Shareholders' Report

First quarter 2014

Contents:

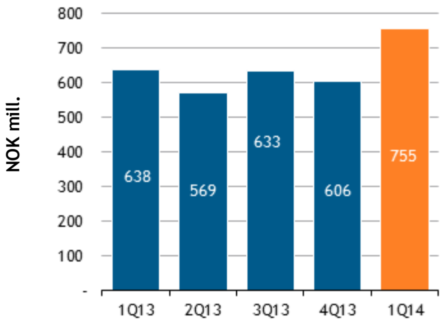
First-quarter highlights 2014

- EBITDA of NOK 755 million – up 18 percent against 2013.
- Mild and wet weather resulted in high hydropower production and low demand for energy in the quarter.
- Achieved power price of NOK 0.25 per kWh – down NOK 0.03 per kWh on the previous year.
- The Norwegian Tax Administration withdraws tax claim – profit effect of NOK 288 million.
- Strong cash flow from operations of NOK 1,338 million, of which reduced working capital comprises NOK 952 million.
- Agreement signed to purchase Fortum's grid operations in Norway – strengthens Hafslund's position as an energy- and infrastructure company.

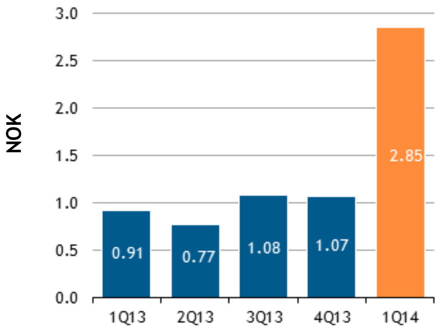
Earnings per share

2.85 NOK

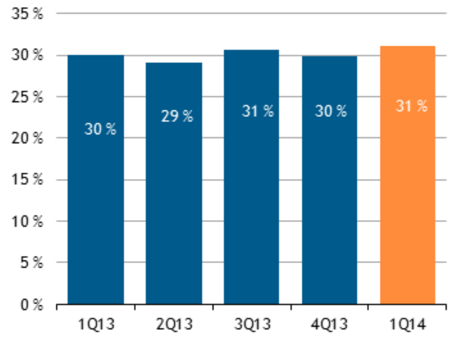
> EBITDA



> Earnings per share



> Equity ratio



Key figures

Q1 13	Q1 14	Profit and loss (NOK million)	Year 13	Year 12
4 007	**3 734**	Operating revenues	12 836	11 466
638	**755**	EBITDA	2 446	2 171
440	**554**	Operating profit	1 653	911
283	**445**	Profit before tax and discontinued operations	1 150	354
178	**557**	Profit after tax	747	-12
		Capital matters		
30 %	**31 %**	Equity ratio	30 %	30 %
9 942	**8 681**	Net interest-bearing debt	9 931	10 648
		Per-share figures (NOK)		
0.91	**2.85**	Profit (EPS)	3.83	-0.06
4.2	**7.1**	Cash flow from operations	8.3	1.2
		Key figures		
0.28	**0.25**	Power prices (NOK per kWh)	0.28	0.22
520	**817**	Hydropower production (GWh)	2 845	3 273
873	**719**	Heat production (GWh)	2 072	1 993
5 764	**5 699**	Power sales (GWh)	17 388	16 374

Figures in NOK unless otherwise stated. 2013 figures are stated in parentheses.

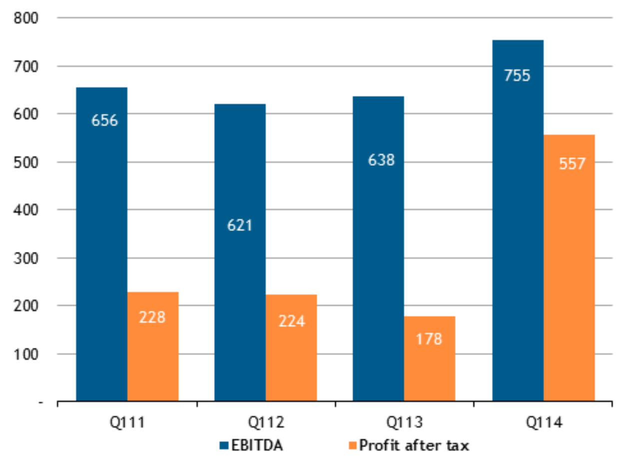
Summary first quarter 2014

First-quarter performance

Hafslund posted EBITDA of NOK 755 million in the first quarter of 2014 (NOK 638 million). Production and Heat returned combined EBITDA of NOK 327 million, an increase of NOK 41 million against the previous year. The increase is in part attributable to high power production, despite a negative contribution caused by low demand for district heating as a result of mild weather, and lower power prices. However, a strong result from hedging activities partly compensated for the fall in the wholesale power price on Nord Pool Spot compared with the previous year. An achieved power price of NOK 0.25 per kWh for the hydropower business was NOK 0.03 per kWh lower than the previous year. The Networks business enjoyed stable underlying operations and posted EBITDA of NOK 279 million, which was on a par with the previous year. Markets returned EBITDA of NOK 140 million, which was up NOK 49 million on a weak previous year due to improved margins and 161,000 more customers. At NOK 554 million, the consolidated operating result was up 26 percent on the previous year.

Financial expenses of NOK 109 million (NOK 157 million) in the quarter reflect net interest-bearing liabilities of NOK 8.7 billion and a coupon rate of 3.8 percent at the end of the quarter. Slightly lower forward interest rates in the quarter impacted the market value of the loan portfolio and increased financial expenses by NOK 16 million (NOK 27 million).

First quarter profit 2011-2014 (excl. REC)
(NOK million)

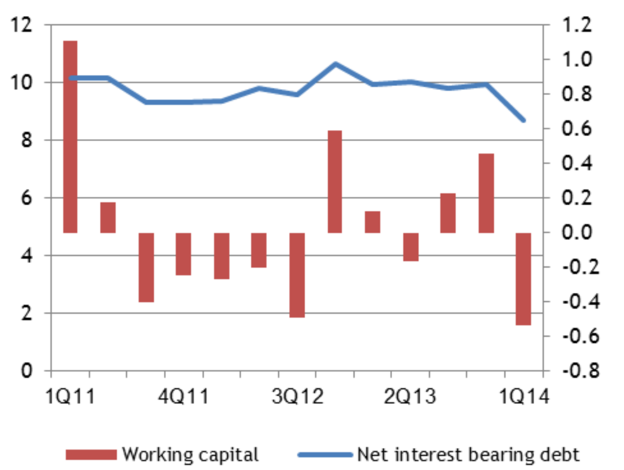


Financial expenses include NOK 20 million in estimated interest compensation in connection with the repayment of tax relating to a tax demand that the Norwegian tax authorities have now decided to drop. The reversal of previously recognised tax provisions of NOK 268 million following the tax authorities' ceding that there is no basis to tax gains on the sale of shares in Hatros I AS and Hatros II AS in 2006 and 2007 resulted in the recognition of a tax credit of NOK 112 million in the first quarter. This included resource rent tax for the hydropower business of NOK 27 million (NOK 22 million). The profit after tax of NOK 557 million (NOK 178 million) equates to an earnings per share figure of NOK 2.85 (NOK 0.91).

