



# Fourth-quarter and preliminary 2006 results

Christian Berg, President and CEO

**Hafslund ASA**

7 February 2007



## Key events 2006



- After-tax profit of NOK 11,650 million (2005: NOK 1,175 million), of which NOK 10,635 million (2005: NOK 356 million) is attributable to Renewable Energy Corporation (REC) shareholding.
- Operating profit excl. REC: NOK 2,128 million (2005: NOK 1,666 million) – up 28 percent.
- Power Generation operating profit: NOK 995 million, up 107 percent from 2005.
- Return on equity: 97 percent in 2006 (2005: 19 percent).
- Board of Directors proposes per-share dividend of NOK 2.75 (NOK 2.25).



## Key events — fourth-quarter 2006



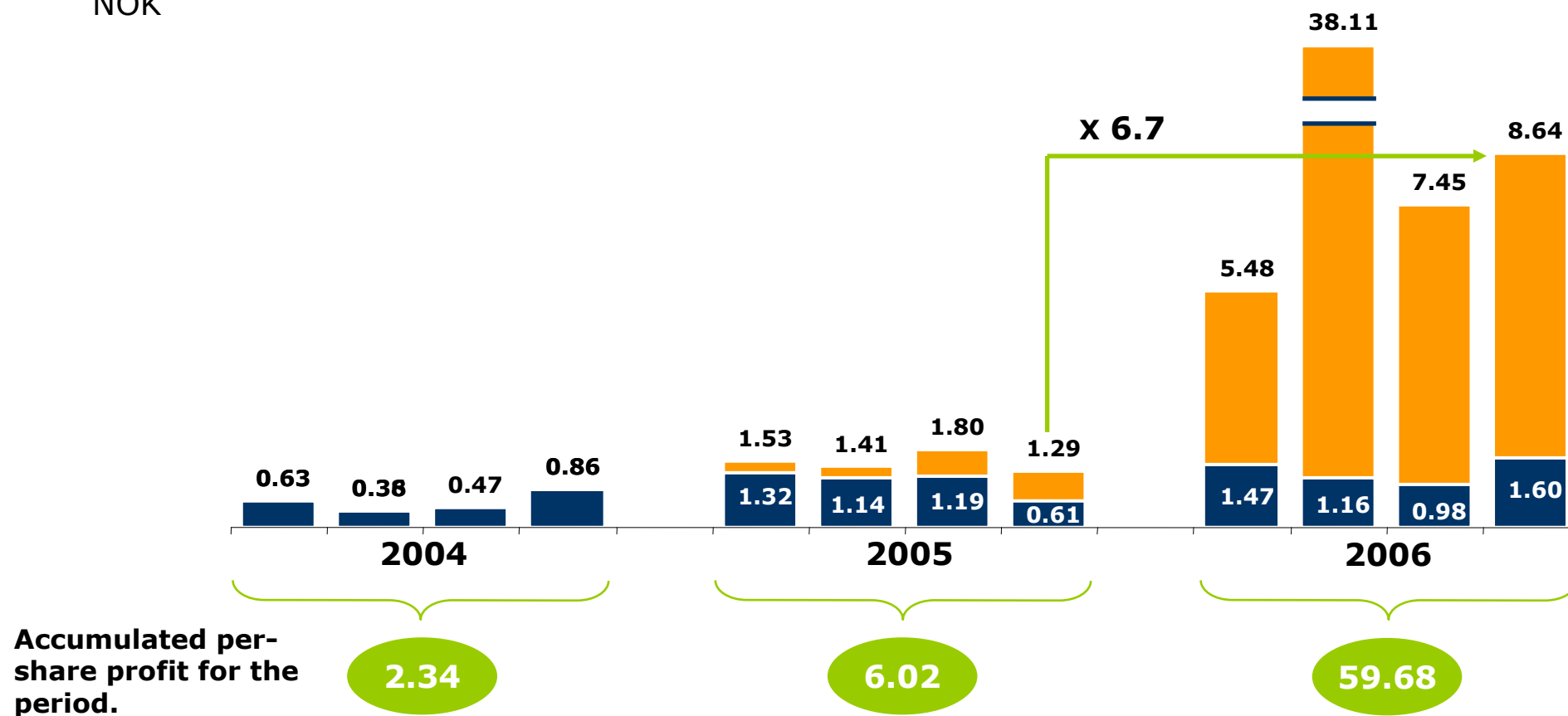
- After-tax profit of NOK 1,686 million (NOK 251 million), of which NOK 1,369 million (NOK 133 million) is attributable to REC shareholding.
- Operating profit excluding REC: NOK 661 million (NOK 327 million) — up 102 percent.
- Cash flow from operations: NOK 235 million — up NOK 157 million compared with 4Q 2005.
- NOK 425 million in capital freed up: of which NOK 294 million in gains.
- Viken Fjernvarme AS (Oslo district heating) wholly owned as of 2 January 2007.





# Earnings per share (EPS)

**By quarter**  
NOK

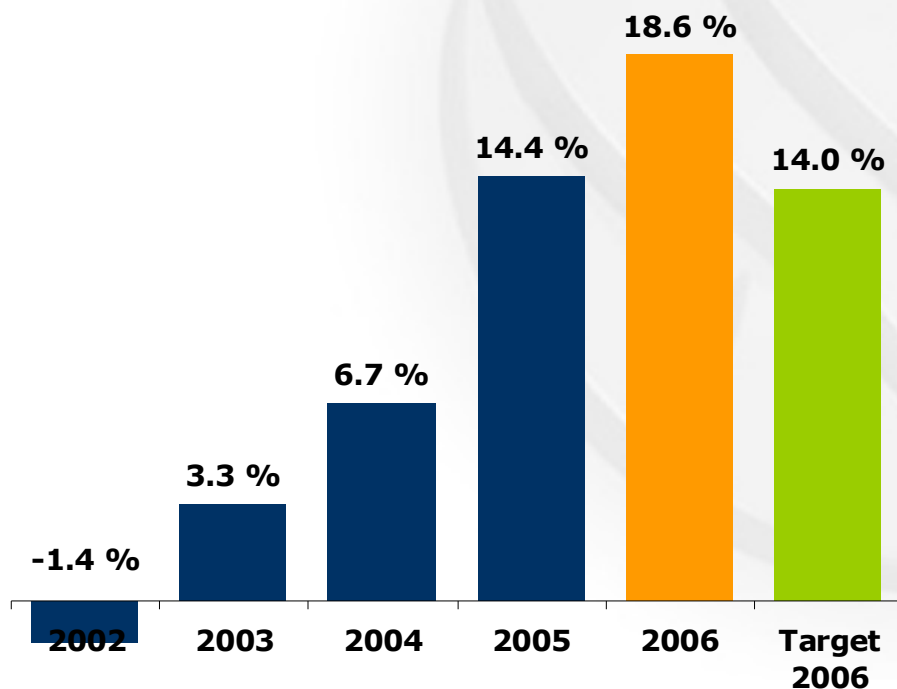


Note: - Blue columns represent per-share profit exclusive return on the Group's REC investment.  
- Orange columns represent the REC return.

