



# First-quarter 2013 presentation to analysts

Hafslund ASA

7 May 2013

Finn Bjørn Ruyter, CEO

# Agenda

---

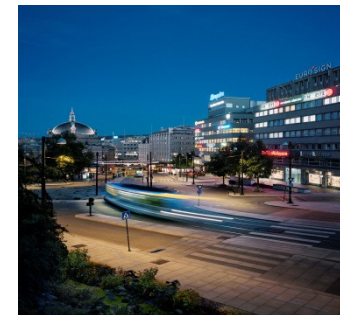
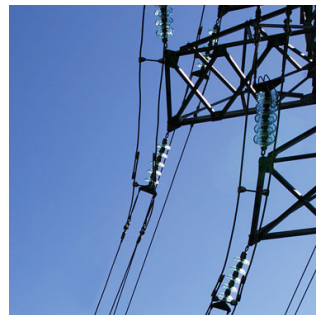
**1) First quarter 2013 – Finn Bjørn Ruyter, CEO**

2) Network business – Kristin Lian, Senior Vice President, Networks

# Highlights - first quarter 2013

---

- Satisfactory first-quarter operating profit; EBITDA: NOK 638 million (NOK 621 million).
- Improved operating profit at underlying businesses: up 16 percent from 1Q 2012.
- Strong demand for energy due to cold weather in parts of the reporting period.
- Hydropower sales price: NOK 0.29 per kWh, up NOK 0.02 per kWh from 1Q 2012.
- High cash flow from operations: NOK 817 million in the quarter, including a NOK 465 million reduction in working capital.
- Deadline for completing rollout of automated metering systems (AMS) postponed two years, to 1 January 2019.

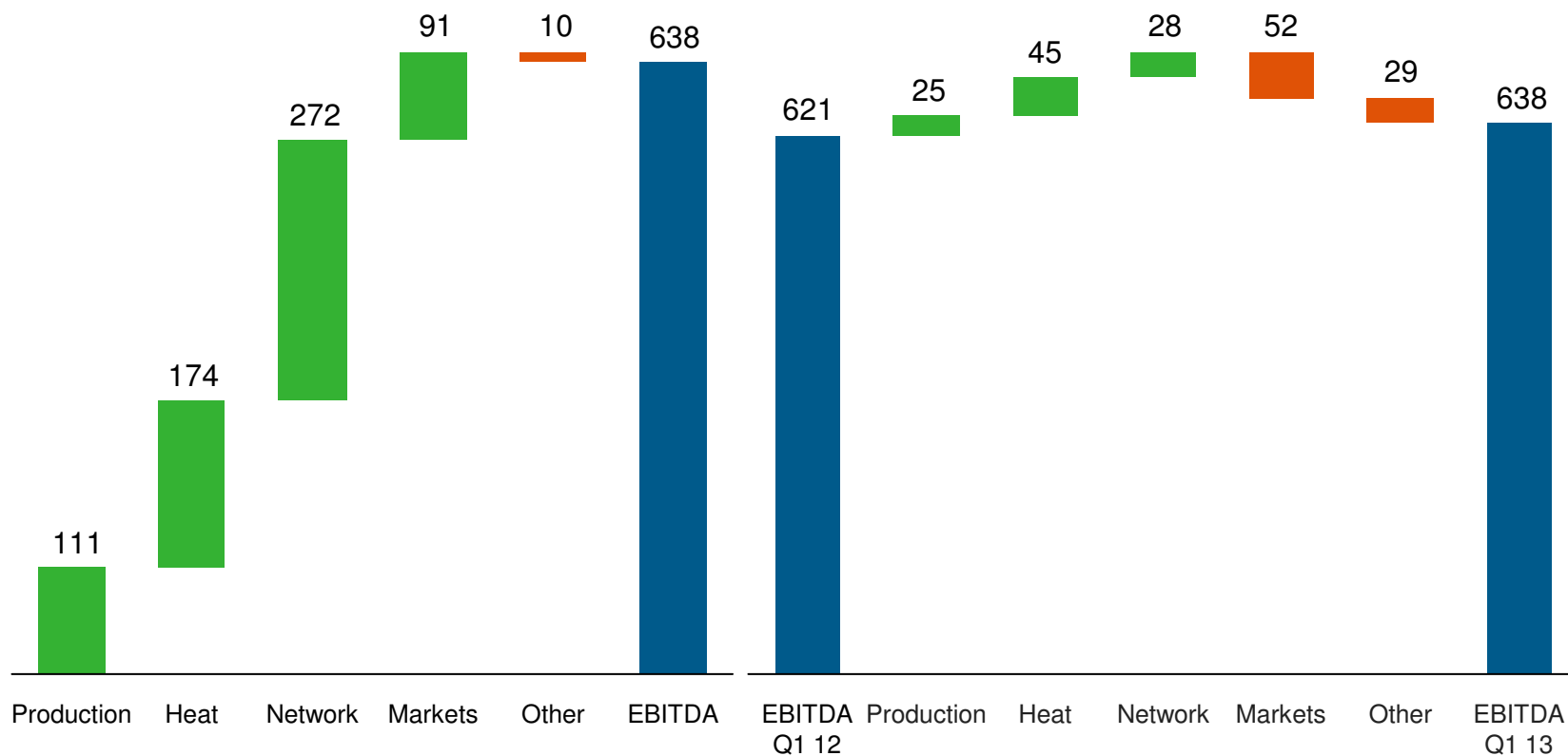


# EBITDA first quarter 2013 and change from 2012

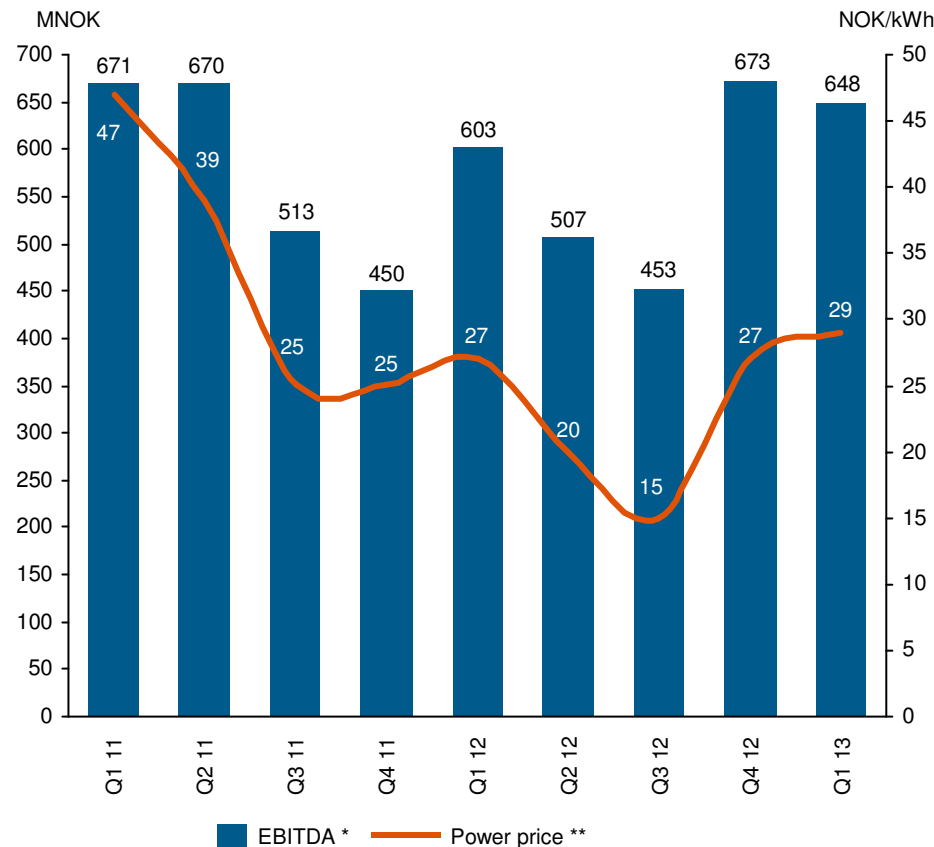
## EBITDA Q1 13

## Change in EBITDA from 2012

NOK million



# EBITDA core business and power price development

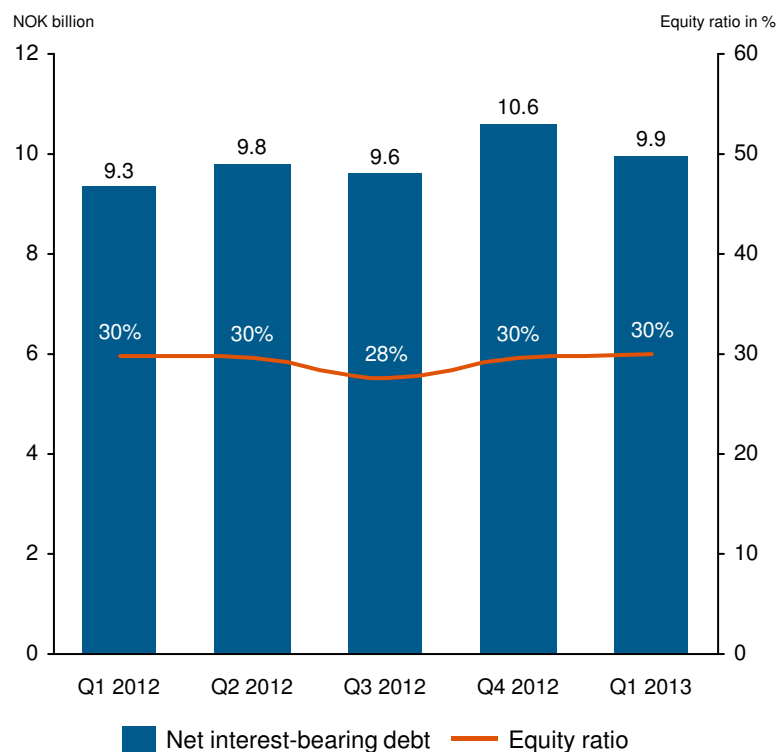


- Power prices and Network's regulated income ceiling are key value drivers.
- Annual rate of EBITDA changes approx:
  - NOK 380 million per NOK 0.10 per kWh change in wholesale power price.
  - NOK 60 million per percentage point change in the interest rate applied by NVE to determine Network's annual income ceiling.
- Power price of NOK 0.29 per kWh in the quarter is higher than the last six quarters.
- Estimated NVE interest rate of 6.8 percent for 2013, up 2.6 percentage points from 2012.