Cash flow and capital in the first quarter

The cash flow from operations of NOK 1,388 million in the quarter includes a reduction in working capital of NOK 952 million. At the end of the quarter working capital amounted to NOK 537 million, which was down NOK 650 million on the comparable prior-year quarter. Liquidity is normally strong in the first quarter of the year due to the fact that demand for energy generally gradually declines over the course of the quarter and thus reduces working capital requirements. This effect was seen even more clearly during the period under review due to the extremely mild weather in March, in combination with a low wholesale power price on Nord Pool Spot. EBITDA of NOK 755 million were NOK 319 million higher than the related cash flow from operations before changes in working capital. This was primarily attributable to the payment of interest (NOK 173 million) and tax (NOK 150 million). With a net cash flow from investing activities of NOK 134 million, the net cash flow for the quarter came in at NOK 1,254 million, which also reduced net interest-bearing liabilities. At the reporting date net interest-bearing liabilities amounted to NOK 8.7 billion. The graph below shows changes in interest-bearing liabilities and working capital from the first quarter of 2011 to the first quarter of 2014.

Changes in net interest-bearing debt and working capital (in NOK billion)



At NOK 26.2 billion, total assets at the end of March were up NOK 0.8 billion in the quarter. The increase is primarily attributable to high cash and cash equivalents of NOK 2.3 billion, an increase of 1.2 billion during the quarter. The large cash and cash equivalents holdings are being built up to finance the purchase of Fortum's networks business, which is expected to be completed 30 May 2014. In addition to an aggregate purchase price (equity value) of NOK 1,365 million, the net interest-bearing liabilities as of the takeover date of Fortum Distribution AS and interest rate regulation of the purchase price for the period from 31 December 2013 until the takeover date will also be financed. Hafslund has a robust financing structure with long-term committed drawdown facilities. Unutilised drawdown facilities at the end of the quarter amounted to NOK 3.7 billion, which is deemed sufficient to cover both working capital requirements and refinancing of liabilities over the next 12 months.

Business segments

> Production

NOK million	Q1 14	Q1 13	Year 13	Year 12
Operating revenues	**237**	191	859	755
Gross margin	**224**	179	868	761
EBITDA	**155**	111	614	488
Operating profit	**143**	99	568	443
Operating profit hydropower	**137**	93	549	435
Operating profit power trading	**5**	7	19	8
Power price (NOK/kWh)	**0.25**	0.28	0.28	0.22
Production (GWh)	**817**	520	2 845	3 273
Investments	**3**	5	26	24

Production posted sales revenues of NOK 237 million in the first quarter. This represents a year-on-year increase of 24 percent and was achieved despite lower power prices caused by record production volumes as a result of mild and wet weather. At NOK 143 million, the operating profit was up NOK 44 million on the previous year, primarily on the back of high production levels.

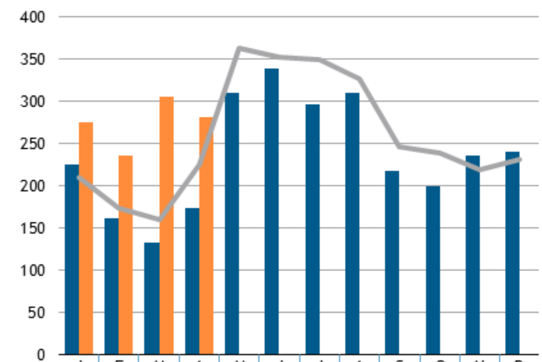
The achieved power price of NOK 0.25 per kWh was down NOK 0.03 per kWh on the previous year, and generated a negative contribution of NOK 16 million. The achieved power price was NOK 0.03 per kWh higher than the associated volume-weighted spot price on Nord Pool Spot for price area NO1, in part due to a contribution of NOK 15 million from hedging activities. The hedging ratio was 39 percent during the quarter. A total of 56 GWh of concessionary and compensatory power was sold at NOK 0.14 per kWh (NOK 0.14 per /kWh) during the quarter. Production of 817

GWh was up 297 GWh on the previous year, making a positive results contribution of NOK 64 million. Production was 50 percent higher than normal. Operating expenses amounted to NOK 70 million in the quarter (NOK 68 million). Hafslund hedges some of its hydropower production. Please refer to Note 5 later in the shareholders' report for further information on the company's hedging policy. The table below shows the hedging position for the next six months:

Hedging position	Next 6 months
Hedge ratio as of 31 March 2014	42%
Hedge price less market price quoted 31 March 2014 (NOK/kWh)	0.07

At the end of April the overall hydrological reservoir level in Hafslund's catchment area was 111 percent of the normal level and total stored energy comprised 1,856 GWh. Based on production to date, expected availability in the power plants, current reservoir levels and a normal weather situation, production in the second quarter of 2014 is expected to come in at around 1,020 GWh, which is six percent above normal for the quarter.

Hydropower – monthly production profile
(GWh)



	J	F	M	A	M	J	J	A	S	O	N	D
2013	225	162	133	174	310	339	296	311	218	200	236	241
2014	276	236	305	281								
Mean	211	174	160	225	363	353	350	328	247	238	220	232

Mean = 10 years' hydropower history adjusted for efficiency improvements.

At the end of the first quarter of 2014 Production had capital employed of NOK 4.5 billion.

> Heat

NOK million	Q1 14	Q1 13	Year 13	Year 12
Operating revenues	**433**	504	1 153	1 107
Gross margin	**245**	239	608	597
EBITDA	**172**	174	329	313
Operating profit	**129**	133	156	-82
Gross margin (NOK/kWh)	**0.33**	0.29	0.31	0.29
Production (GWh)	**719**	873	2 072	1 993
Investments	**5**	8	61	326

Heat posted sales revenues of NOK 433 million in the quarter, a decrease of 14 percent against the corresponding prior-year period. The reduction is attributable to low demand for energy caused by mild weather in the quarter along with the effect of lower wholesale power prices on Nord Pool Spot. Despite this, the gross contribution amounted to NOK 245 million, an increase of NOK 6 million compared with the previous year, which was in part attributable to a strong result from hedging, and the effects of a more uniform pricing structure. EBITDA of NOK 172 million was on a par with the corresponding prior-year quarter.

Operating expenses of NOK 73 million (NOK 64 million) were up against the previous year and include NOK 5 million in estimated costs relating to the district heating leak in Akersgata on 12 February when a contractor drilled through a district heating pipe. Around 4,000 m3 of water escaped and 30,000 residences and several commercial buildings were affected. Due to a number of difficulties, including in dealing with two further leakages as a direct result of the first leak, it took 48 hours to fully restore district heating to all customers. Hafslund Heat is working on measures to increase opportunities for further sectioning of the pipe network in order to reduce vulnerability in similar incidents in future. After the leak, NVE conducted a supervision of Hafslund Heat. Heat has received the audit report and has initiated efforts to rectify the noted discrepancies.

