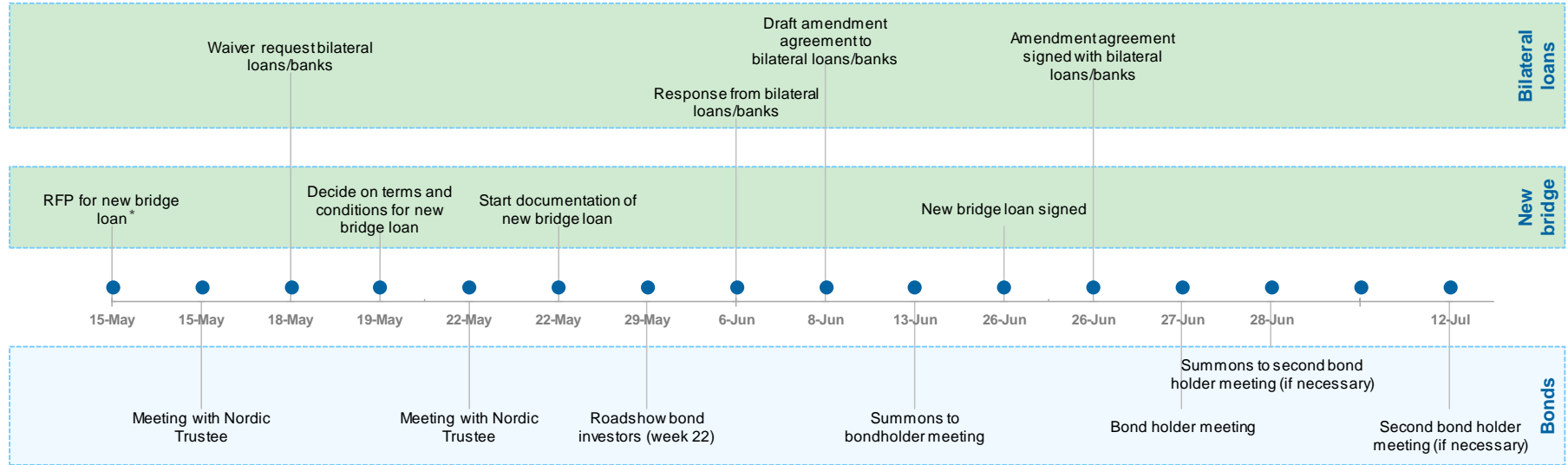
Fixed assets	12 315
Receivables	985
Cash and cash equivalents	3 386
Total assets	16 686
Equity	4 657
Interest bearing debt	9 089
Other debt	2 939
Equity and debt	16 685
Net interest bearing debt	5 703
Equity ratio	28 %
Net debt / EBITDA (2017)	3.6x

Disclaimer: Please note that the work to determine final transaction structure, capitalization, balances and interest rates will continue in the future. Final results of the analyzes are influenced by the development of Hafslund's business areas, detailed assessments of group positions in Hafslund, as well as final legal and accounting assessments. In addition, actual accounting will be decided by the entities that keep the accounts.

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Tentative timeline for Nye Hafslund financing



It is expected that existing bank loans, bonds and a new bridge loan, are handled by the end of June

Hafslund 