# Interest-bearing debt reduced by NOK 0.7 billion in the quarter

## Net interest-bearing debt and equity ratio \*

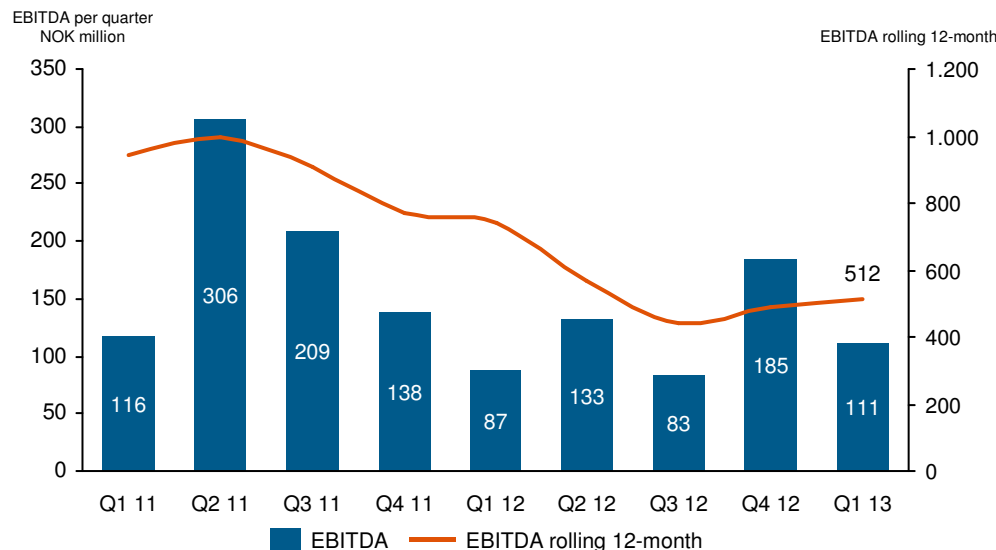


## Change in interest-bearing debt (NOK million)

<b>Net interest-bearing debt 31.12.2012</b>	<b>(10 648)</b>
EBITDA	638
Interest paid	(183)
Tax paid	(128)
Change in market value of financial instruments	26
Change working capital	465
Investments	(111)
<b>Net interest-bearing debt 31.03.2013</b>	<b>(9 942)</b>

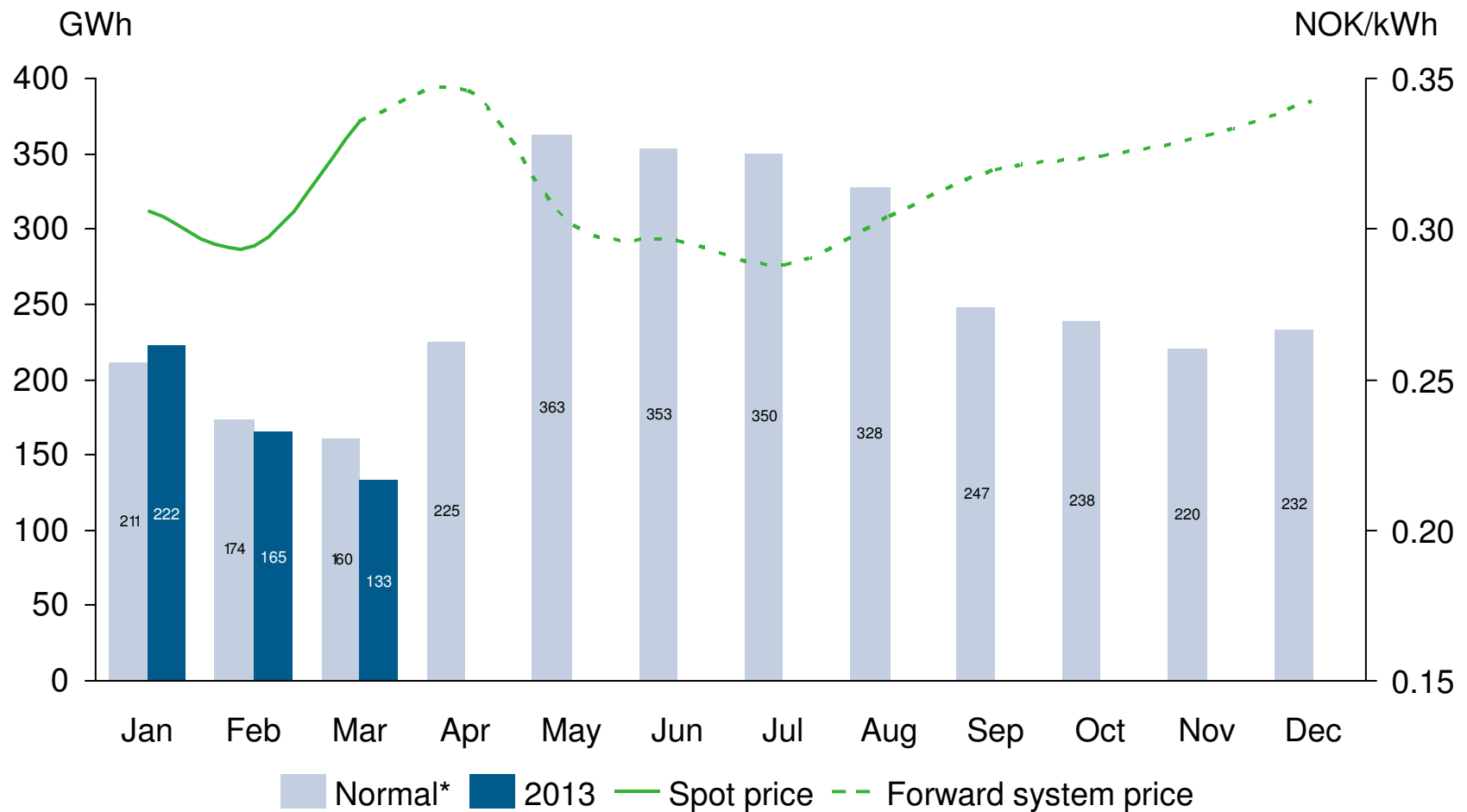
# Production

NOK million	Q1 13	Q1 12	Year 12	Year 11
Operating revenue	191	165	755	1 024
EBITDA	111	87	488	769
Operating profit	99	75	443	724
Sales price (NOK/kWh)	0.29	0.27	0.22	0.32
Production volume (GWh)	520	601	3 273	3 134
Investments	5	1	24	57



- Increased power prices compared to last year, but lower production affects negatively.
- Reduced maintenance costs after finished rehabilitation program.
- Contribution of NOK 7 million from power trading unit (Q1 2012: NOK -7 million).
- Expected production in second quarter of 800 GWh, 15 percent below normal level.
- Hedge ratio for the coming six months is 37 percent. Hedge price NOK -0.036 per kWh lower than forward price listed 31 March 2013.

# Hydro power - production and power prices

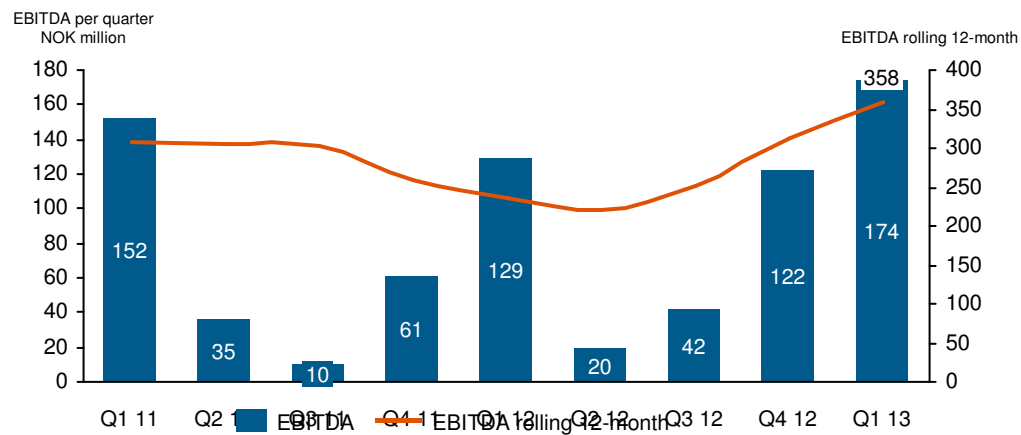


Source for price data: [www.nordpoolspot.com](http://www.nordpoolspot.com) and [www.nasdaqomxcommodities.com](http://www.nasdaqomxcommodities.com)  
 \*Normal = 3,100 GWh based on 10-year average production adjusted for efficiency improvements.



# Heat

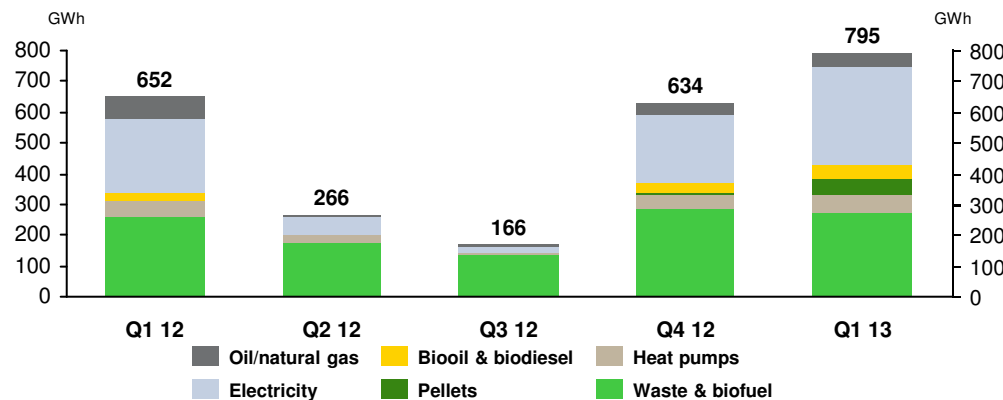
NOK million	Q1 13	Q1 12	Year 12	Year 11
Operating revenue	504	394	1 107	1 120
Gross margin	239	186	597	522
EBITDA	174	129	313	259
Operating profit	133	89	(82)	102
Production volume (GWh)	869	699	1 993	1 828
Gross margin (NOK/kWh)	0.30	0.28	0.33	0.31
Investments	8	51	324	441



- High energy demand in the latter part of the quarter due to cold weather.
- Energy production: 869 GWh – up 24 percent.
- Increased gross margin due to operational improvements and increased power prices.
- New customer tie-ins with an annual outtake of 9 GWh in the quarter.
- Hedge ratio of net power price exposure for the coming six months of 46 percent. Hedge price NOK -0.045 per kWh lower than forward price listed 31 March 2013.