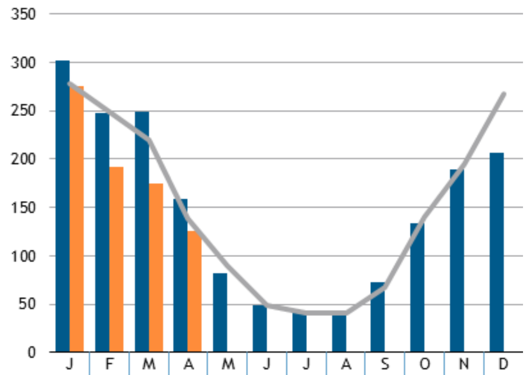
Investments in the quarter amounted to NOK 5 million (NOK 8 million) and primarily related to the connection of new district heating customers and re-investments in existing heating centres. In the first quarter the company connected eight new district heating customers with a total annual district heating requirement of 6 GWh.

District Heating	Q1 14	Q1 13	Year 13	Year 12
Waste and biofuel (GWh)	**292**	276	893	855
Heat pumps (GWh)	**48**	54	133	136
Pellets (GWh)	**41**	52	92	12
Electricity (GWh)	**226**	320	542	547
Biooil, natural gas, oil (GWh)	**35**	97	115	170
Total production (GWh)	**642**	799	1 775	1 720
Production cost (NOK/kWh)	**0.28**	0.32	0.29	0.27
Sales price (NOK/kWh)	**0.64**	0.64	0.63	0.59
Gross margin (NOK/kWh)	**0.33**	0.29	0.32	0.29

At 642 GWh, district heating production trailed the previous year by 157 GWh, in part due to low energy demand as a result of mild weather, compared with cold weather in the corresponding prior-year quarter. District heating production came in 14 percent lower than normal for the quarter, where the normal is based on average temperatures over the last ten years, adjusted for customer connections in the period.

A relatively larger share of production is deriving from the waste incineration plant at Klemetsrud and other base load plants compared with the previous year as mild weather has reduced demand for peak loads. The fuel cost of NOK 0.28 per kWh was NOK 0.04 per kWh lower than the previous year. At NOK 0.64 per kWh, district heating was on a par with the previous year despite lower wholesale prices for power on Nord Pool Spot, which was attributable to a number of factors including the effects of a more uniform pricing structure. The gross contribution of NOK 0.33 per kWh was NOK 0.04 per kWh higher than the previous year.

District Heating – monthly production profile (GWh)



	J	F	M	A	M	J	J	A	S	O	N	D
2013	302	248	249	159	82	49	41	43	73	133	189	207
2014	275	192	175	126								
Mean *	278	249	220	139	90	49	40	41	68	140	195	268

* Mean = expected production in 2014 assuming normal temperatures (average for the last ten years), and existing and planned customer connections.

Hafslund hedges the price of some of its district heating production. Please refer to Note 5 later in the report for further information on the company's hedging policy. In the first quarter of 2014, 383 GWh of power production was hedged (209 GWh) and the result of price hedging in the quarter was NOK 25 million (NOK-1 million). The table below shows the hedging position for the next six months.

Hedging position	Next 6 months
Hedge ratio as of 31 March 2014	66%
Hedge price less market price quoted 31 March 2014 (NOK/kWh)	0.049

Industrial Energy in the county of Østfold posted an overall gross contribution of NOK 23 million (NOK 22 million) in the quarter. The table below shows the key figures for Industrial heating. At 77 GWh, energy production was 2 GWh higher than in the previous year, and a record in terms of first-quarter volume. The sales price of NOK 0.27 per kWh was slightly above the prior-year figure. The agreement for the sale of steam to two major industrial customers from Bio-El Fredrikstad expired in 2013 and a new one-year agreement was entered into for 2014, which is based on the former agreement. The parties intend to enter into a long-term industrial steam agreement in 2014. The gross contribution of NOK 0.31 per kWh represents an increase of NOK 0.0.2 per kWh and reflects a slightly higher sales price and a marginal increase in revenues from the receipt of waste.

Industrial energy	Q1 14	Q1 13	Year 13	Year 12
Sales price (NOK/kWh)	**0.27**	0.26	0.25	0.27
Used waste (thousand tonns)	**34**	32	131	131
Gross margin (NOK/kWh)	**0.31**	0.29	0.28	0.33
Production (GWh)	**77**	74	297	274

* The gross contribution (NOK/kWh) is higher than the sales price due to the fact that income from the receipt of waste is included in the contribution but not in the sales price.

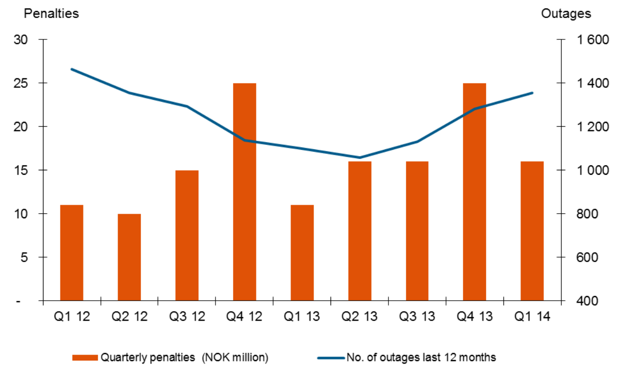
The Heat business area had capital employed of NOK 5.4 billion at the end of the first quarter.

> Network

NOK million	Q1 14	Q1 13	Year 13	Year 12
Operating revenues	**982**	1 070	4 052	3 992
Gross margin	**600**	564	2 498	2 415
EBITDA	**279**	272	1 107	1 045
Operating profit	**156**	150	619	541
Result effect income surpluses/(shortfalls)	**(30)**	(68)	(120)	268
Investments	**102**	66	532	497

Networks posted sales revenues of NOK 982 million (NOK 1,070 million) in the first quarter. The sales revenues and contribution reflect an income shortfall of NOK 30 million (income shortfall of NOK 68 million). Please refer to Note 2 later in the report for further information on income surpluses/shortfalls. Networks returned a gross contribution of NOK 600 million in the quarter (NOK 564 million). Operating expenses of NOK 321 million (NOK 292 million) reflect higher maintenance activities and more customer-initiated assignments compared with the previous year. The EBITDA figure of NOK 279 million was slightly higher than the previous year.