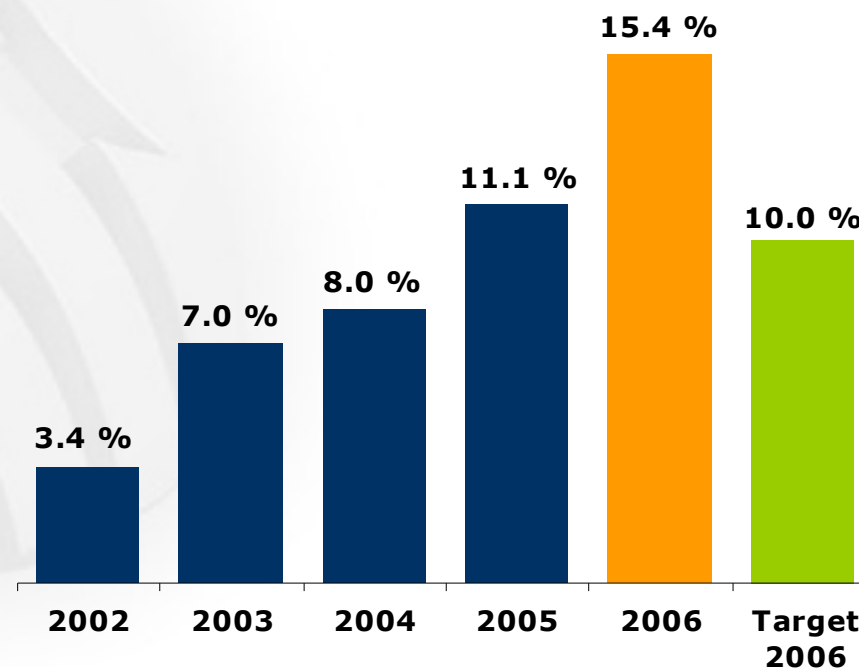
# Rates of return (adjusted\*)



## Equity (ROE)



## Invested capital (ROCE)



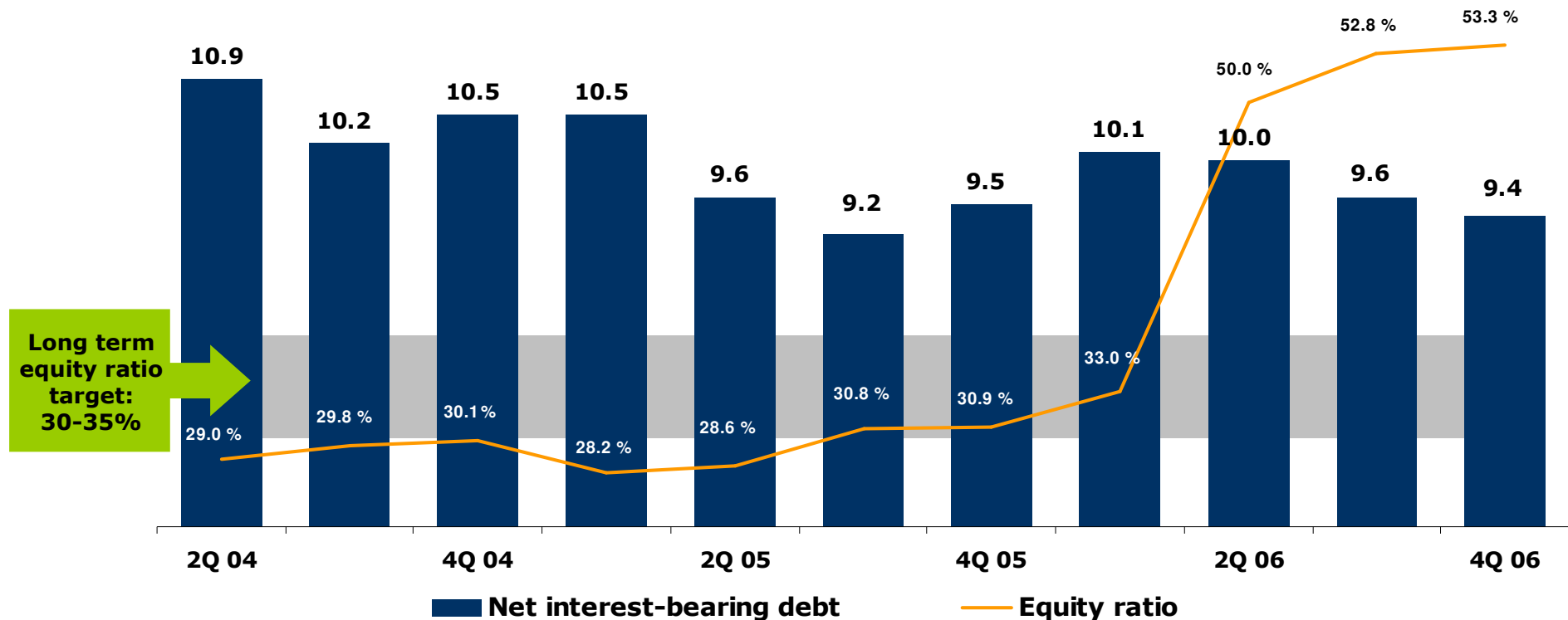
Note: \* Based on 13.5% return on the Group's REC investment for the years 2005 and 2006.

# Capital structure development



## Interest-bearing debt and equity ratio

NOK billion

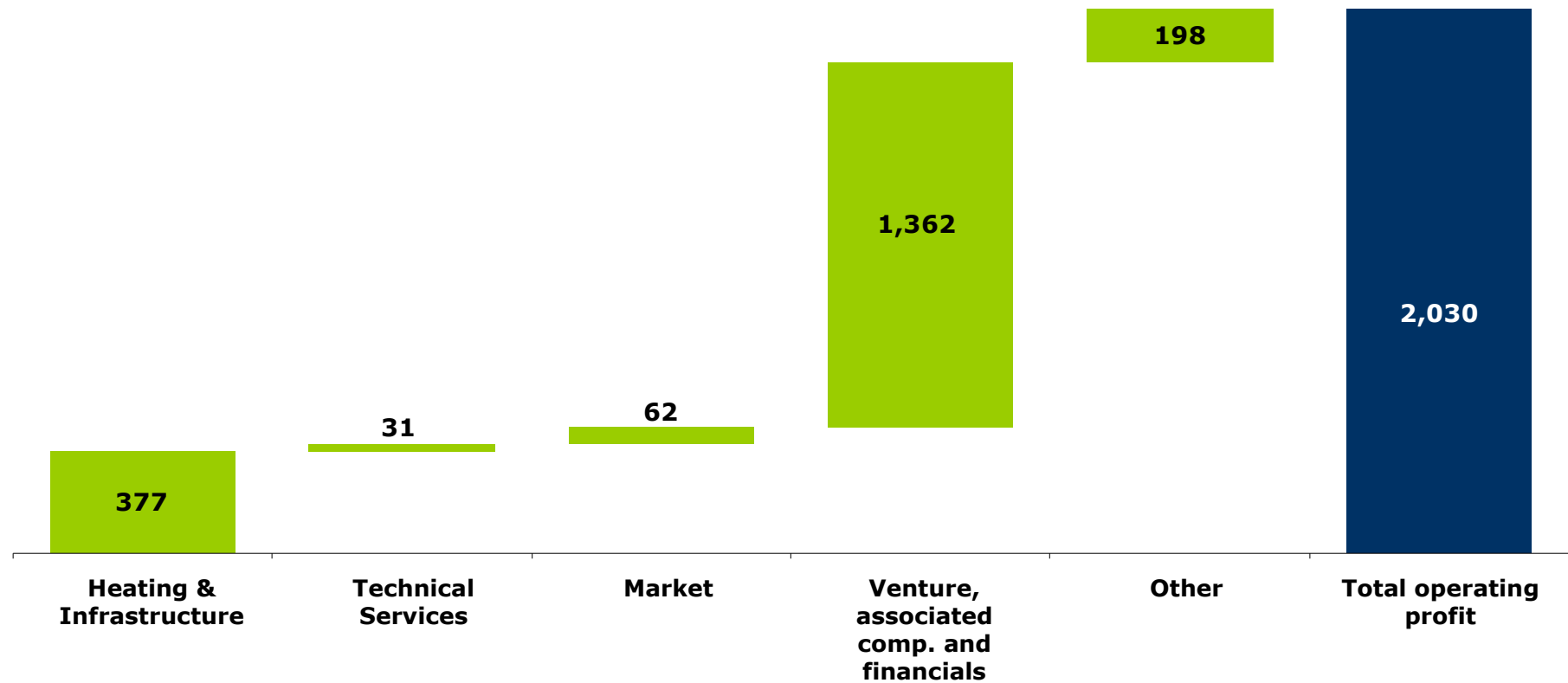


# Operating profit



## Fourth-quarter 2006

NOK million



# Power Generation



- Higher power prices and higher volumes resulted in solid 4Q 2006 profit.
- Based on today's hydropower situation in Mjøsa and Øyern lakes and normal precipitation for the season, 1Q 2007 generation is projected at approximately 100 GWh above mean generation for the period.
- Forward prices for 2007 indicate lower power prices than in 2006.
- Possible expansion of production capacity of 100 - 130 GWh.