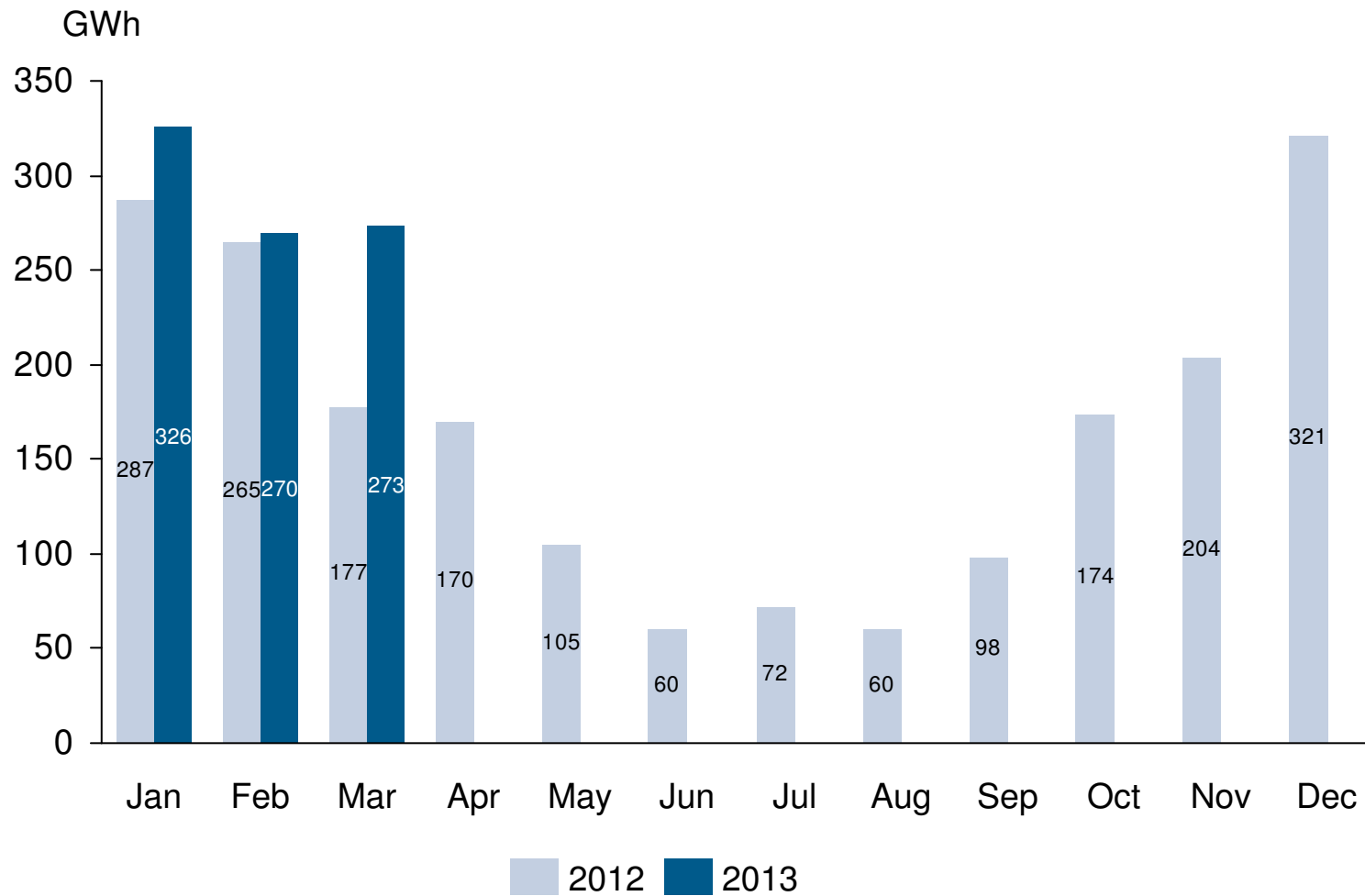
# District heating – energy sources and unit cost

Energy prices (NOK/kWh)	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13
Waste & biofuel	0.19	0.20	0.22	0.19	<b>0.20</b>
Heat pumps	0.13	0.09	0.05	0.13	<b>0.10</b>
Biooil & biodiesel	0.60	0.64	0.00	0.40	<b>0.51</b>
Pellets				0.24	<b>0.25</b>
Electricity	0.37	0.32	0.22	0.34	<b>0.41</b>
Oil/natural gas	0.52	0.62	0.83	0.58	<b>0.58</b>
<b>Total fuel cost</b>	<b>0.30</b>	<b>0.22</b>	<b>0.25</b>	<b>0.27</b>	<b>0.32</b>
District heating incl. Distribution	0.61	0.52	0.48	0.62	<b>0.67</b>
<b>Gross contribution margin</b>	<b>0.28</b>	<b>0.28</b>	<b>0.27</b>	<b>0.32</b>	<b>0.30</b>



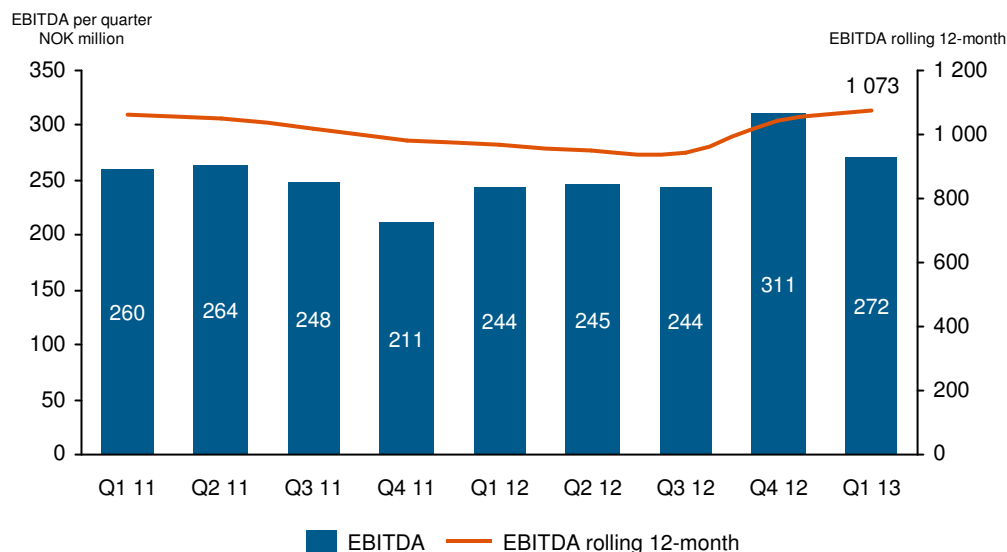
- Increased fuel cost due to higher share of peak load at high energy demand and increased power prices.
- District heating price of NOK 0.67 per kWh results in a gross contribution margin of NOK 0.30 per kWh – up NOK 0.02 per kWh from last year.
- Share of renewable energy sources 94 percent in the quarter – up 5 percentage points from last year.
- Increased renewables share following gradual phasing in of new renewable energy sources. Renewable share last 12 months of 95%.

## Heat – production profile



# Network

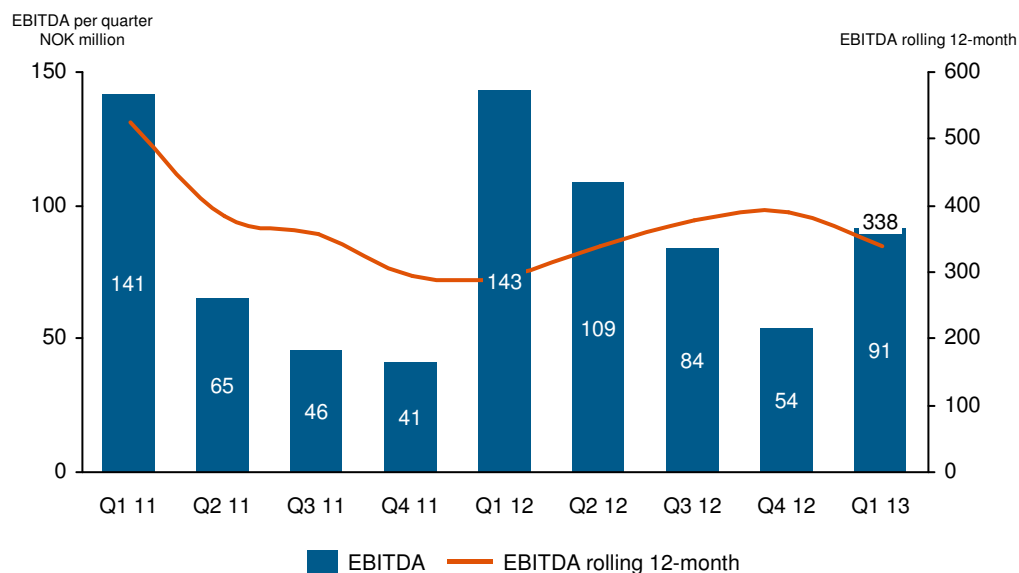
NOK million	Q1 13	Q1 12	Year 12	Year 11
Operating revenue	1 070	1 039	3 992	4 202
Gross margin	564	567	2 415	2 293
EBITDA	272	244	1 045	983
Operating profits	150	119	541	469
Investments	63	71	485	433



- Gross margin of NOK 564 million in line with last year.
- Operating profits' charged with an «under-income» of NOK -68 million (Q1 2012: NOK -87 million).
- Stable operations with few large disruptions and low outage penalty (KILE) of NOK 11 million in the quarter.
- Operating profit for 2013 expected to increase by 10 percent from 2012\*, given the regulated income model currently in effect, planned tariffs and maintenance and estimated production.
- Deadline for deployment of AMS postponed by two years to 1 January 2019.

# Markets

NOK million	Q1 13	Q1 12	Year 12	Year 11
Operating revenues	2 257	2 012	5 537	7 275
EBITDA	91	143	390	293
Operating profit	82	138	370	277
Sold volume (GWh)	5 764	5 173	16 374	15 474



- A lower than expected operating profit in a quarter with high energy demand.
- Increased operating costs due to growth in Sweden and startup of new customer and billing system.
- Last year's operating profit includes NOK 33 million in value change on power derivatives compared to NOK - 1 million in first quarter 2013.
- After-tax profit of NOK 63 per customer (Q1 2012: NOK 98) in the quarter.
- 912,000 customers via wholly and partly owned companies, an increase of 7,000 in the quarter.