Service interruptions and related penalties



The business area has improved its operating performance and experienced fewer grid outages in recent years, and the company's security of supply is among the best of any grid company in Norway. The table above shows the change in operating downtime (X-axis) and the KILE cost (Y-axis). KILE is the quality-adjustment of the income ceiling for non-delivered energy. There were more grid outages in the first quarter of 2014 than in the comparable prior-year period as a result of occasionally unsettled weather. Consequently, outage time increased slightly compared with the first quarter of 2013. In the first quarter the KILE cost was NOK 16 million, which was up NOK 5 million against the first quarter of 2013. There were 231 operational stoppages in the first quarter of the year (184). The total energy supply to end customers in the quarter came in at 5.1 TWh, which was down 0.9 TWh compared with the previous year. On average Hafslund Networks' customers were without power for 0.18 hours during the first quarter, compared with 0.14 hours in the comparable prior-year period.

Investments in the first quarter totalled NOK 102 million (NOK 67 million). On 8 April 2014 Hafslund entered into an agreement to purchase Fortum's grid operations in Norway. For further details on the above please refer to the section Other matters later in the shareholders report. At the end of the quarter Networks had capital employed of NOK 8.6 billion.

The operating profit for 2014 is expected to be on a par with 2013 (assuming planned transmission tariffs, estimated distribution of energy, planned maintenance, and before result effects relating to the purchase of Fortum Distribution).

> Markets

NOK million	Q1 14	Q1 13	Year 13	Year 12
Operating revenues	**2 085**	2 257	6 868	5 537
Gross margin	**389**	287	1 170	1 093
EBITDA	**140**	91	342	390
Operating profit	**127**	82	301	370
Operating profit powersales	**114**	80	275	301
- included value change derivatives	**6**	(1)	(4)	44
Sales volume (GWh)	**5 699**	5 764	17 388	16 374
Operating profit billing and customer service	**13**	1	26	70

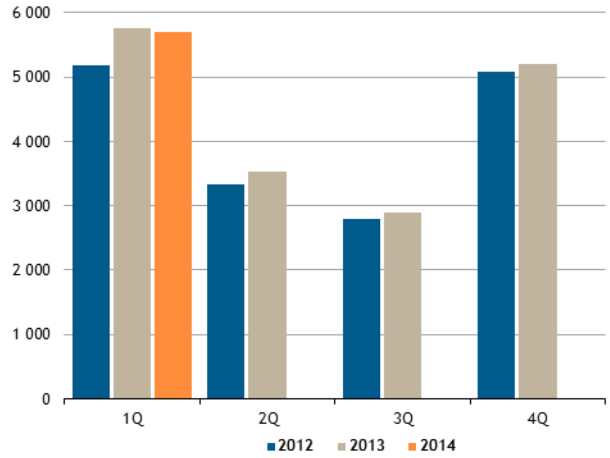
Markets posted sales revenues of NOK 2,085 million in the first quarter, a reduction of eight percent against the previous year. The decrease in sales is attributable to lower wholesale power prices on Nord Pool Spot. Despite lower demand for energy as a result of extremely mild weather during the quarter, the sold volume was on a par with the previous year thanks to year-on-year growth of 161,000 in the customer base.

The operating profit of NOK 127 million (NOK 82 million) represents a strong result, and was achieved despite lower demand for energy. The increase was primarily attributable to more customers and improved margins compared with a weak previous year. The result includes income of NOK 6 million (charge of NOK 1 million) in changes in the value of power derivatives which are recognised at market value on an ongoing basis.

Power sales posted an operating profit of NOK 114 million, which equates to post-tax earnings of around NOK 78 per customer in the quarter (NOK 63). A total of 5,699 GWh of power was sold, one percent less than in the first quarter of 2013. The sales volume relates 3,402 GWh (3,710 GWh) to the private segment and 2,297 GWh (2,054 GWh) to the business segment. At the reporting date Hafslund had 1,073,000 customers, which represents an increase of 5,000 customers during the quarter.

At NOK 249 million (NOK 196 million), operating expenses were higher than in the previous year. The increase is primarily attributable to higher sales and marketing activities, an increase in the customer base, along with the full consolidation of Energibolaget i Sverige AB (EBS) since the fourth quarter of 2013.

Power Sales – Volume sold
(GWh)



Markets had capital employed of NOK 1.7 billion at the end of the first quarter. Capital employed will to a large extent vary in line with changes in working capital during the year as a result of fluctuating energy demand and wholesale power prices on Nord Pool Spot.

Hafslund has decided to reorganise its Swedish power sales business following the acquisition of all the shares in EBS. Consequently, in April the decision was taken to co-ordinate the activities of the wholly owned subsidiaries SverigesEnergi AB and EBS under the brand SverigesEnergi. EBS is currently winding down its activities in Sweden, with customers and employees being transferred to SverigesEnergi. The latter company's profile and brand makes it well suited to develop customer relations in line with Hafslund's strategy and the new organisation will provide a sound basis for further growth in Sweden. The next stage will see the companies move into shared premises. Initiatives have also been started to streamline and simplify the company structure. These will continue throughout 2014.

> Other activities

NOK million	Q1 14	Q1 13	Year 13	Year 12
Support	(17)	(12)	(55)	(45)
Other acitivities	16	(12)	63	(315)
Total operating profit Other	(1)	(24)	9	(361)

Other business posted an aggregate operating loss of NOK 1 million in the first quarter (loss of NOK 24 million). Other business in the table includes an operating loss of NOK 398 million in 2012 from the discontinued pellets business.

Other matters

> List of shareholders as of 31 March 2014

(1000' shares)	A-shares	B-shares	Total	Holding
Oslo Kommune	67 525	37 343	104 868	53,7 %
Fortum Forvaltning AS	37 853	28 706	66 559	34,1 %
Østfold Energi AS	5 201	4	5 205	2,7 %
Odin Norge		3 806	3 806	1,9 %
MP Pensjon PK	5	1 579	1 584	0,8 %
Folketrygdfondet	85	835	920	0,5 %
Danske Invest		584	584	0,3 %
Skandinaviska Enskilda Banken	10	423	433	0,2 %
AS Herdebred	107	321	428	0,2 %
Fondsfinans	377	4	381	0,2 %
Total 10 largest	111 163	73 605	184 768	94,7 %
Other shareholders	4 265	6 153	10 418	5,3 %
Total	115 428	79 758	195 186	100 %

Hafslund ASA had 6,737 shareholders at the reporting date, of whom the ten largest owned 94.7 percent of the share capital. The market capitalisation on the Oslo Stock Exchange of NOK 9.4 billion at the end of the quarter is based on a price of NOK 47.90 for A shares and NOK 48.00 for B shares.

> Hafslund purchases Fortum's networks business in Norway

The Hafslund Group has entered into an agreement with the Finnish energy group Fortum to purchase the latter's networks activities in Norway. This will reinforce Hafslund's status as an infrastructure company and significantly boost the number of networks customers. The agreement relates to all the shares in the network's company Fortum Distribution AS, which also owns 49 percent of the shares in Trøgstad Elverk AS and 100 percent of the shares in the holding company Fortum Power and Heat AS, which in turn owns 49 percent of the shares in Fredrikstad Energi AS (FEAS) and 35 percent of the shares in Fredrikstad EnergiNett AS (FEN). The aggregate purchase price (equity value) is NOK 1,365 million, of which NOK 1.0 billion represents the purchase sum for Fortum Distribution.