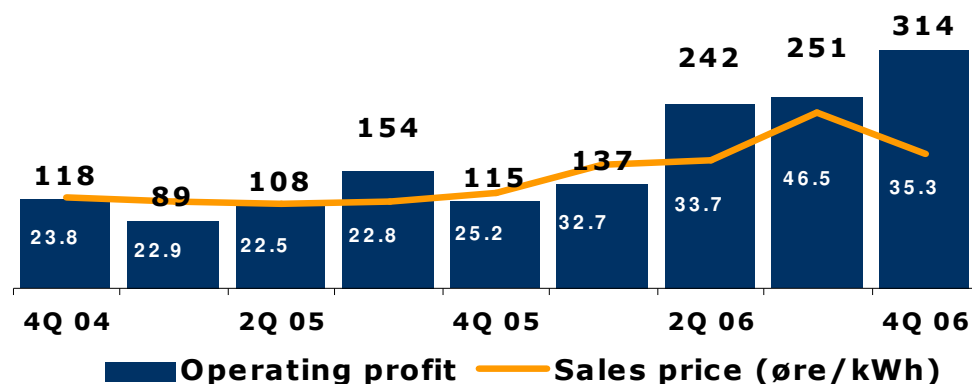
# Power Generation



## Key figures

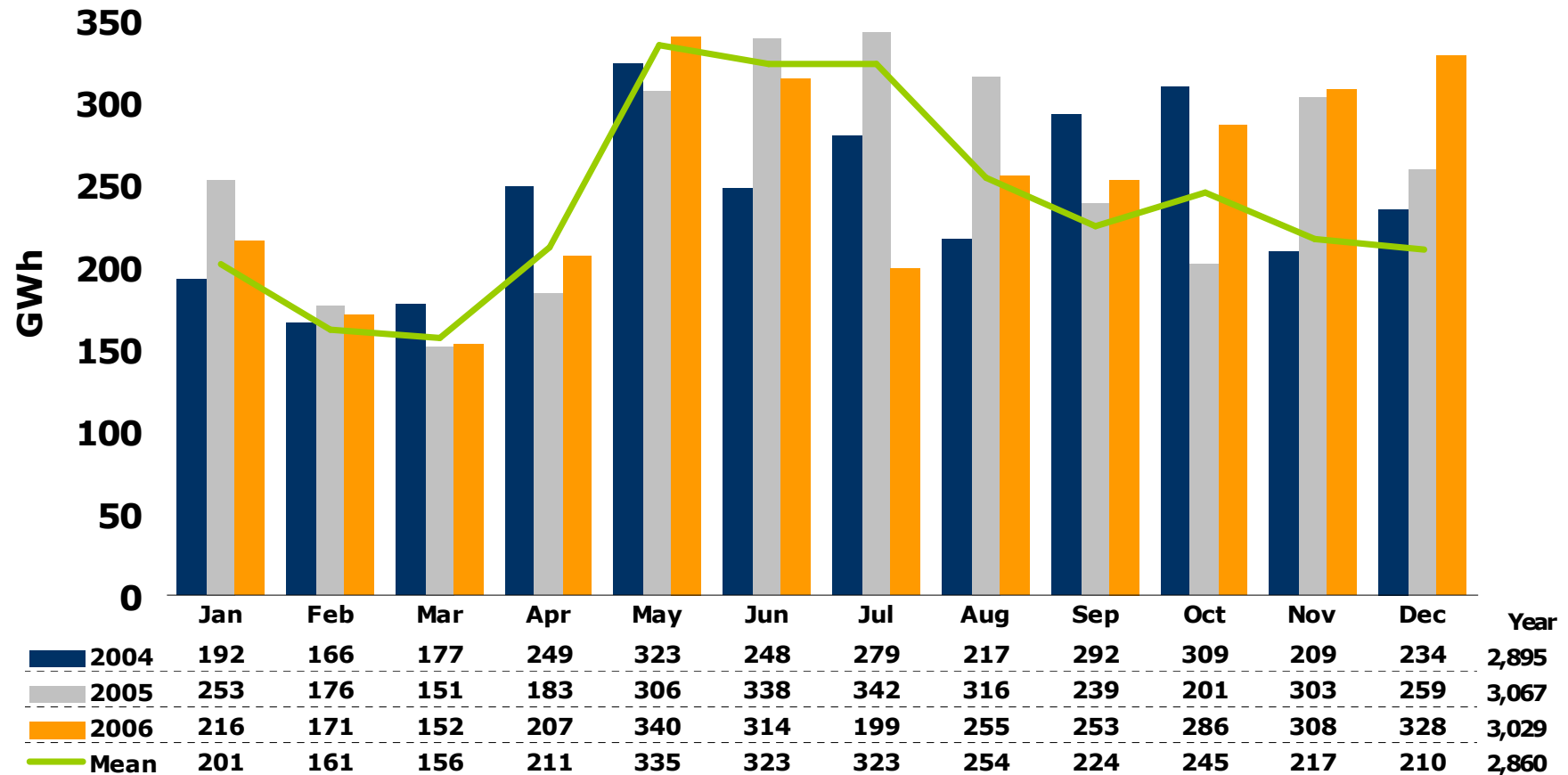
NOK million	4Q 06	4Q 05	2006	2005
Operating revenue	345	189	1,197	717
Operating profit before depreciation	305	137	1,038	526
Margin excl. power trading	95.4%	69.7%	82.5%	71.3%
Operating profit	291	121	995	482
- of which power trading	(24)	6	50	15
Margin excl. power trading	91.1%	61.1%	78.9%	65.1%
Sales price (in øre per kWh)	35.3	25.2	37.3	23.3

## Operating profit and sales price, excl. power trading



- Operating profit: NOK 291 million, up NOK 170 million from 4Q 2005.
- Power sold at NOK 0.353 per kWh, up NOK 0.101 per kWh from 4Q 2005.
- Sales price corresponds to 98% of spot price (4Q 2005: 100%).
- 922 GWh generated (4Q 2005: 763 GWh): 252 GWh above normal for period.
- Power trading profit: NOK -24 million (4Q 2005: NOK 6 million), including NOK -8 million charge for mandated license power obligations.

# Power generation profile

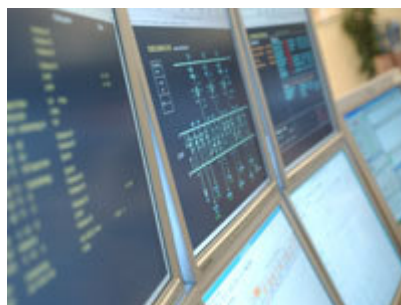


Note: Mean generation is the average production over the past ten years.