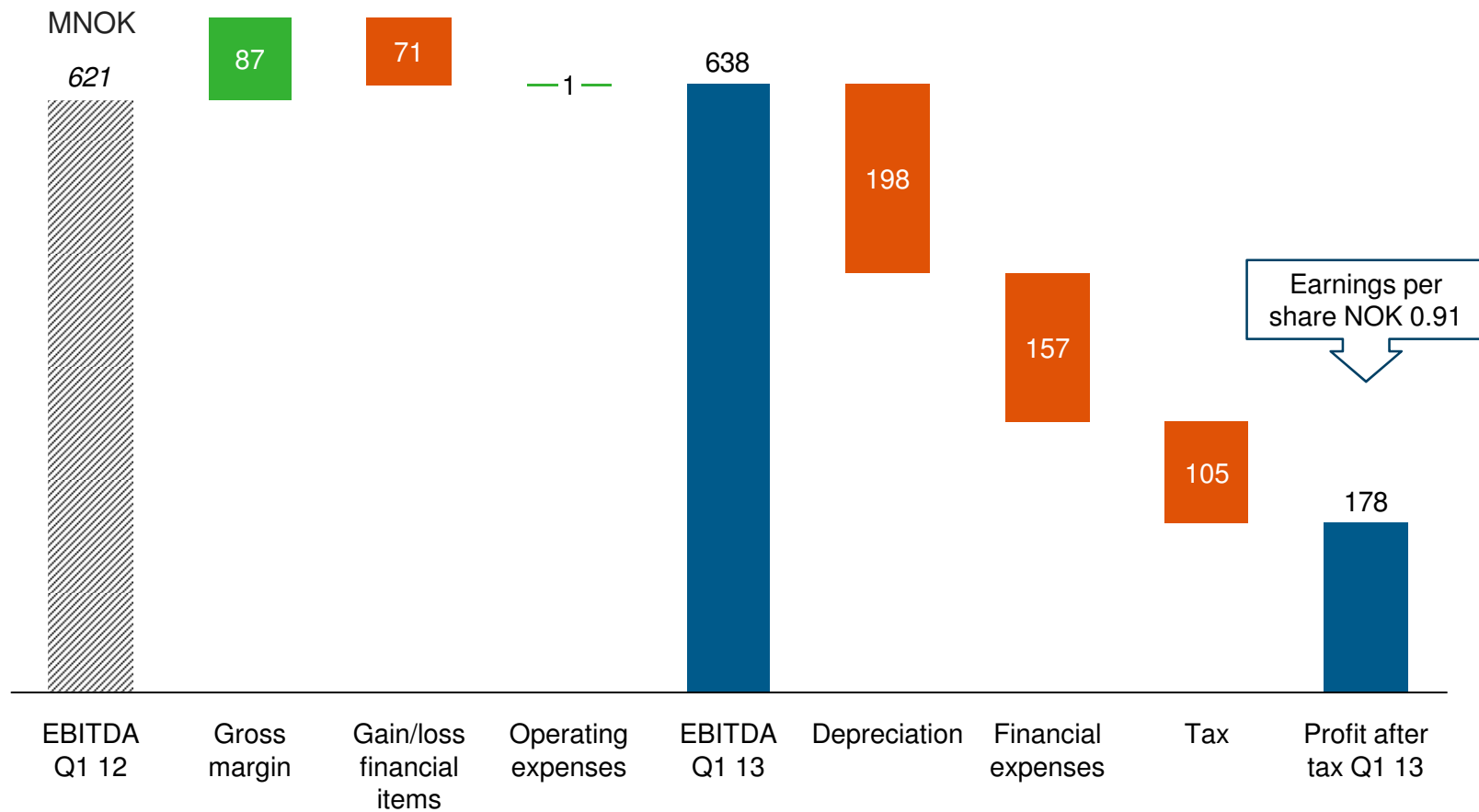
## Other activities

NOK million	Q1 13	Q1 12	Year 12	Year 11
<b>Support</b>	(12)	(16)	(45)	(133)
<b>BioWood Norway</b>	(1)	(23)	(398)	(80)
<b>Embriq</b>	(5)	(3)	(33)	(1)
<b>Other</b>	(6)	47	115	(1 014)
<b>Operating profit other</b>	(24)	5	(361)	(1 228)

BioWood Norway:

- Operations discontinued from 1 March.
- Process for finding new owners for the plant and property ongoing.


# Summary of first quarter 2013 profit





# Summary and outlook

---

- Profit after tax of NOK 178 million.
  - Underlying operating profit 16 percent higher than last year.
  - High energy demand due to cold weather in parts of the quarter.
  - Achieved power price of NOK 0.29 per kWh, an increase of NOK 0.02 per kWh from first quarter 2012.
  - BioWood – Operations and employees discontinued from March.
- 
- Partial price hedging of produced energy continues.
  - Forward power prices in the third and fourth quarter 2013 are listed at respectively NOK 0.29 and NOK 0.32 per kWh at the end of April.
  - Development program for increased peak load using renewable energy sources completed in Heat.
  - Increased NVE interest rate from 2013 results in higher returns and better investment incentives for network business.
  - Deadline for deployment of AMS postponed by two years until 1 January 2019.

# Agenda

---

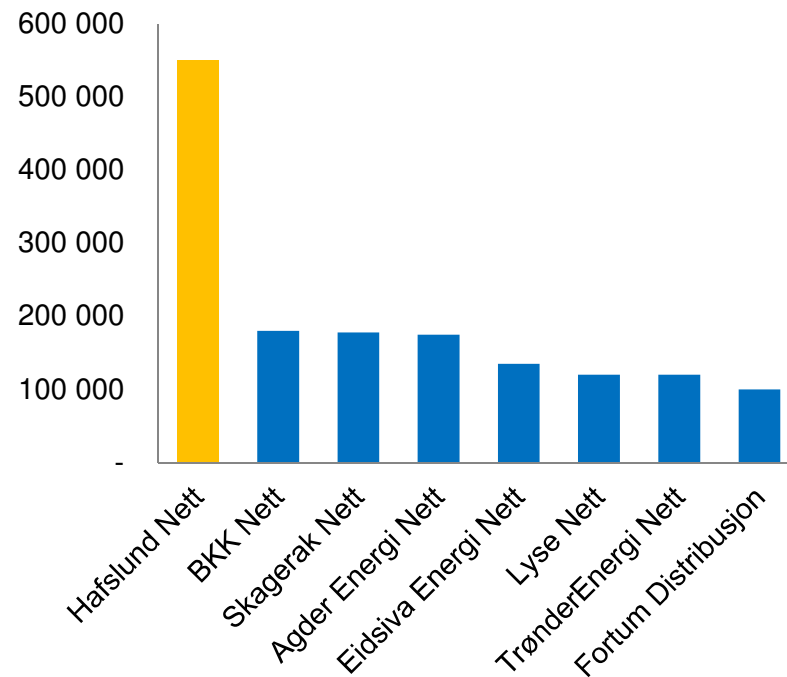
1) First quarter 2013 – Finn Bjørn Ruyter, CEO

**2) Network business – Kristin Lian, Senior Vice President Networks**

# Hafslund – Norway's largest grid operator

## Number of customers

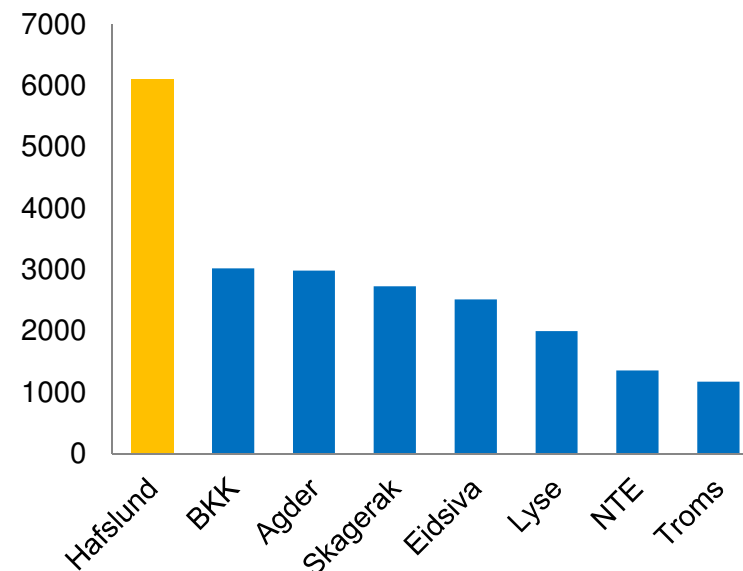
No. customers



562,000 customers

## NVE capital (regulatory)

Return basis  
NOK million



NVE capital of NOK 6.1 bn.

# Hafslund has network in the country's most densely populated area

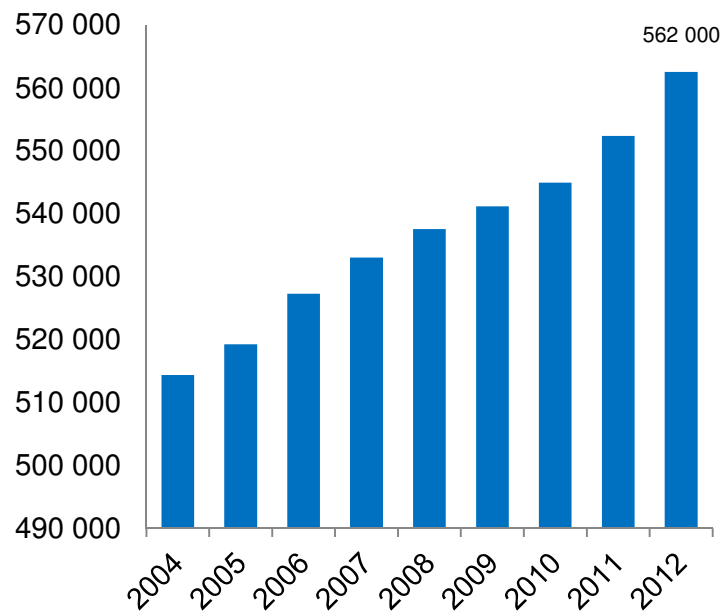
- Distribution grid in Oslo and Akershus
  - Delivers approx. 16 TWh per year
- Regional grid in Oslo, Akershus and Østfold
  - Delivers approx. 21 TWh per year
  - Amounts to appr. 20% of total consumption in Norway
- 210 employees in network business
- Extensive infrastructure
  - Overhead power lines 10,000 km
  - Underground power cable 19,000 km
  - Electrical substations 164 pcs
  - Distribution transformers 13,600 pcs



# High organic growth

## Development no. of customers

No. customers



High historic organic growth

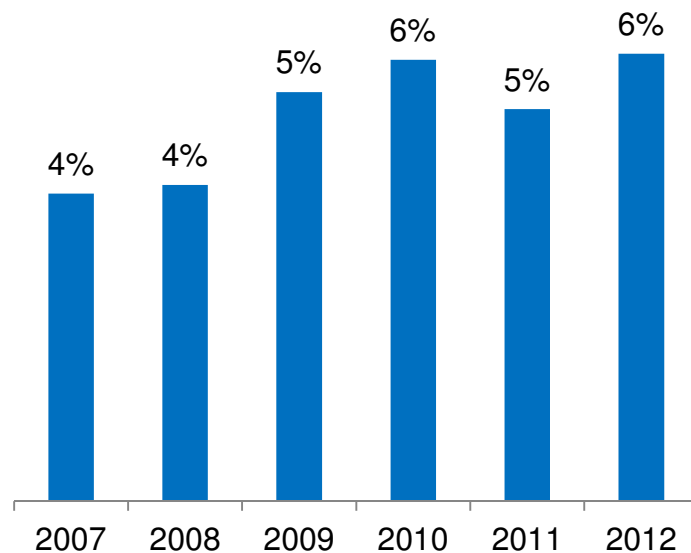
## Hafslund's grid area



Significant number of inhabitants moving to Hafslund's area

# Stable returns

## Return capital employed \*



Hafslund has approx. NOK 9 billion in capital employed

\*) Return based on operating profit.