Fortum Distribution is Norway's eighth-largest networks company and owns large sections of the distribution grid in Østfold. At the end of 2013 the company had around 103,000 customers and NVE capital of NOK 953 million. The operating profit for 2012 and 2013 was NOK 141 million and NOK 113 million respectively. The company employs a total of 96 staff and is headquartered in Sarpsborg.

Fredrikstad Energi is an energy group located in Fredrikstad which primarily engages in networks, power sales and subcontractor business. Fredrikstad EnergiNett is part of the Fredrikstad Energi Group. Fredrikstad local authority is the majority shareholder in Fredrikstad Energi with a shareholding of 51 percent, while Fredrikstad Energi is the majority shareholder in Fredrikstad EnergiNett with a shareholding of 65 percent. The remaining 35 percent shareholding in Fredrikstad EnergiNett is owned by Fortum Power and Heat, which is also covered by the transaction.

Hafslund expects to be able to leverage synergies due to the fact that Fortum's electricity grid in Norway is located in the area in which Hafslund already owns the regional grid. The co-ordinated operation of and investments in the overhead and underground grid will generate operational synergies and in turn further strengthen the relative efficiency of networks business. The synergies will primarily be realised through more efficient contingency arrangements, stronger negotiating power for the purchase of contingency arrangements, maintenance and construction of new infrastructure, in addition to benefits of scale with regard to invoicing services, customer service operations and other staff and support functions.

Hafslund has entered into agreements with the companies Fortum ESD Norway AS and Fortum Nordic AB NUF. The vendor companies are owned and controlled by the Finnish energy group Fortum. The purchase sum will be paid in cash, including settlement of Fortum Distribution's net interest-bearing liabilities at the time of takeover. The purchase sum will be adjusted for interest accruing in the period from 31 December 2013 until implementation of the transaction. The Norwegian competition authorities stated on 2 May 2014 that the transactions are approved. The transactions are expected to be completed on 30 May 2014.

> Norwegian tax authorities withdraw tax demand

The Norwegian Tax Administration has ceded that there is no basis for taxing gains on shares on the sale of Hatros I AS and Hatros II AS in 2006 and 2007. Consequently, in the first quarter of 2014 Hafslund reversed a provision for previously recognised tax in the amount of NOK 268 million in addition to estimated interest compensation of NOK 20 million relating to tax already paid of NOK 205 million. Hafslund will be repaid this amount of tax together with interest.

Outlook

Hafslund is a pure-play energy company with a strong position strategically and operationally within: Production, Networks, Heat and Markets. The Group will continue to pursue both organic and structural growth within these areas. The acquisition of Fortum's grid operations in Østfold will strengthen Hafslund's position as a leading infrastructure company by significantly boosting the number of Networks customers. The acquisition will contribute operational synergies and further strengthen the relative efficiency of the Networks business.

Hafslund's financial results are impacted by strategic, marketing, regulatory, financial and operational factors and risks. Earnings for Production and Heat are directly impacted by fluctuations in power prices, while revenues for Networks are largely impacted by changes in the regulatory framework. In order to leverage market prospects more efficiently, and to hedge cash flows, Hafslund hedges some sales of produced energy. The power sales market is highly competitive, and profitability is contingent on Hafslund's ability to achieve further efficiency improvements and improve customer deliveries. In addition to ongoing investments in operations and expansion, the Group's future investment requirements will be significantly impacted by investments in AMS in the period leading up to 2019.

Power prices are affected at any one time by the hydrological balance, supply and demand for power and macroeconomic conditions in the Nordic region and Europe, and relevant regulatory and political initiatives. At the reporting date future power deliveries for 2014 (spot price in the first quarter and forward prices for the rest of the year) were listed at NOK 0.23 per kWh, compared with an average system price of NOK 0.30 per kWh in 2013. Similarly, power deliveries for 2015 were listed at NOK 0.25 per kWh.

Hafslund's position as a leading energy company will be boosted through a further focus on renewable energy, infrastructure for energy and the electricity market, efficient and stable operations and organic and structural growth. Hafslund is therefore well equipped both operationally and financially to satisfy the need for increased energy supplies as a result of population growth in the Østland region and expected changes in the Nordic end-user market.

Oslo, 7 May 2014

Board of Directors

Hafslund ASA

> Condenced income statement

Q1 13	Q1 14	NOK million	Year 13	Year 12
4 007	**3 734**	Operating revenues	12 836	11 466
(2 766)	**(2 289)**	Purchased materials and energy	(7 867)	(6 830)
1 241	**1 444**	**Gross margin**	4 970	4 637
(14)	**12**	Gain/loss financial items	125	137
(224)	**(242)**	Salaries and other personnel expenses	(901)	(851)
(366)	**(459)**	Other operating expenses	(1 747)	(1 752)
638	**755**	**EBITDA**	2 446	2 171
(198)	**(201)**	Depreciation and amortization	(794)	(1 259)
440	**554**	**Operating profit**	1 653	911
(130)	**(93)**	Financial interest, etc	(494)	(509)
(27)	**(16)**	Change in market value loan portfolio	(9)	(48)
(157)	**(109)**	**Financial expenses**	(503)	(557)
283	**445**	**Profit before tax and discontinued operations**	1 150	354
(105)	**112**	Tax	(402)	(366)
178	**557**	**Profit after tax**	747	(12)
0.91	**2.85**	Earnings per share (in NOK) = diluted profit	3.83	(0.06)

> Condensed statement of comprehensive income

178	**557**	**Profit after tax**	747	(12)
(57)	**37**	Value change hedging instruments	36	(1)
15	**(16)**	Translation differences	14	(13)
16	**(10)**	Tax	(10)	0
(26)	**11**	**Other comprehensive income that may be reclassified to profit or loss in subsequent periods**	40	(14)
		Change in actuarial pensions	(19)	650
0	**0**	Tax	5	(182)
0	**0**	**Other comprehensive income that will not be reclassified to profit or loss in subsequent periods**	(14)	468
152	**567**	**Profit attributable to**	773	443
152	**567**	Profit to shareholders of Hafslund ASA	774	445
0	**0**	Profit attributable to minority interests	(1)	(2)
152	**567**		773	443

> Condensed balance sheet

NOK million	31-03-14	31-12-13	31-03-13	31-12-12
Intangible assets	**2 630**	2 606	2 472	2 432
Fixed assets	**18 149**	18 251	18 269	18 365
Financial assets	**484**	407	612	657
Accounts receivable and inventory	**2 636**	2 979	3 111	2 871
Cash and cash equivalents	**2 328**	1 143	290	223
Assets	**26 227**	25 384	24 755	24 549
Equity, majority	**8 149**	7 565	7 420	7 270
Equity, minority	**17**	18	19	19
Allocations for liabilities	**3 420**	3 363	3 419	3 317
Long-term interest-bearing liabilities	**9 499**	9 432	8 070	8 422
Short-term interest-bearing liabilities	**2 220**	2 332	2 866	3 119
Short term non-interest-bearing liabilities	**2 921**	2 674	2 960	2 402
Equity and liabilities	**26 227**	25 384	24 755	24 549