# Network



- Operating profit reflects cost of new intra-Group service provider agreements and items that increased 4Q 2005 profit.
- Excess/under grid rental invoicing up-to-date as of 31 December 2006.
- New regulatory regime for Norwegian grid companies for 2007 and on. Continued solid Network earnings, but somewhat reduced due to lower government-regulated income ceiling.



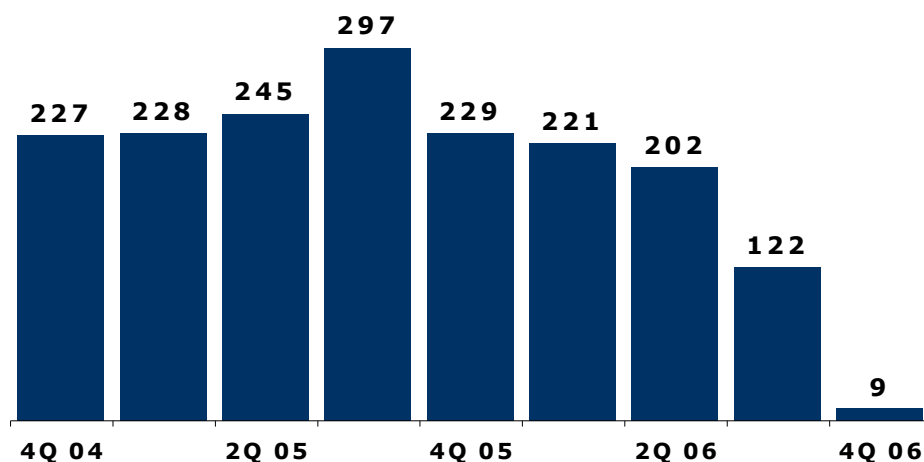
# Network



## Key figures

NOK million	4Q 06	4Q 05	2006	2005
Driftsinntekter	887	924	3,305	3,438
Driftsresultat før avskrivninger	211	359	1,140	1,516
Margin	23.8%	38.8%	34.5%	44.1%
Driftsresultat	83	229	628	1,000
Margin	9.3%	24.8%	19.0%	29.1%

## Operating profit development

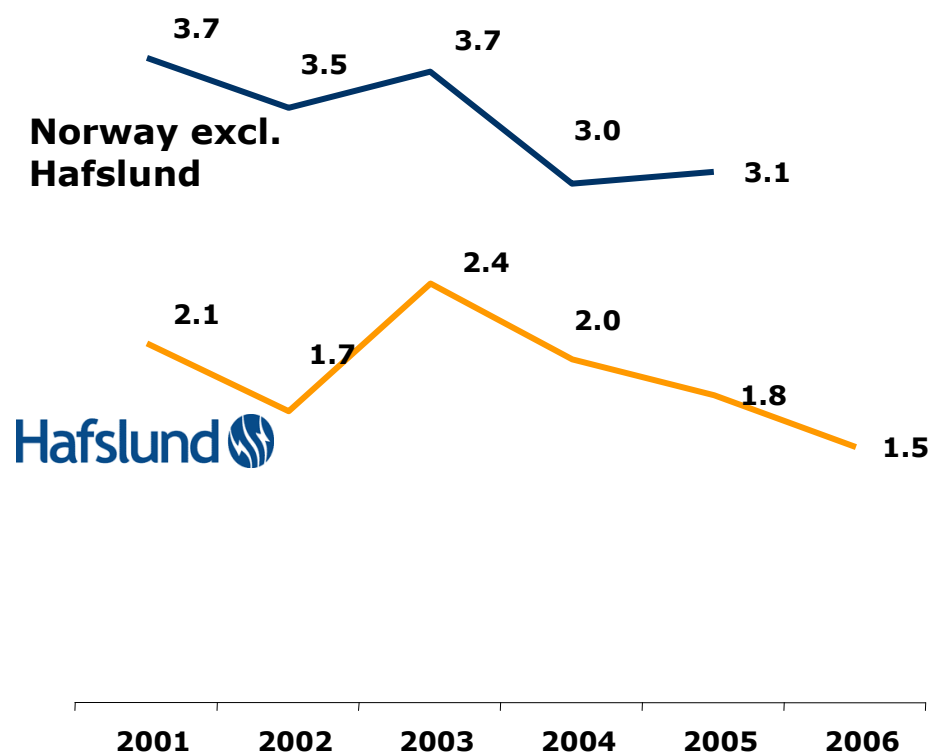


- Operating revenues: NOK 887 million, down NOK 37 million from 4Q 2005.
- Operating profit: NOK 83 million, down NOK 146 million from 4Q 2005.
- NOK 19 million increase in grid loss costs due to higher power prices.
- Lower compensation allowed by NVE for past issues reduces profit by NOK 42 million, compared with 4Q 2005.
- New intra-Group service provider agreements reduced profit by NOK 30 million, compared with 4Q 2005.