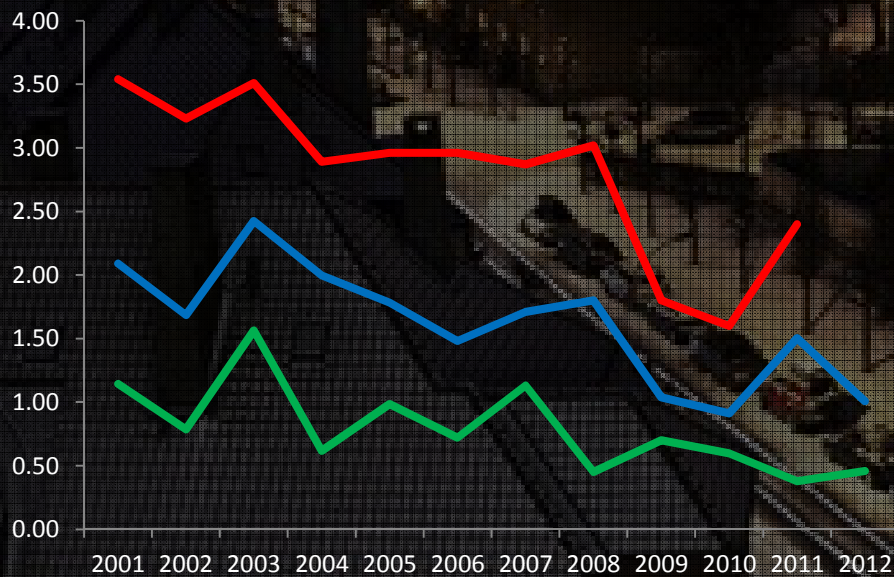
- NVE interest rate increased by ~2.6 percentage points from 2012 – 2013
  - 1 percentage point increased interest rate increases income ceiling by NOK ~60 million
- Operating profit 2013\*\* expected to increase ~10 percent against results in 2012
- Planned investments 2013 – 2015 excluding AMS expected to be in line with depreciation

\*\*) Based on planned transmission tariffs, the estimated distribution of energy, planned maintenance and restated earnings 2012 regarding implementation of new pension standard IAS 19R.



# 99.99%

Number of interruptions:  
Average per customer per year



Duration of interruptions:  
Average per customer in minutes per year



— Norway

— Hafslund total

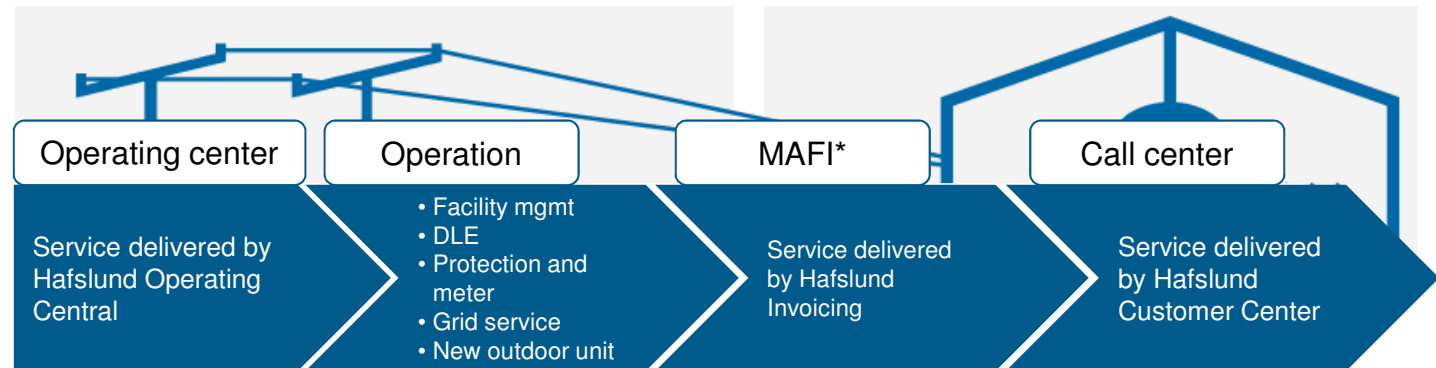
— Hafslund Oslo



# Network business – two value chains

1

## Operation and supply of electricity

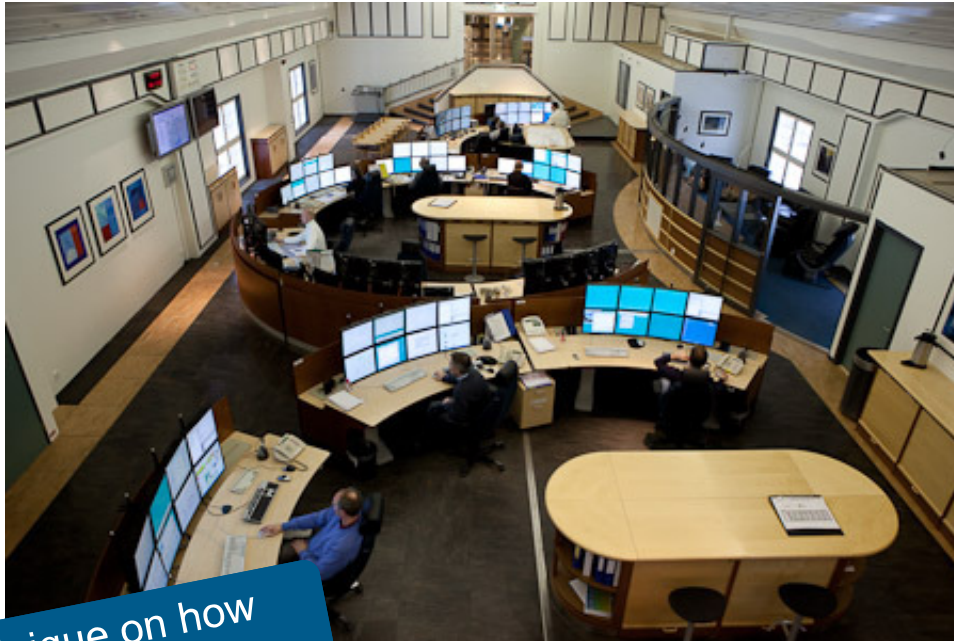


2

## Construction and development of network



# Advanced operations center with 24 hour monitoring



Unique on how operational control system combine data from maps, component and customer systems

- Monitors grid for 1.4 million people
- Controls field teams and guard force
- Annually 120,000 customer inquiries
- Follow-up of contingency contractors
- Analyzes information about errors and interruptions to support investment decision

Monitors and manages Hafslund's networks, district heating and production facilities

# Significant ongoing maintenance

---

**50,000 poles rot controlled annually**



A total of  
250,000 grid  
poles in the net  
  
1,000 grid poles  
replaced  
annually due to  
decay

**13,600 substations inspected annually**



# Major power line projects

---



## Ongoing power line projects:

- Åsgård - Ørje
- Tegneby - Dyrfløkke
- Kråkerøy - Hvaler
- Hasle – Råde

Investing  
approx. NOK  
350 million  
in these  
power lines



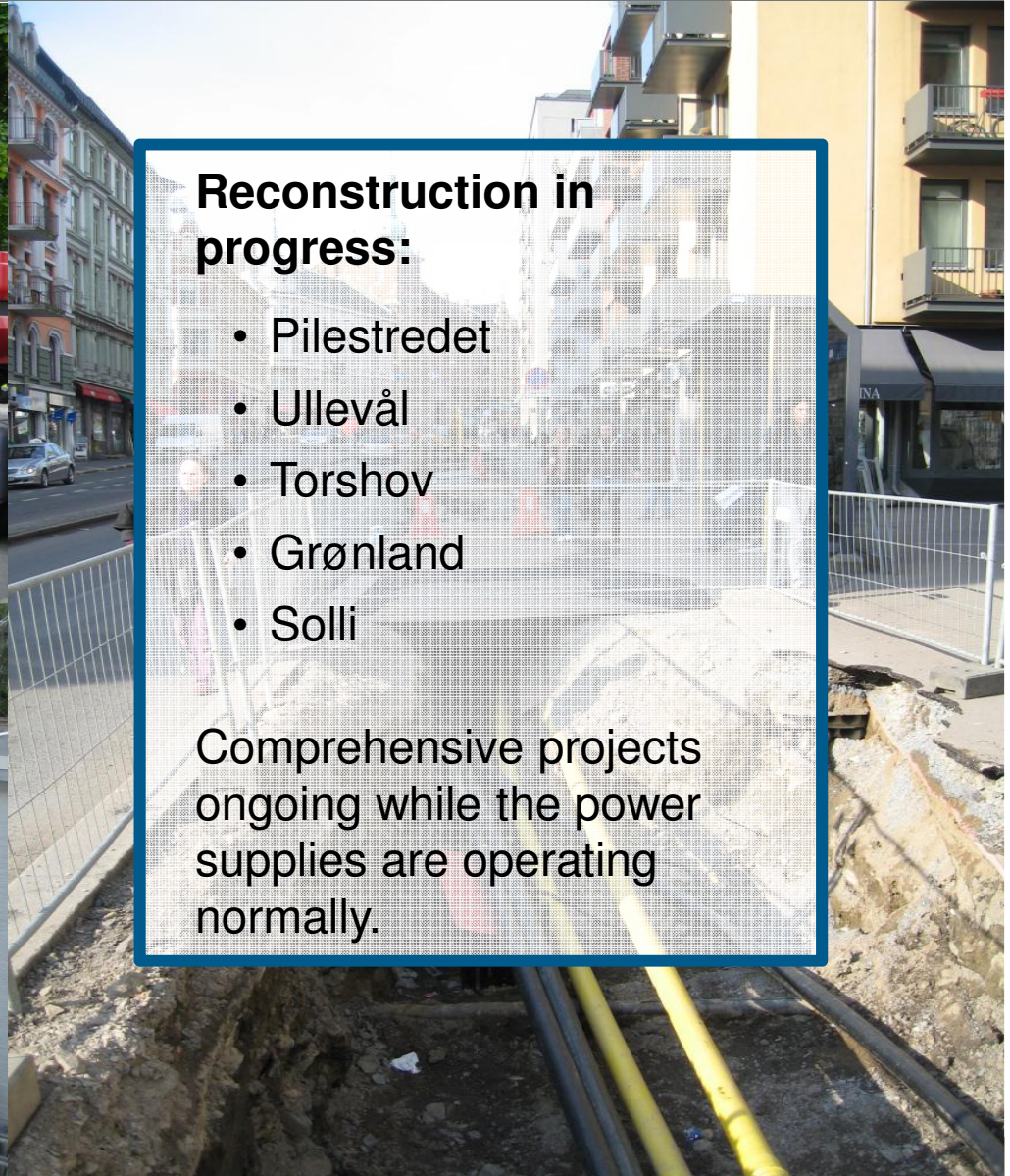
# 132 kV terrestrial network in Oslo upgraded