> Equity reconciliation

NOK million	Ytd 14	Year 13
Equity beginning of period	**7 583**	7 289
Comprehensive income	**567**	773
Dividend	**0**	(487)
Other changes affecting equity	**16**	7
Equity at end of reporting period	**8 166**	7 583

> Condensed statement of cash flow

NOK million	Q1 14	Q1 13	Year 13	Year 12
EBITDA	**755**	638	2 446	2 171
Paid interest	**(173)**	(183)	(474)	(480)
Paid taxes	**(150)**	(128)	(338)	(359)
Market value changes and other items without cash flow effect	**4**	26	(48)	(92)
Change in accounts receivables, etc.	**320**	(241)	15	(954)
Change in liabilities, etc.	**632**	705	23	(50)
Cash flow from operations	**1 388**	817	1 624	236
Investments (operation and expansion)	**(130)**	(111)	(873)	(1 085)
Net capital release shares, etc.	**(4)**	(7)	435	35
Cash flow investment activities	**(134)**	(118)	(438)	(1 049)
Change net interest-bearing debt and dicontinued operations	**(69)**	(633)	221	651
Dividend and other equity changes	**0**	0	(487)	(484)
Cash flow financing activities	**(69)**	(633)	(266)	167
Change in cash and cash equivalents in period	**1 185**	67	920	(647)
Cash and cash equivalents at beginning of period	**1 143**	223	223	870
Cash and cash equivalents at end of period	**2 328**	290	1 143	223

> Segment reporting

Q1 13	Q1 14	NOK million	Year 13	Year 12
191	**237**	Production	859	755
504	**433**	Heat	1 153	1 107
1 070	**982**	Network	4 052	3 992
2 257	**2 085**	Markets	6 868	5 537
(14)	**(4)**	Other activities/eliminations	(96)	76
4 007	**3 734**	**Total operating revenues**	12 836	11 466
3	**133**	Production	15	(102)
0	**0**	Heat	3	3
3	**4**	Network	2	3
65	**54**	Markets	262	267
48	**50**	Other activities	197	191
120	**242**	**Of which, sales between segments**	479	361
99	**143**	Production	568	443
133	**129**	Heat	156	(82)
150	**156**	Network	619	541
82	**127**	Markets	301	370
(24)	**(1)**	Other activities/eliminations	9	(361)
440	**554**	**Total operating profit**	1 653	911

Notes to the financial statements

1) Framework conditions and key accounting policies

The consolidated financial statements for the first quarter of 2014, the period ending 31 March 2014, have been prepared in accordance with International Financial Accounting Standards (IRFSs) as established by the EU and include Hafslund ASA and its associates and subsidiaries. This interim report, which has not been audited, has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not provide the same scope of information as the annual financial statements and should therefore be viewed in the context of the consolidated financial statements for 2013. The accounting policies and calculation methods applied in interim reporting are the same as those described in Note 2 to the consolidated annual financial statements for 2013, with the exception of valuation of the investment in EFI AS.

The associate EFI AS has changed its policy for recognising investments in subsidiaries following the implementation of IFRS 10. Following the change, investments are now recognised at fair value. Hafslund's share of the effect of the change in policy was recognised directly in equity in the amount of NOK 19 million in the first quarter of 2014. Apart from the above, the amendments to IFRS 10 and 11 have not impacted the consolidated financial statements.

2) Networks – income ceiling and income surpluses/shortfalls

Under IFRSs special accounting policies apply to the accounting treatment of grid rental (regulatory income). Grid rental recognised in income in individual years corresponds to the volume delivered in the period, settled at the established tariff in force at any one time. Permitted income comprises the revenue ceiling established by the regulator (the Norwegian Water Resources and Energy Directorate – NVE) plus transmission costs (Statnett), Enova mark-ups and property tax less interruption costs. Income surpluses/shortfalls, which represent the difference between recognised grid rental and permitted income defined under IFRSs as regulatory liabilities/assets that do not qualify for recognition in the balance sheet This is justified on the grounds that a contract has not been entered into with a particular customer and therefore the resulting receivable/liability is theoretically contingent on a future delivery. The tariffs are managed based on the rationale that the annual income will over time correspond to the permitted income. Income surpluses arise if the grid rental recognised in income is higher than the permitted income for the year and this will have a positive impact on the result. On the same principle, income shortfalls will negatively impact the result.

Networks' result for the first quarter of 2014 includes an income shortfall of NOK 30 million. The result for the corresponding period in 2013 reflects an income shortfall of NOK 68 million. At the end of the first quarter of 2014, accumulated surplus income for Hafslund Nett amounted to NOK 288 million.

3) Interest-bearing loans and interest and currency derivatives

At the end of the first quarter of 2014, the value of the loan portfolio recognised in the balance sheet amounted to NOK 11,719 million, of which NOK 9,499 million related to long-term liabilities and NOK 2,220 million to current liabilities. The change in the fair value of loans depressed profits by NOK 16 million in the reporting period. The change in the fair value of interest and currency derivatives had a combined negative effect on results of NOK 11 million in the first quarter of 2014. In the first quarter of 2014, Hafslund's credit spreads narrowed by around 20 basis points for all maturities. The Nibor and swap interest rates widened by around five basis points for maturities of up to three years, and narrowed by around 10 basis points for maturities of between five and six years and narrowed by around 20 basis points for maturities longer than seven years. The net effect of the above was that the market interest rate (including Hafslund's credit spreads) narrowed by around 15 basis points for maturities of up to three years, around 30 basis points for maturities between five and six years and by around 40 basis points for longer maturities.

The change in the fair value of loans is recognised in income as financial expenses, while the change in value of interest and currency derivatives is recognised in income as net financial items before the operating result. None of the Group's loan agreements impose any financial covenants. As of 31 March 2014 the loan and interest derivatives portfolio was split between fixed and variable rates in the ratio 48/52.

Hafslund has a drawdown facility of NOK 3,600 million with a syndicate of six Nordic banks that matures in 2018. The company has negotiated favourable terms and no financial covenants attach to the loan agreement. The facility is intended to be used as a general liquidity reserve. Hafslund also has an unused bank overdraft facility with Nordea of NOK 100 million.

Hafslund has liabilities denominated in foreign currency. In addition, Group businesses conduct transactions that are exposed to currency fluctuations. Currently this applies in particular to EUR- and SEK-denominated trades in power and power derivatives. The Group's central finance department is responsible for managing the Group's overall foreign exchange exposure on behalf of the individual operating units, and performs all transactions with the market. In the case of foreign currency borrowings, principal amounts and basis interest rates are hedged using basis swaps when borrowings are taken out. Until 31 December 2009 the Group's entire loan portfolio was valued at fair value through profit or loss. Since 2010 new borrowings have been measured at amortised cost and at the end of the first quarter of 2014 these amounted to NOK 7,852 million.