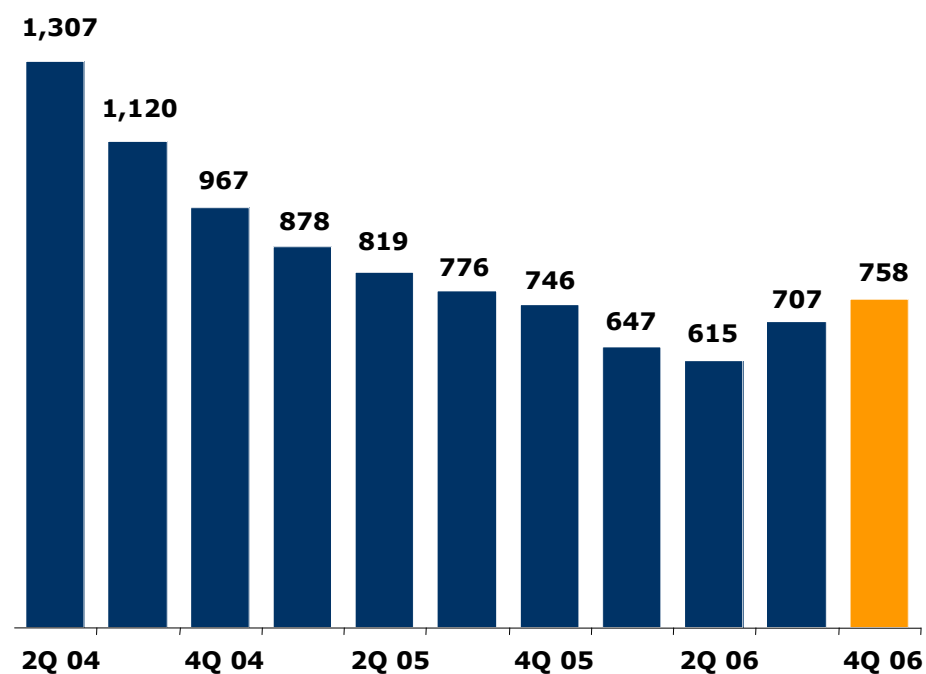
# Network — number of grid outages



**Number of grid outages per reporting point** (network station)



**Hafslund – no. of service interruptions rolling 12-month average**

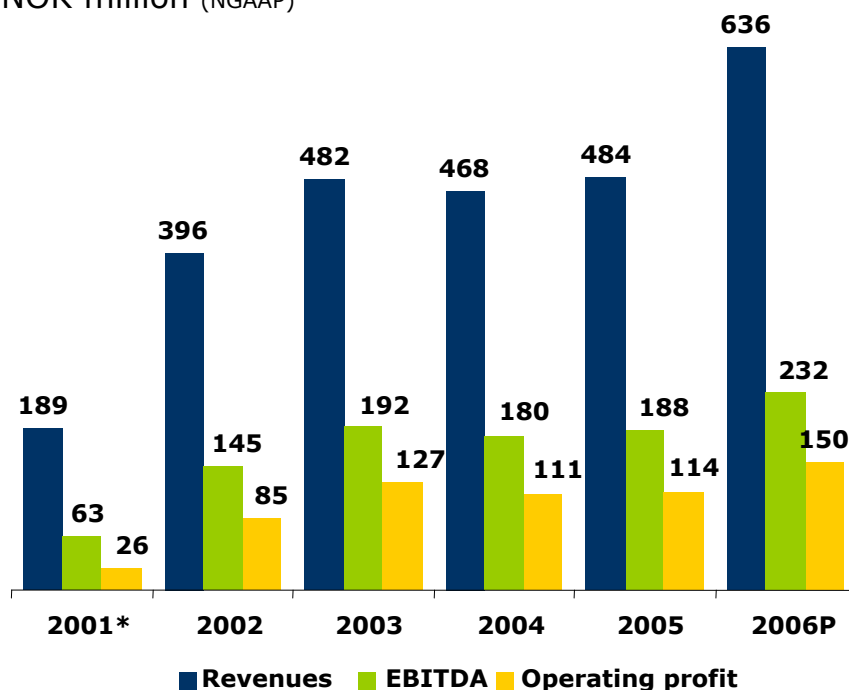


# Viken Fjernvarme — Norway's largest district heating provider now part of Hafslund



## Profit development

NOK million (NGAAP)

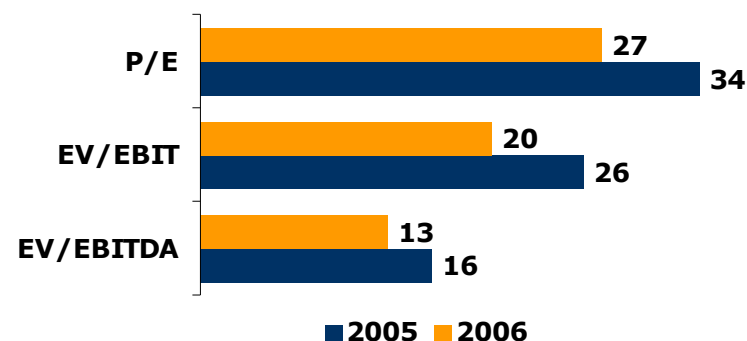


As of 31 Dec. 2006:

- Equity ratio: 64%
- Balance sheet: NOK 1.34 billion

## Transaction multiples: VF

Transaction value 67% (Equity): NOK 1,900 million



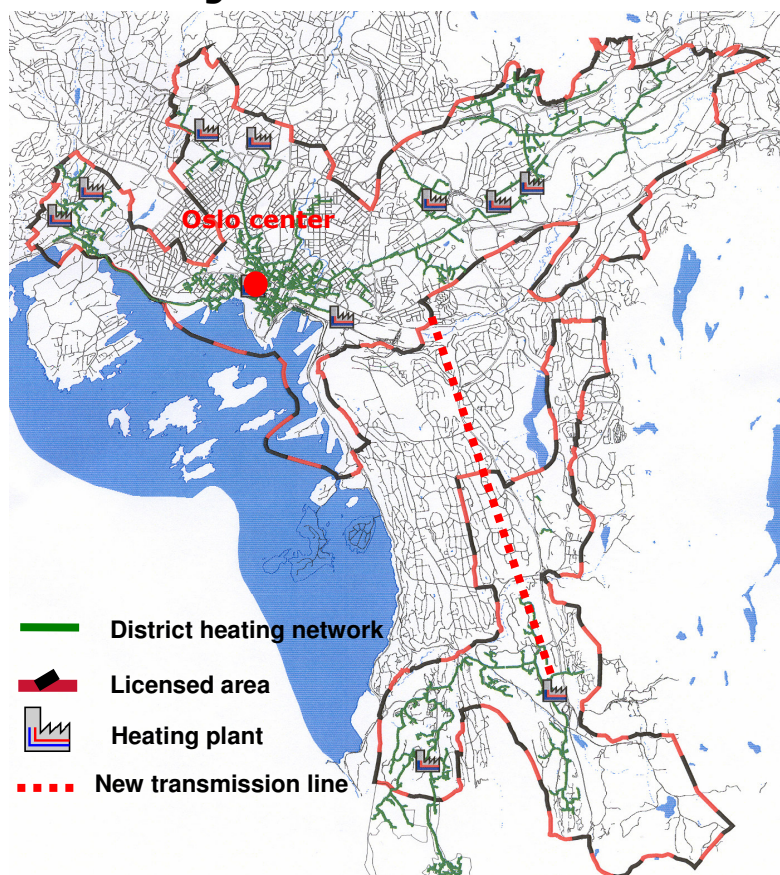
- Integration process underway.
- Significant potential for operational optimization.
- Synergies with other Hafslund units.

**Hafslund**

# Viken Fjernvarme — significant development potential



## Viken Fjernvarme



- Construction of tie-in linking VF two central district heating networks.
- Network expansion in the Oslo region.
- Increased demand for cooling.
- Greater focus on renewable energy.
- Construction of new heat pumps and combustion lines to increase energy utilization and volume.



- **Increase: from 1 TWh to 2 TWh over next 5-8 years**
- **Investments: roughly NOK 2-2.5 billion**
  - Pending framework conditions and reasonable energy prices.



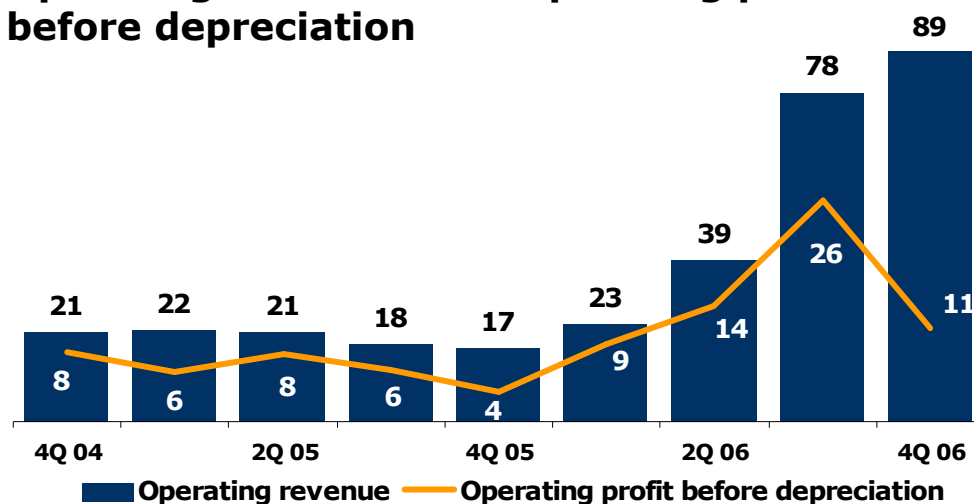
# Telekom



## Key figures

NOK million	4 Q 06	4 Q 05	2006	2005
Operating revenues	89	17	229	79
Operating profit before depreciation	11	4	61	24
Margin	12.7%	20.2%	26.6%	30.1%
Operating profit before d	3	(0)	29	13
Margin	3.5%	-0.3%	12.5%	16.2%

## Operating revenues and operating profit before depreciation



- Operating revenues: NOK 89 million, up NOK 72 million from 4Q 2005.
- Acquired business activities and continued organic growth boosted revenues.
- Operating profit before depreciation: NOK 11 million, up NOK 7 million from 4Q 2005.
- NOK 3 million integration costs for acquired businesses.
- Owns and leases about 1,800 kilometers of fiber optic networks, as of year-end 2006.