## Reconstruction in progress:

- Pilestredet
- Ullevål
- Torshov
- Grønland
- Solli

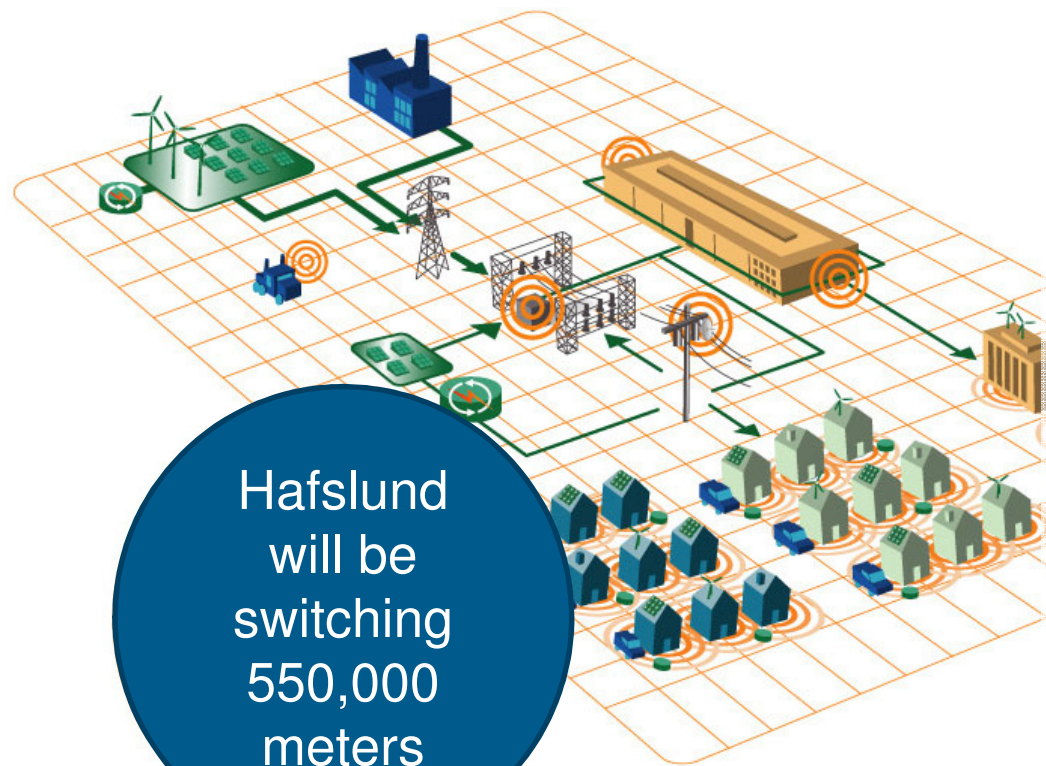
Comprehensive projects ongoing while the power supplies are operating normally.





# AMS - an important project in the years ahead

Advanced metering systems (AMS) required by Norwegian authorities to be introduced within 01.01.2019



## AMS involves

- A large logistics operation
  - Replacing electricity metering systems
  - Equipment and solutions for automatic communications
- A large IT project
  - Receiving, storing and processing of metering data
- Investments of approx. NOK 2 billion
- The project is managed by internal resources, but with several subcontractors

# Regulated-income model – we are in competition



## Requirements

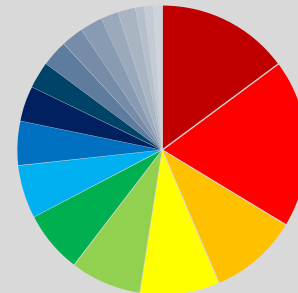
- Grid companies are natural monopolies
- The Norwegian Water Resources and Energy Directorate's (NVE) regulated-income model will ensure that the network is utilized and expanded in a safe and socially efficient manner

### Income framework model

- NVE measures grid companies against each other
- Income model provides incentives for grid companies to operate efficiently and with good quality of delivery

## Consequences

- The industry in total receives normal returns (the NVE interest rate)
  - Low costs and high quality are rewarded
  - The companies' share of the industry's total revenues will vary with company efficiency
- Total revenue for all grid companies in Norway is approx. NOK 19 billion for 2013
- Hafslund's income ceiling for 2013 reported to be approx. NOK 2.8 billion





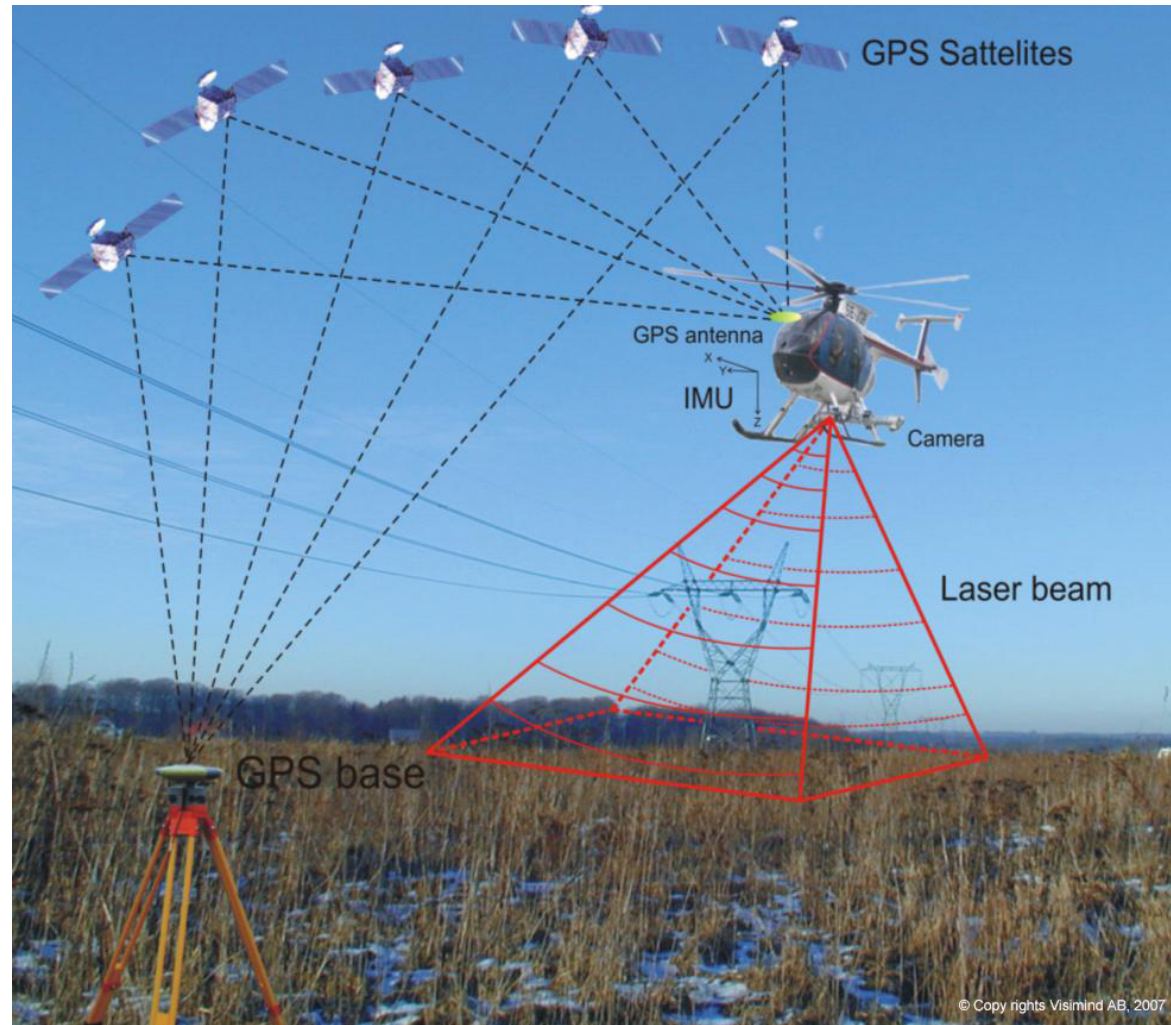
Example of improvement

## New technology for operation and maintenance

Laser  
scanning of  
power lines

Peak control  
of high-  
voltage lines

Rot control  
with dogs



# Well equipped for competition

## Performed by Hafslund

- Strategic planning
  - Projecting
  - Purchasing
  - Project management
  - Control and documentation
- 210 employees

Bought internally from Hafslund companies:

- Operating central services
- Invoicing
- Customer service
- Support services

## Performed by external suppliers

- Operation and maintenance
- Development
- Preparedness

Generic tasks are largely exposed to competition. Hafslund Network perform tasks that are strategically important and value-added.



## Hafslund Network focus: High quality at a low price

---



To maintain the position as one of the leading network companies, Hafslund must continue to provide services of high quality at a low price