4) Business acquisitions

> Fortum

The Hafslund Group has entered into an agreement with the Finnish energy group Fortum to purchase the latter's networks activities in Norway. The agreement covers 100 percent of the shares in the Networks company Fortum Distribution AS, which also owns 49 percent of the shares in Trøgstad Elverk AS, and 100 percent of the shares in the holding company Fortum Power and Heat AS, which in turn owns 49 percent of the shares in Fredrikstad Energi AS (FEAS) and 35 percent of the shares in Fredrikstad EnergiNett AS (FEN). The aggregate purchase price was calculated as NOK 1,365 million. The purchase price will be adjusted for interest for the period from 31 December 2013 until implementation of the transaction. The Norwegian competition authorities stated on 2 May 2014 that the transactions are approved. The transactions are expected to be completed on 30 May 2014.

> Energibolaget i Sverige Holding AB

In October 2013 Hafslund ASA exercised its purchase option towards the shareholders of Energibolaget i Sverige Holding AB (EBS) and acquired the remaining 51 percent of shares in the company. Following the above transaction Hafslund owns all the shares in EBS. The cost of 100 percent of the shares in the step acquisition totalled SEK 474 million and the net assets of EBS amounted to SEK 272 million at the exercise date. Following the allocation of the purchase price, the total value of customer portfolios recognised in the balance sheet amounted to SEK 129 million and goodwill to SEK 72 million.

5) Financial Instruments by category, including hedging instruments

The following principles have been applied in the subsequent measurement of financial instruments for financial instruments recognised in the balance sheet:

NOK million	Derivatives used for hedging	Assets at fair value through profit or loss	Loans and receivables	Total
Long-term receivables			455	455
Derivatives	78	172		250
Trade and other receivables			2,402	2,402
Cash and cash equivalents			2,129	2,129
Total financial assets as of 31 March 2014	**78**	**172**	**4,986**	**5,236**

NOK million	Derivatives used for hedging	Liabilities at fair value through profit or loss	Other financial liabilities	Total
Borrowings		3,867	7,852	11,719
Derivatives		166		166
Trade and other current payables			1,317	1,317
Total financial liabilities as of 31 March 2014		**4,033**	**9,169**	**13,202**

Hafslund classifies its financial instruments in the following categories; financial assets, loans and receivables and financial liabilities. Derivative financial instruments are valued as either "at fair value through profit or loss" or "for hedging purposes". Hafslund has four main groups of derivatives; power derivatives, interest and currency derivatives, and forward contracts relating to el certificates. Spot contracts used in the purchase of el certificates are recognised under cash and cash equivalents in the table above.

Several of the Group's results units are exposed to risk associated with the power market. The inherent exposure to the market primarily derives from the Group's ownership of power and heat production facilities, networks business and power sales to customers. In recent years the power market has been relatively volatile, which has increased the desire for greater predictability regarding Hafslund Production and Hafslund Heat's results. Some of the power price is hedged in order to reduce the risk relating to future cash flows from the sale of power. Hafslund hedges some of its hydropower production volume, as well as enters into hedging contracts in the business area Heat, for the next 36 months on an ongoing basis to reduce price risk. In line with the Group's hedging policy, the extent of hedging is expected to be significantly higher in the upcoming six months than in the ensuing period The extent of hedging may vary significantly, based on an overall assessment of market prices and prospects, where the purpose is to achieve satisfactory prices and reduce downside risk in Hafslund's earnings. Hedging arrangements are recognised as cash flow hedging in accordance with IAS 39, while changes in value in hedging instruments are recognised in other comprehensive income and are presented in the above table as Derivatives used for hedging purposes. The Group has introduced frameworks for hedging hydropower production volumes for up to 15 years to further reduce the risk relating to future cash flows.

The power sales business hedges the margins on all products offering customers various types of fixed price schemes or price offers for a fixed period of time. Hedging is carried out by entering into financial power contracts to purchase physical volumes corresponding to the supply obligation to the customers. Financial power contracts are recognised at fair value through profit or loss and do not satisfy the requirements for hedge accounting. The Group enters into contract trading to hedge the margins on its customer portfolios. In a market characterised by major fluctuations in wholesale and forward prices, the fair value of future power contracts will vary in line with price changes on Nasdaq OMX. In the first quarter of 2014 there were some minor changes in unrealised values of power contracts. A gain of around NOK 6 million was recognised in respect of increase in unrealised values in the first quarter. Gains on increases in the value of power contracts will be largely offset by corresponding reduced margins relating to end-user contracts. However, the Group's end-user contracts are not deemed to fall within the scope of IAS 39 and are recognised in accordance with the lowest value principle.

The table below shows financial instruments at fair value based on valuation method. The different levels are defined as follows:

1. Listed price in an active market for an identical asset or liability (level 1).
2. Valuation based on observable factors other than listed prices (level 1) either directly (prices) or indirectly (derived from prices) for the asset or liability (level 2).
3. In cases where it is not appropriate to employ the quoted share price or the transaction value, shares are valued on the basis of discounted future cash flows, as well as the Group's own estimates.

NOK million	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
El-certificates	4			4
Power contracts		151	5	156
Forward exchange contracts		12		12
Total assets	**4**	**163**	**5**	**172**
Financial liabilities at fair value through profit or loss:				
Borrowings		3,867		3,867
Power contracts	146	6		152
Interest rate swaps		15		15
Total liabilities	**146**	**3,888**	**0**	**4,033**

6) Operating assets

A total of NOK 130 million was invested in operating assets in the quarter. All the investments relate to investments in operations and expansion.

7) Related party transactions

The Hafslund Group enters into purchase and sales transactions with related parties as part of normal business operations. To date in 2014 Hafslund has purchased goods and services from and sold goods and services to the City of Oslo. As of 31 March 2014, the City of Oslo owned 53.7 percent of the shares in Hafslund ASA. Examples of sales to the City of Oslo include power sales, operation of street lighting, and associated maintenance and investments, while purchases include waste heat from the Norwegian Waste-to-Energy Agency (EGE). All transactions between the parties are conducted on the arm's length principle. The table on the next page shows transactions with related parties:

NOK million	Sale of goods and services	Purchase of goods and services	Purchases recognised as investments	Trade receivables	Trade payables
First quarter 2014					
City of Oslo	55	57	7	13	22

8) Contingencies

The Norwegian Tax Administration has ceded that there is no basis for taxing gains on shares on the sale of Hatros I AS and Hatros II AS in 2006 and 2007. Consequently, in the first quarter of 2014 Hafslund reversed previously recognised tax provisions of NOK 268 million along with estimated interest compensation of NOK 20 million relating to tax already paid of NOK 205 million. Hafslund will be repaid this tax amount plus interest. Please refer to Note 24 in Hafslund's consolidated financial statements for 2013 for further information on the tax case.