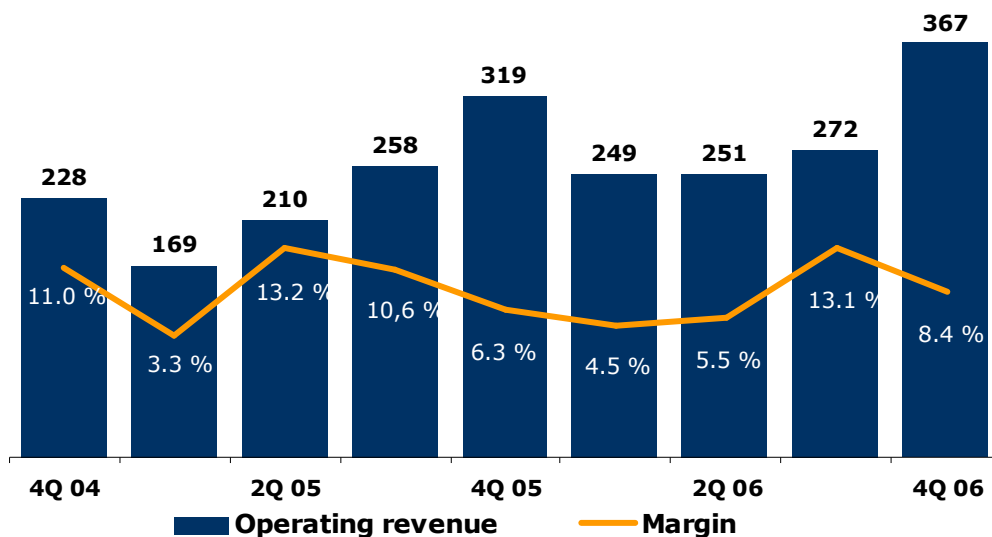
# Technical Services



## Key figures

NOK million	4Q 06	4Q 05	2006	2005
Operating revenues	367	319	1,139	955
Operating profit before depreciation	36	27	115	100
Margin	9.9%	8.3%	10.1%	10.4%
Operating profit	31	20	91	81
Margin	8.4%	6.3%	8.0%	8.5%

## Operating revenues and margin



- Operating revenues: NOK 367 million, up 15 percent from 4Q 2005.
- Operating profit: NOK 31 million, up 55 percent from 4Q 2005.
- Operating margin: 8 percent (4Q 2005: 6 percent)
- Focus on integration and harvesting synergies from acquired businesses.
- High activity levels and solid order backlog at the start of 2007.

# Power Sales



- Satisfactory 4Q 2006 profit performance.
- Seasonally mild temperatures resulted in below-average sales volumes.
- Göta Energi ownership interest sold for SEK 70 million — no profit effect.
- 613 000 customers at year-end 2006.



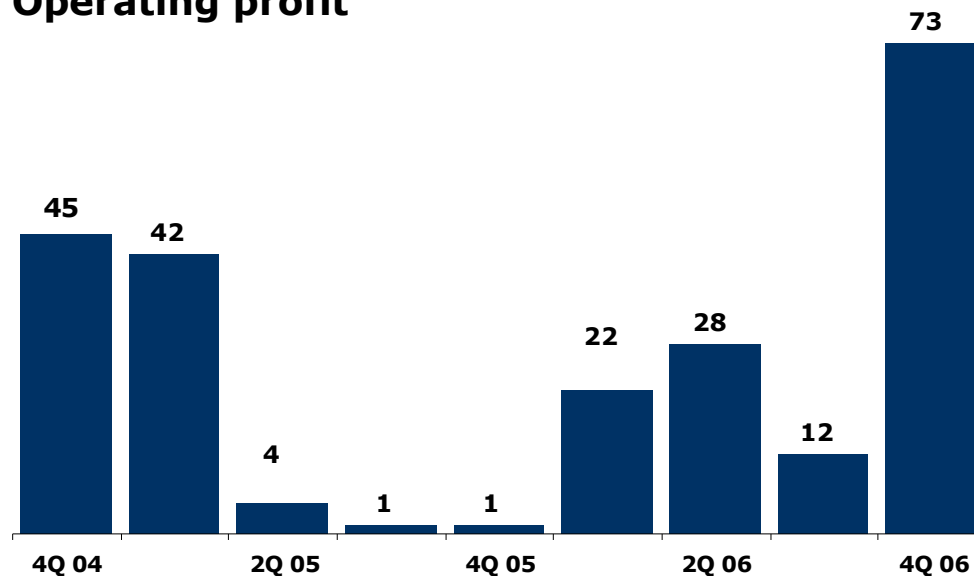
# Retail Power Sales



## Key figures

NOK million	4Q 06	4Q 05	2006	2005
Operating revenues	1,135	689	3,502	1,991
Operating profit before depreciation	76	7	143	56
Margin	6.7%	1.0%	4.1%	2.8%
Operating profit	73	1	135	49
Margin	6.5%	0.2%	3.9%	2.4%

## Operating profit



- Operating revenues: 65 percent above 4Q 2005, due to higher Nord Pool power contract prices.
- Operating profit: NOK 73 million, up NOK 72 million from 4Q 2005.
- NOK 45 million charged to 4Q 2005 profit due to excess revenues in previous years.
- Volume sold: 2,199 GWh – down 3 percent from 4Q 2005.

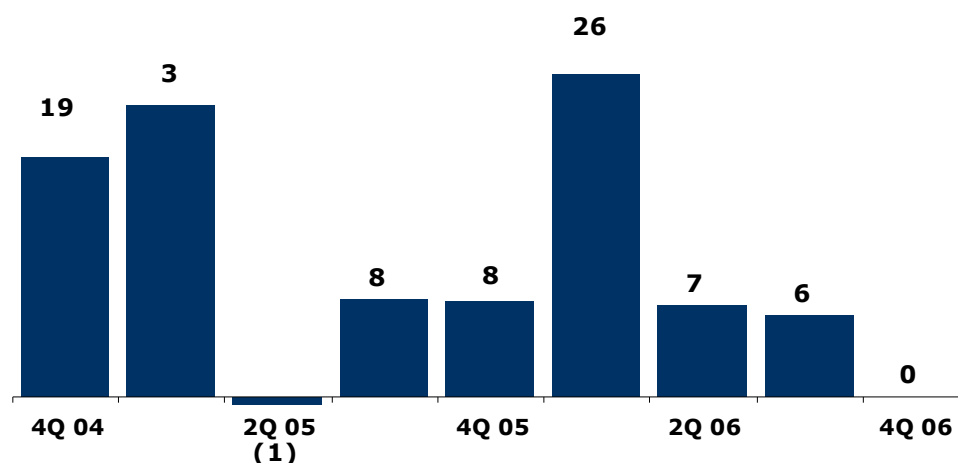
# Corporate Power Sales



## Key figures

NOK million	4Q 06	4Q 05	2006	2005
Operating revenues	404	268	1,358	831
Operating profit before depreciation	0	8	40	38
Margin	0.1%	2.8%	2.9%	4.6%
Operating profit	0	8	39	38
Margin	0.0%	2.8%	2.9%	4.6%

## Operating profit



- Operating revenues up 51 percent, due to higher Nord Pool power contract prices and market value growth of financially-settled power derivatives.
- Operating profit of NOK 0 million, down NOK 8 million from 4Q 2005.
- Sold volume: 902 GWh – on a par with 4Q 2005.
- Agreements signed with City of Oslo and NorgesGruppen: aggregate annual delivery volume = 1,100 GWh.