# Hafslund Network:

Efficient operations

High security of supply

Ability to change

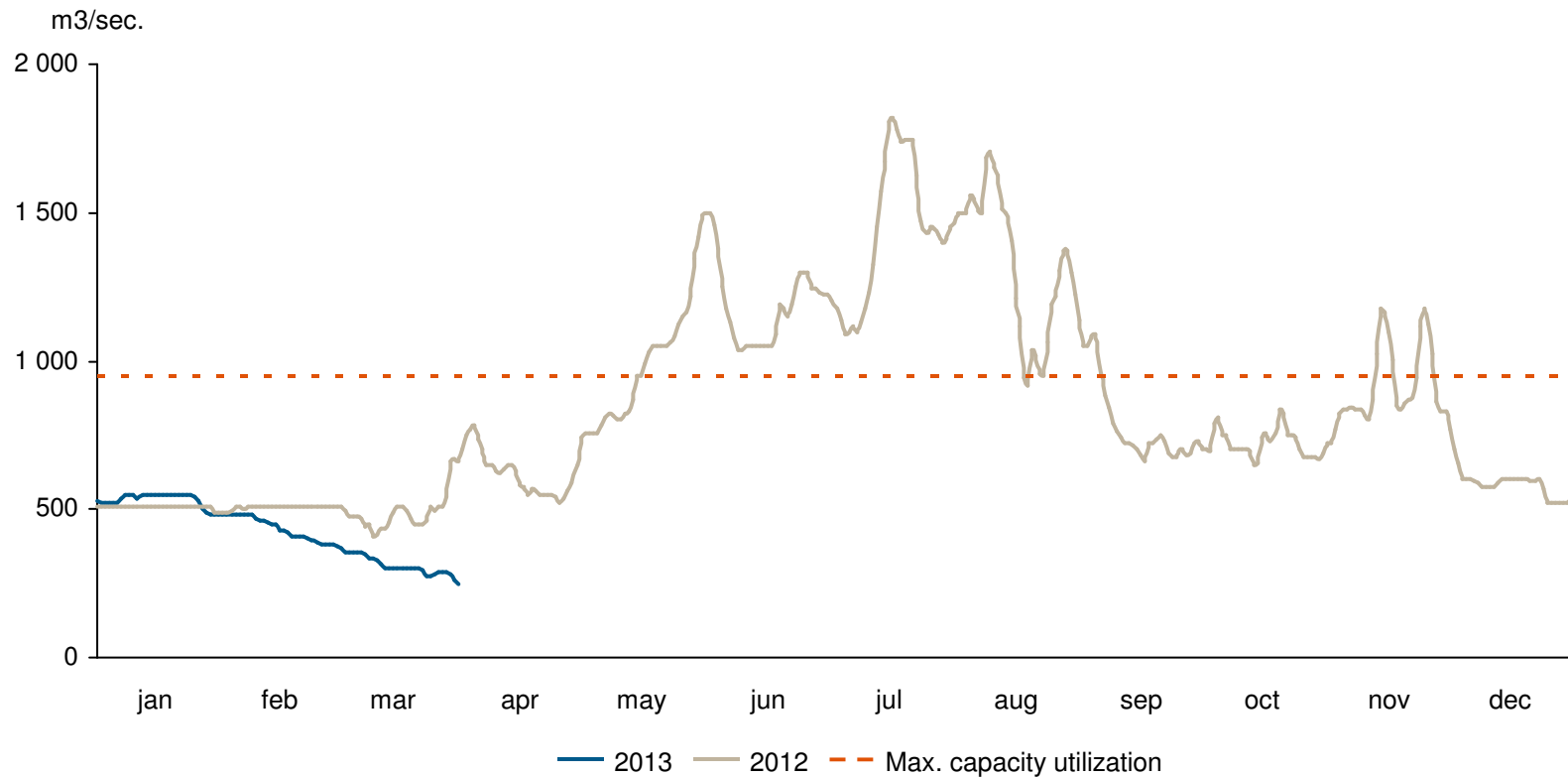
Stable results

Improved returns

---

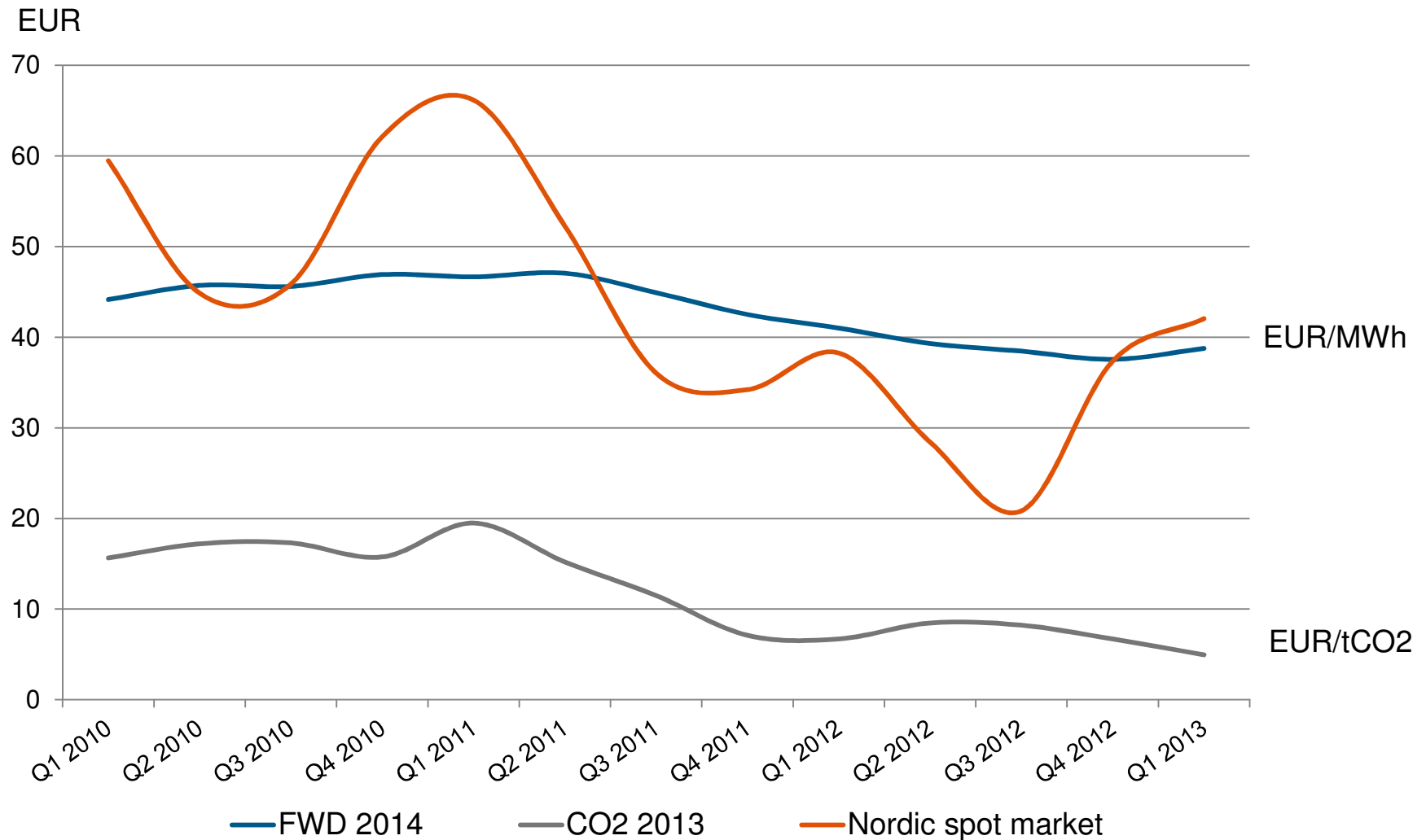
# Appendix

# Hydropower – Glomma waterway flow



- Q1 2013 hydropower production: 5 percent under normal levels for the quarter.
- Projected Q2 2013 production: about 800 GWh (15 percent under normal levels), based on production thus far in 2013, scheduled availability of production facilities, current hydropower reservoir levels, and provided normal precipitation.

# Power and CO2 price development



Source: [www.nasdaqomxcommodities.com](http://www.nasdaqomxcommodities.com) 31.03.2013

Nordic spot market prices are quarterly average price, while FWD14 and CO2 prices are from last working day in each quarter.



# Group profit and loss account

NOK million	Q1 13	Q1 12	Δ	Year 12	Year 11
<b>Operating revenue</b>	<b>4 007</b>	3 728	<b>280</b>	11 466	13 704
Cost of energy	<b>(2 766)</b>	(2 573)	<b>(193)</b>	(6 830)	(9 015)
<b>Gross margin</b>	<b>1 241</b>	1 154	<b>87</b>	4 637	4 689
Gain/loss financial items	<b>(14)</b>	57	<b>(71)</b>	137	(1 050)
Operating expenses	<b>(589)</b>	(591)	<b>1</b>	(2 603)	(2 494)
<b>EBITDA</b>	<b>638</b>	621	<b>17</b>	2 171	1 145
Depreciation and write-downs	<b>(198)</b>	(194)	<b>(3)</b>	(1 259)	(803)
<b>Operating profit</b>	<b>440</b>	427	<b>13</b>	911	343
Interest expenses	<b>(130)</b>	(123)	<b>(6)</b>	(509)	(495)
Market value change loan portfolio	<b>(27)</b>	16	<b>(43)</b>	(48)	(89)
<b>Financial expenses</b>	<b>(157)</b>	(108)	<b>(49)</b>	(557)	(584)
<b>Pre-tax profit</b>	<b>283</b>	319	<b>(36)</b>	354	(241)
Tax	<b>(105)</b>	(95)	<b>(10)</b>	(366)	(456)
<b>Profit after tax</b>	<b>178</b>	224	<b>(46)</b>	(12)	(698)
Earnings per share (EPS) in NOK	<b>0.91</b>	1.15	<b>(0.23)</b>	(0.06)	(3.58)

# Group balance sheet

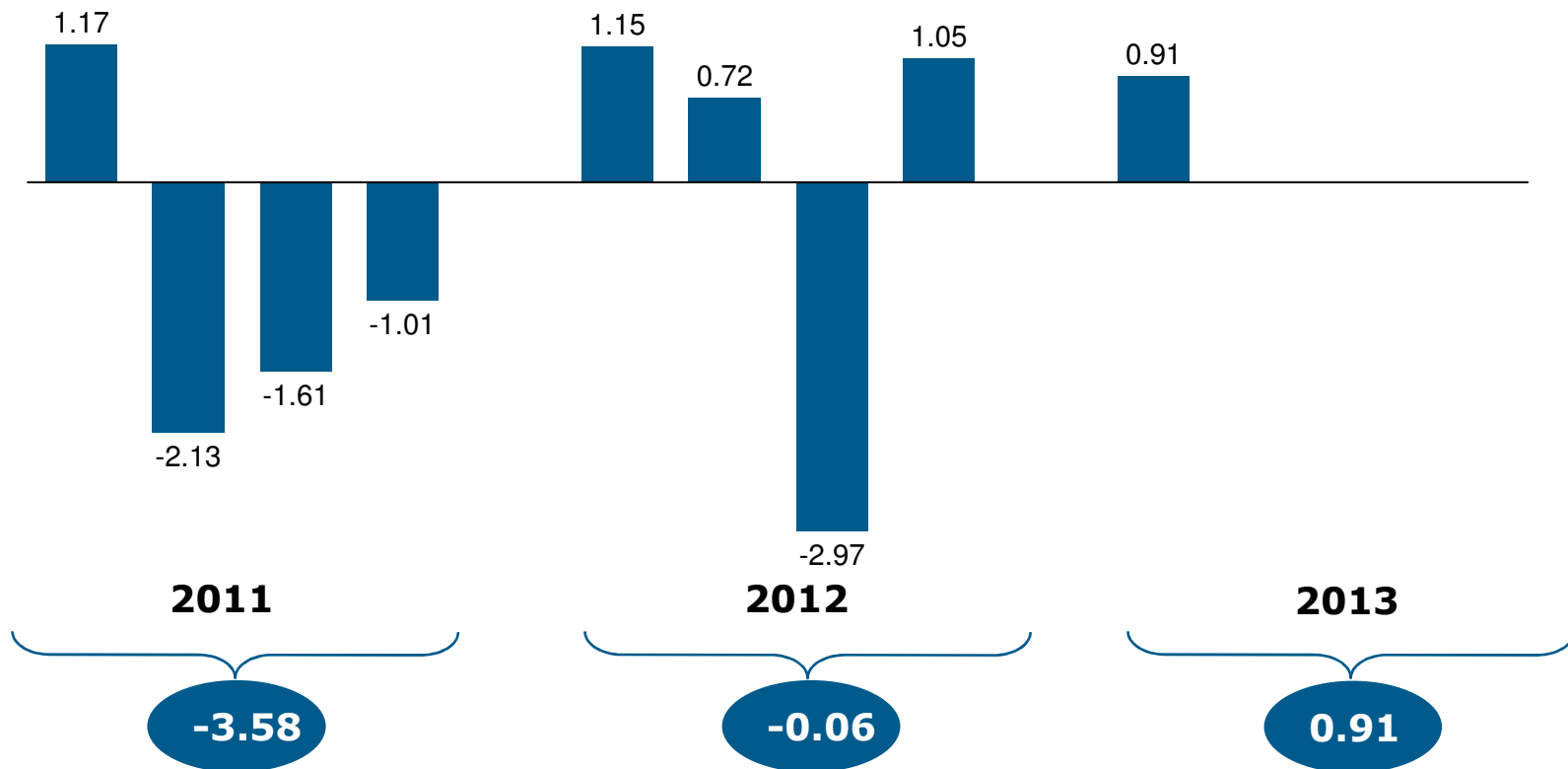
NOK million	31.03.2013	31.12.2012	Δ Q4 12	31.03.2012
Intangible assets	2 472	2 432	40	2 390
Fixed assets	18 269	18 365	(96)	18 573
Financial assets	612	657	(45)	660
Accounts receivables and inventory	3 111	2 871	240	2 719
Cash and cash equivalents	290	223	67	1 057
<b>Assets</b>	<b>24 755</b>	<b>24 549</b>	<b>206</b>	<b>25 398</b>
Equity (incl. min. int.)	7 439	7 289	150	7 543
Allocation for liabilities	3 419	3 317	102	4 009
Long-term debt	8 070	8 422	(352)	8 822
Other current liabilities	2 866	3 119	(253)	2 198
Short-term debt	2 960	2 402	558	2 825
<b>Equity and liabilities</b>	<b>24 755</b>	<b>24 549</b>	<b>206</b>	<b>25 398</b>
Net interest-bearing debt	9 942	10 648	(707)	9 337
Equity ratio	30 %	30 %	0 %	30 %