Historical quarterly information for the Group

> Condensed income statement

NOK million	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	2Q12	1Q12
Operating revenues	3 734	3 639	2 380	2 810	4 007	3 592	1 854	2 292	3 728
Purchased materials and energy	(2 289)	(2 208)	(1 253)	(1 640)	(2 766)	(2 190)	(869)	(1 197)	(2 573)
Gross margin	1 444	1 431	1 127	1 170	1 241	1 402	985	1 095	1 154
Gain/loss financial item	12	13	119	6	(14)	51	4	25	57
Salaries and other personnel expenses	(242)	(275)	(189)	(213)	(224)	(283)	(176)	(201)	(191)
Other operating expenses	(459)	(564)	(424)	(394)	(366)	(513)	(431)	(409)	(399)
EBITDA	755	606	633	569	638	657	382	510	621
Depreciation and amortization	(201)	(198)	(202)	(195)	(198)	(229)	(650)	(186)	(194)
Operating profit	554	407	431	374	440	429	(268)	324	427
Financial interest etc	(93)	(116)	(134)	(115)	(130)	(117)	(132)	(137)	(123)
Change in market value loan portfolio	(16)	(17)	29	7	(27)	11	(102)	27	16
Financial expenses	(109)	(133)	(105)	(108)	(157)	(105)	(234)	(110)	(108)
Profit before tax and discontinued operations	445	275	326	266	283	323	(502)	213	319
Tax	112	(66)	(116)	(115)	(105)	(118)	(78)	(74)	(95)
Profit after tax	557	208	210	151	178	205	(580)	140	224
Majority's share of profit	557	208	210	151	178	207	(581)	140	224
Minority's share of profit	0	(0)	(0)	(1)	0	(2)	1	(0)	(0)
Earnings per share (in NOK)	2.85	1.07	1.08	0.77	0.91	1.05	(2.97)	0.72	1.15

> Condensed balance sheet

NOK million	31-03-14	31-12-13	30-09-13	30-06-13	31-03-13	31-12-12	30-09-12	30-06-12	31-03-12
Intangible assets	2 630	2 606	2 490	2 478	2 472	2 432	2 440	2 433	2 390
Fixed assets	18 149	18 251	18 263	18 281	18 269	18 365	18 190	18 576	18 573
Financial assets	484	407	233	589	612	657	613	628	660
Accounts receivable and inventory	2 636	2 979	2 544	2 179	3 111	2 871	1 845	1 927	2 719
Cash and cash equivalents	2 328	1 143	467	1 067	290	223	873	659	1 057
Assets	26 227	25 384	23 996	24 593	24 755	24 549	23 962	24 223	25 398
Equity, majority	8 149	7 565	7 318	7 145	7 420	7 270	6 574	7 163	7 515
Equtiy, minority	17	18	18	18	19	19	25	28	28
Allocations for liabilities	3 420	3 363	3 448	3 440	3 419	3 317	3 918	4 052	4 009
Long-term interest-bearing liabilities	9 499	9 432	8 657	8 603	8 070	8 422	8 771	8 810	8 822
Short-term interest-bearing liabilitis	2 220	2 332	2 289	3 179	2 866	3 119	2 381	2 247	2 198
Short term non-interest-bearing liabilities	2 921	2 674	2 267	2 208	2 960	2 402	2 293	1 922	2 825
Equity and liabilities	26 227	25 384	23 996	24 593	24 755	24 549	23 962	24 223	25 398

> Condensed statement of cash flow

NOK million	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	2Q12	1Q12
EBITDA	755	606	633	569	638	657	382	510	621
Interest paid	(173)	(100)	(84)	(107)	(183)	(104)	(73)	(123)	(180)
Taxes paid	(150)	(85)	-	(125)	(128)	(7)	(103)	(89)	(160)
Value change and other non cashflow effect	4	(31)	(98)	55	26	(80)	11	27	(50)
Change in receivables	320	(274)	(361)	890	(241)	(1 250)	87	747	(538)
Change in trade credit etc	632	69	(75)	(676)	705	124	214	(852)	464
Cash flow from operations	1 388	185	15	606	817	(660)	518	220	157
Investments (operation and expansion)	(130)	(383)	(180)	(199)	(111)	(418)	(297)	(198)	(171)
Sales of shares, assets	(4)	67	373	2	(7)	17	(2)	4	16
Cash flow to investments activities	(134)	(316)	193	(197)	(118)	(401)	(299)	(194)	(155)
Change interest-bearing debt and dicontinued operations	(69)	807	(808)	854	(633)	410	(7)	63	185
Dividend and other equity changes	-	-	-	(487)	-	-	3	(487)	-
Cash flow financing activities	(69)	807	(808)	367	(633)	410	(4)	(424)	185
Change in cash and cash equivalents in period	1 185	676	(600)	777	67	(651)	215	(398)	188
Cash and cash equivalents at beginning of period	1 143	467	1 067	290	223	873	659	1 057	870
Cash and cash equivalents at end of period	2 328	1 143	467	1 067	290	223	873	659	1 058

> Segment information

NOK million	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	2Q12	1Q12
Production	237	205	229	234	191	243	150	197	165
Heat	433	349	106	194	504	395	162	156	394
Network	982	1 090	925	966	1 070	1 193	839	920	1 039
Markets	2 085	2 021	1 147	1 443	2 257	1 738	708	1 080	2 012
Other activities/eliminations	(4)	(27)	(28)	(28)	(14)	23	(4)	(61)	117
Total sales income	3 734	3 639	2 380	2 810	4 007	3 592	1 854	2 292	3 728
Production	155	163	163	177	111	185	83	133	87
Heat	172	112	6	37	174	122	42	20	129
Network	279	266	286	283	272	311	244	245	244
Markets	140	96	83	71	91	54	84	109	143
Other activities/eliminations	9	(31)	95	0	(10)	(16)	(71)	3	18
Total EBITDA	755	606	633	569	638	657	382	510	621
Production	143	152	152	165	99	175	72	121	75
Heat	129	71	(43)	(5)	133	92	(241)	(22)	89
Network	156	142	164	162	150	180	120	122	119
Markets	127	84	73	62	82	48	80	104	138
Other activities/eliminations	(1)	(42)	84	(10)	(24)	(65)	(299)	(2)	5
Total operating profit	554	407	431	374	440	429	(268)	324	427

Hafslund

Financial calendar

1. Fourth-quarter 2013 report - 5 February 2014
2. First-quarter 2014 report - 8 May 2014
3. Annual General Meeting - 8 May 2014
3. Second-quarter 2014 report - 10 July 2014
4. Third-quarter 2014 report - 22 October 2014

Investor information

1. Additional information is available from Hafslund's website:
   - www.hafslund.no
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