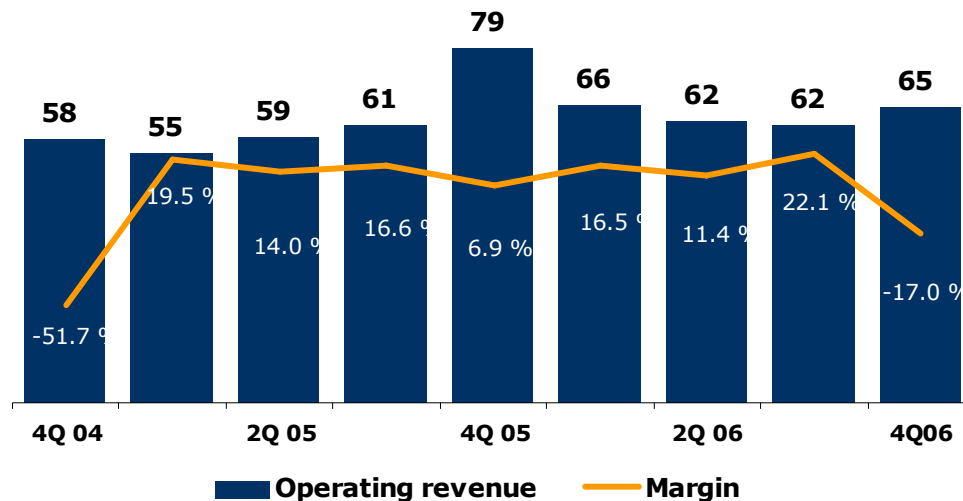
# Residential Security



## Key figures

NOK million	4Q 06	4Q 05	2006	2005
Operating revenue	65	79	255	254
Operating profit before depreciation	10	8	65	50
Margin	14.9%	10.7%	25.4%	19.6%
Operating profit	-11	5	20	35
Margin	-17.0%	6.9%	8.0%	13.6%

## Operating revenues and margin



- Operating profit before depreciation: NOK 10 million, up NOK 2 million from 4Q 2005.
- 79,600 residential alarm customers is on a par with 4Q 2005.
- Increased depreciation due to more customers capitalized in balance sheet and customer departure write-downs.
- Measures to improve operational efficiency implemented. Goal: annual cost-base reduction of NOK 50 million. Projected 2007 cost savings: NOK 25 million.

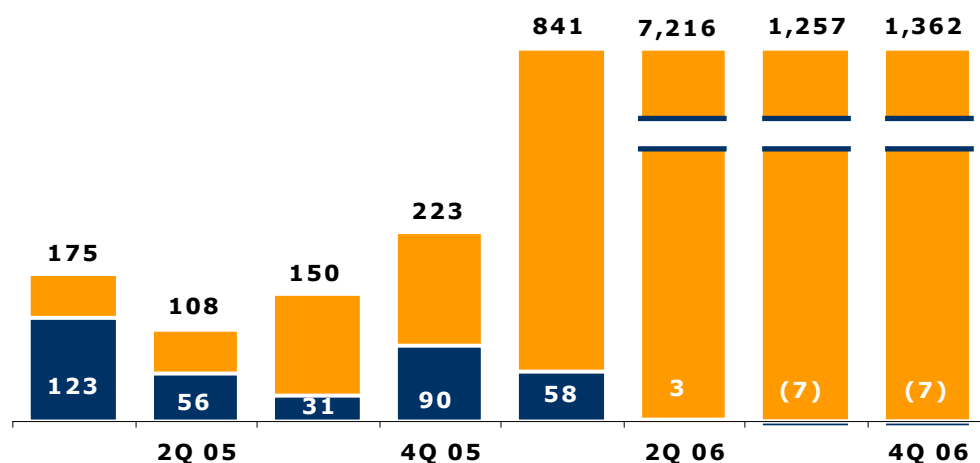
# Venture and Other Activities



## Operating profit

NOK million	4Q 06	4Q 05	2006	2005
Venture, associated comp., and financial income	1,362	223	10,676	656
Staff and other	198	-148	149	-330
Total venture & other	1,560	75	10,825	326

## Operating profit development: Venture, associated comp., and other financial income



- Operating profit for Venture etc.: NOK 1,362 million, of which REC amounted to NOK 1,369 million.
- REC shares valued at NOK 114 per share (30 September 2006: NOK 101 per share).
- NOK 425 million in capital freed up through real estate sales. Gains of NOK 294 million.
- Bonus share program for employees as part of moderate salary settlements for the period 2006-2009.
- 4Q 2005 figures affected by NOK 33 million in restructuring costs.

# Group profit and loss account



NOK million	4Q 06	4Q 05	2006	2005
<b>Operating revenue</b>	<b>4,882</b>	<b>2,577</b>	<b>21,673</b>	8,521
Operating expenses	<b>2,656</b>	1,938	8,198	5,849
<b>Operating profit before depreciation</b>	<b>2,225</b>	<b>639</b>	<b>13,475</b>	2,672
<i>Margin</i>	<b>45.6%</b>	24.8%	62.2%	31.4%
Depreciation	<b>(196)</b>	(180)	(712)	(651)
<b>Operating profit</b>	<b>2,030</b>	<b>460</b>	<b>12,763</b>	2,022
<i>Margin</i>	<b>41.6%</b>	17.8%	58.9%	23.7%
Financial expenses	<b>(101)</b>	(120)	(360)	(509)
<b>Pre-tax profit and divasted activities</b>	<b>1,929</b>	<b>339</b>	<b>12,404</b>	1,512
Tax	(242)	(86)	(732)	(403)
Profit, discontinued operations	(1)	(2)	(21)	66
<b>Profit after tax</b>	<b>1,686</b>	<b>251</b>	<b>11,650</b>	1,175
Majority's share of profit	<b>1,691</b>	250	11,658	1,175
Earnings per share (EPS) in NOK	<b>8.64</b>	1.29	59.68	6.02

# Group balance sheet



NOK million	31/12/2006	30/09/2006	31/12/2005
Intangible assets	2,098	2,064	1,995
Fixed assets	14,362	14,298	14,283
Financial assets	12,989	11,542	1,846
Accounts receivables and inventory	2,404	1,855	2,383
Cash and cash equivalents	1,192	366	266
<b>Assets</b>	<b>33,046</b>	<b>30,101</b>	<b>20,773</b>
Equity (incl. min. int.)	17,597	15,902	6,419
Allocation for liabilities	2,064	1,968	1,944
Other long-term debt	7,023	6,193	7,594
Short-term liabilities	6,362	6,038	4,815
<b>Equity and liabilities</b>	<b>33,046</b>	<b>30,101</b>	<b>20,773</b>
Net interest-bearing debt	<b>9,379</b>	<b>9,649</b>	9,528
Equity ratio	<b>53.3 %</b>	<b>52.8 %</b>	30.9 %



# Group cash flow analysis



NOK million	4Q 06	4Q 05	2006	2005
Profit after tax	1,686	251	11,650	1,175
Items without cashflow effect	(1,074)	69	(9,445)	5
Change in net working capital	(377)	(243)	(440)	288
<b>Cash flow from operations (A)</b>	<b>235</b>	<b>77</b>	<b>1,765</b>	<b>1,468</b>
Investments (operations and expansion)	(311)	(270)	(1,005)	(781)
Sale of assets incl. Business segments	344	8	386	641
Venture investments etc.	(345)	(220)	(367)	(618)
<b>Cash flow to investments activities (B)</b>	<b>(312)</b>	<b>(482)</b>	<b>(986)</b>	<b>(758)</b>
<b>Cash flow for dividend and debt payment (A+B)</b>	<b>(77)</b>	<b>(405)</b>	<b>779</b>	<b>710</b>