# Group cash flow statement

NOK million	Q1 13	Q1 12	Δ	2012
EBITDA	638	621	17	2 171
Paid interests	(183)	(180)	(3)	(480)
Paid tax	(128)	(160)	32	(359)
Marketvalue changes and other liquidity adjustments	26	(50)	76	(92)
Change in working capital, etc.	465	(74)	539	(1 004)
<b>Total cash flow from operations</b>	<b>817</b>	<b>157</b>	<b>660</b>	<b>236</b>
Net operations and expansion investments	(111)	(171)	60	(1 084)
Sold operations etc.	(7)	16	(23)	35
<b>Cash flow from investments activities</b>	<b>(118)</b>	<b>(155)</b>	<b>37</b>	<b>(1 049)</b>
<b>Cash flow to down payments and interests</b>	<b>700</b>	<b>2</b>	<b>698</b>	<b>(813)</b>

# Earnings per share

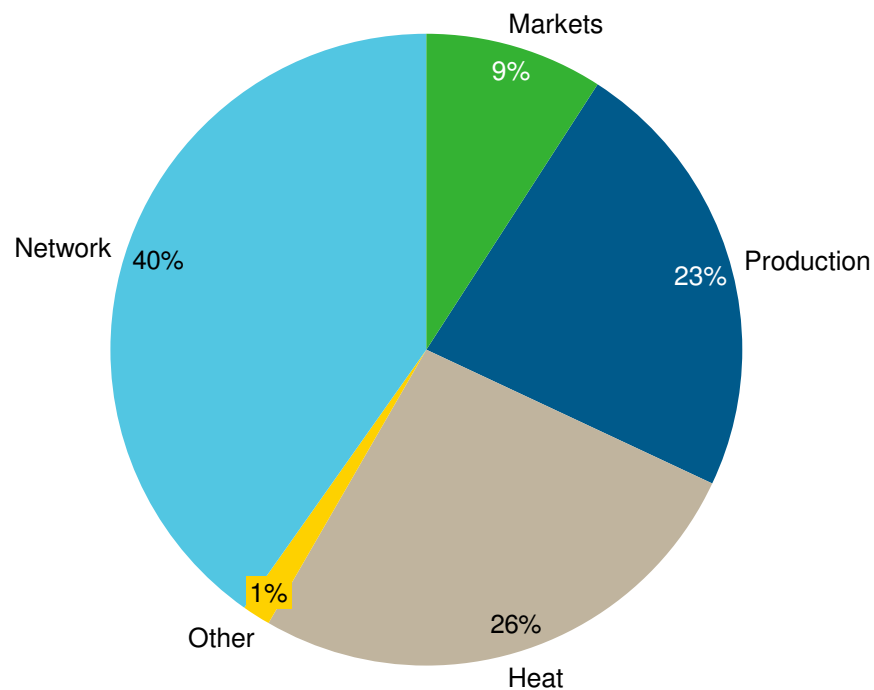
Per quarter  
NOK



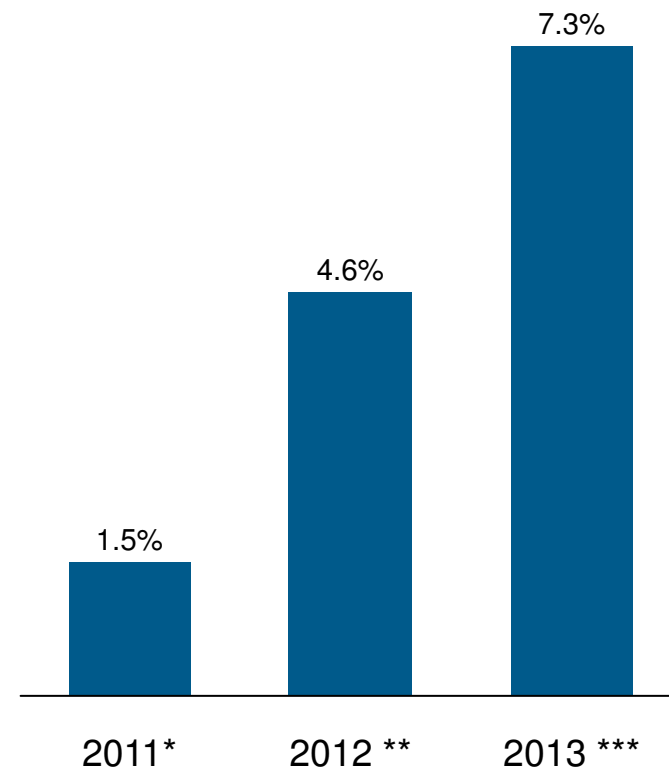
# Capital employed and return on capital employed

## Distribution of capital employed

As of 31 March 2013 a total of NOK 20.7 billion



## Return on capital employed



\* 2011 – includes value reduction in REC of NOK -1 090 million.

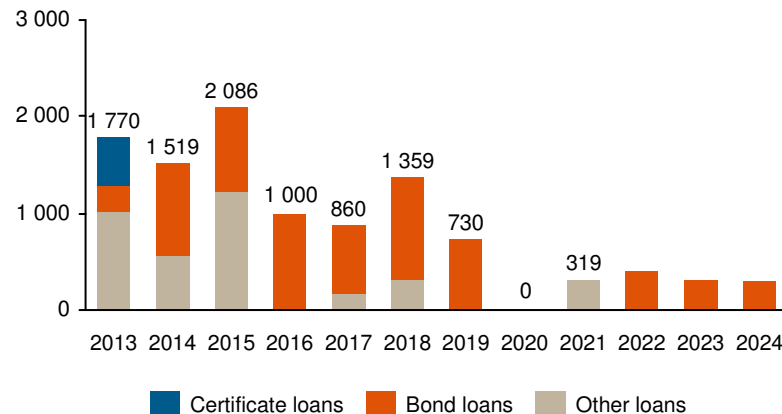
\*\* 2012– includes write-downs and provisions regarding BioWood Norway and Bio-El Fredrikstad of NOK -548 million.

s.41 \*\*\* 2013 – return on capital employed, most recent 12 months excluded write-downs and provisions regarding BioWood Norway and Bio-El Fredrikstad.

# Loans – portfolio data

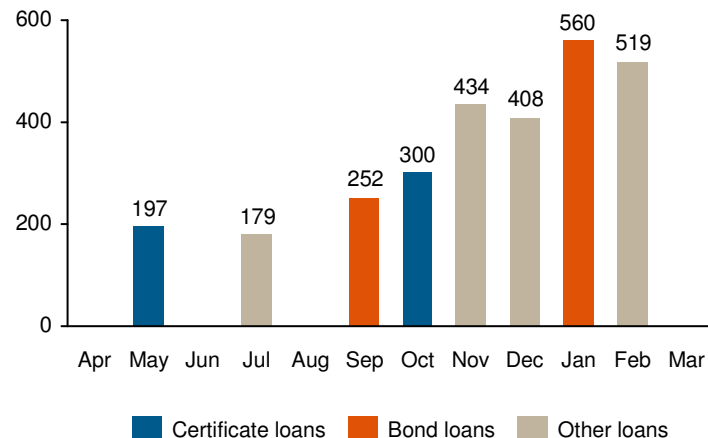
## Debt maturity profile

NOK million



## Loans at maturity, next 12 months

NOK million



## Portfolio data

	Q1 13	Q1 12	Δ
Bonds	61 %	56 %	5 %
Certificate loans	5 %	8 %	-3 %
Other loans	34 %	36 %	-2 %

NOK million	Q1 13	Q1 12	Δ
Nominal value - market value of loans	(300)	(273)	(27)
Market value interest rate swaps	(30)	(25)	(4)
Average interest incl. Derivatives (%)	4.1 %	4.0 %	0.1 %
Proportion of loan portfolio with fixed interest (%)	52 %	48 %	4 %
Loans at maturity next quarter	197	1 194	(997)
Unused drawing facilities	3 700	3 900	(200)

# Key figures

Group	YTD 13	YTD 12
<b>Capital matters</b>		
Total assets	24 755	25 398
Capital employed	20 685	19 977
Equity	7 439	7 543
Market capitalization	9 638	11 165
Equity ratio	30 %	30 %
Net interest-bearing debt	9 942	9 337
<b>Profitability excl. REC</b>		
Profit after tax	638	621
Earnings per share (EPS)	3.27	3.18
Cash flow per share	4.19	0.81

Power Generation	YTD 13	YTD 12
Capital employed	4 719	4 616
Sales price (NOK/kWh)	0.29	0.27
Production volume (GWh)	520	601

Heat	YTD 13	YTD 12
Capital employed	5 465	5 653
Sales price District heating (NOK/kWh)	0.67	0.61
Sales price Industrial energy (NOK/kWh)	0.26	0.27
Gross margin (NOK/kWh)	30	28
Sales volume (GWh)	869	729

Network	YTD 13	YTD 12
Capital employed	8 337	8 072
Annual Income ceiling	2 402	1 926
Excess/under income	(68)	(87)
NVE-capital (regulatory)	6 105	6 054

Market	YTD 13	YTD 12
Capital employed	1 924	1 291
- of this working capital	542	74
Volume power sales (GWh)	5 764	5 173

# Shareholders as of 2 April 2013

#	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	Østfold Energi AS	5 201	4	5 205	2.7 %	4.5 %
4	Odin Norge		3 735	3 735	1.9 %	0.0 %
5	MP Pensjon PK	5	1 579	1 584	0.8 %	0.0 %
6	Folketrygdfondet	68	865	933	0.5 %	0.1 %
7	AS Herdebred	107	321	428	0.2 %	0.1 %
8	Hafslund ASA		397	397	0.2 %	0.0 %
9	New Alternatives Fund, Inc	328		328	0.2 %	0.3 %
10	Handelsbanken Helsinki	145	175	320	0.2 %	0.1 %
Total, 10 largest shareholders		111 232	73 125	184 357	94.5 %	96.4 %
Other shareholders		4 196	6 633	10 829	5.5 %	3.6 %
<b>Total</b>		<b>115 428</b>	<b>79 758</b>	<b>195 186</b>	<b>100 %</b>	<b>100 %</b>



# Definitions

---

Name	Definition
<b>Group</b>	
Capital employed	Equity + Net Interest-bearing debt + Net tax positions
Equity ratio (in %)	(Equity incl. Minority interests / Total assets) X 100
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 equity last 12 months	Result after tax last 12 months / Average equity (incl. Minority interests) last 12 months
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](http://www.hafslund.no)
  - You can subscribe to Hafslund press releases
- Group CFO, Heidi Ulmo
  - [heidi.ulmo@hafslund.no](mailto:heidi.ulmo@hafslund.no)
  - Tlf: + 47 909 19 325
- Financial Director and Investor Relations contact, Morten J. Hansen
  - [mjh@hafslund.no](mailto:mjh@hafslund.no)
  - Tlf: +47 908 28 577



[www.hafslund.no](http://www.hafslund.no)