# Hafslund

- We make everyday life safer and better



# Additional information

# Cash flow analysis



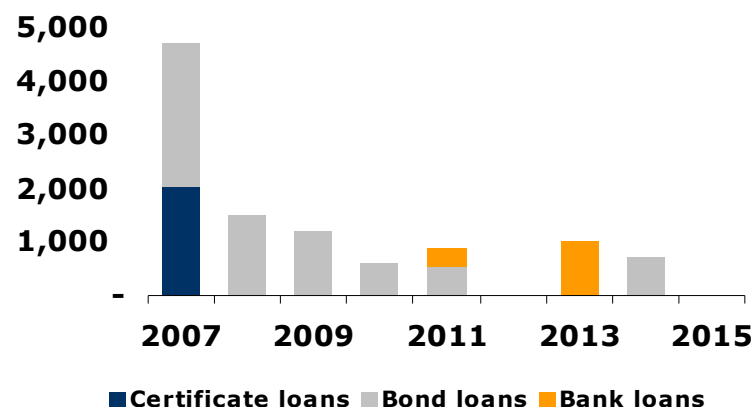
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Portfolio changes venture, etc.	(345)	(220)	(367)	(618)
<b>Cash flow to investments activities (B)</b>	<b>(312)</b>	<b>(482)</b>	<b>(986)</b>	<b>(758)</b>
Change in gross interest-bearing debt	912	562	643	(312)
Dividend and other capital transactions	(9)	-	(496)	(240)
<b>Cash flow to financing activities ©</b>	<b>903</b>	<b>562</b>	<b>147</b>	<b>(552)</b>
<b>Cash flow in the period (A+B+C)</b>	<b>826</b>	<b>157</b>	<b>926</b>	<b>158</b>
Cash and cash equivalents at beginning of period	366	109	266	108
<b>Cash and cash equivalents at end of period</b>	<b>1,192</b>	<b>266</b>	<b>1,192</b>	<b>266</b>

# Loans



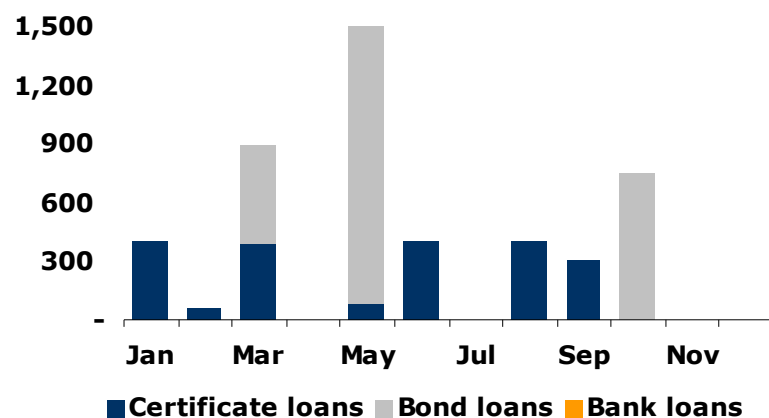
## Debt maturity profile 2007-2015

NOK million



## Debt maturity next 12 months

NOK million



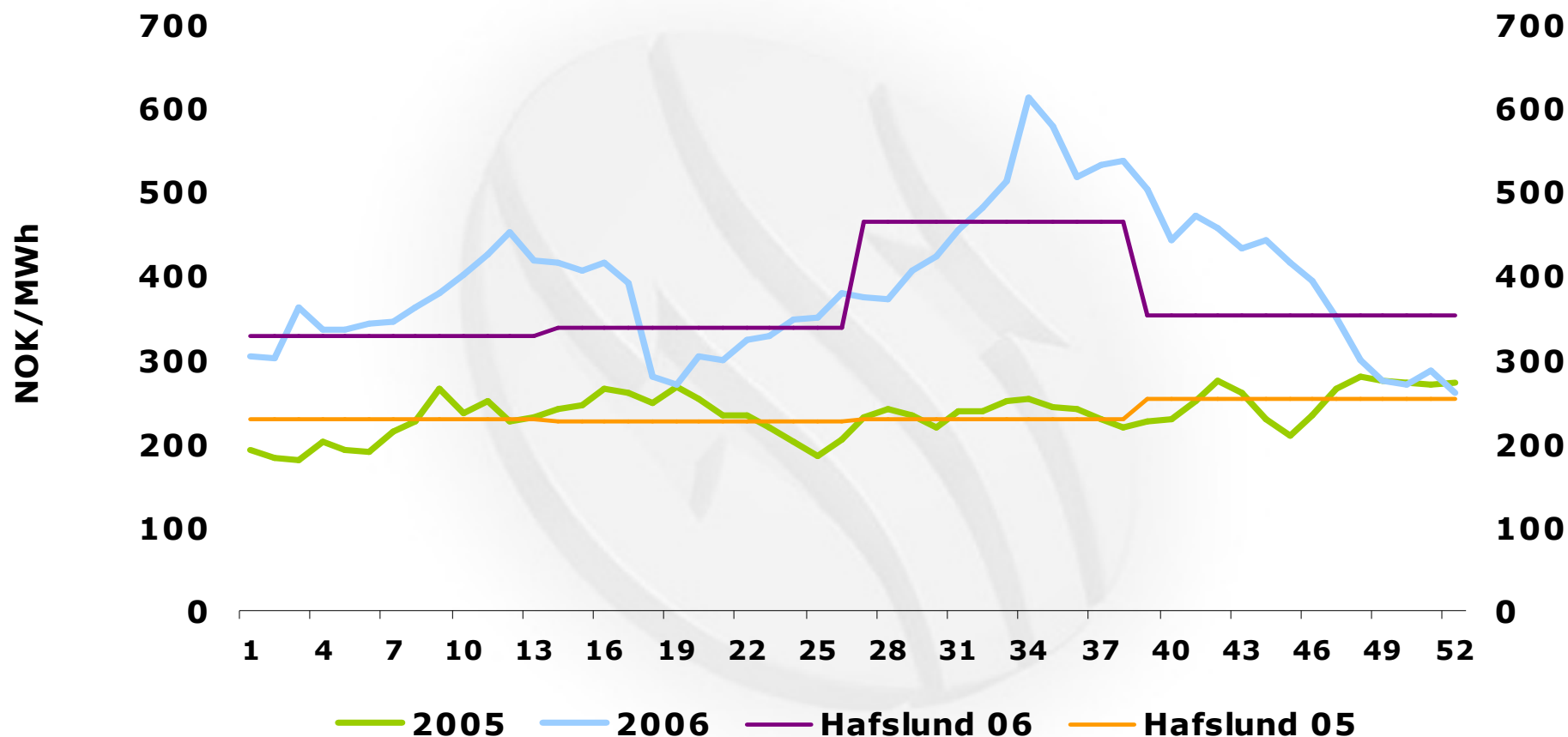
## Portfolio details

Interest	31/12/06	30/09/06	Change
Syndicated and bank loans	12%	9%	3%
Bond loans	70%	71%	-1%
Certificate loans	18%	20%	-2%

	31/12/06	30/09/06	Change
Nominal value - market value of loans	-133	-202	69
Market value derivatives	-6	-26	20
Average interest incl. derivatives	5.2 %	5.1 %	0.1 %
Proportion of loan portfolio with fixed interest	50%	52%	-2%
Loans at maturity next quarter (NOK million)	1,346	1,794	(448)
Unused drawing facilities (NOK million)	4,665	4,668	(3)

# Power prices: Hafslund Generation vs. Nord Pool

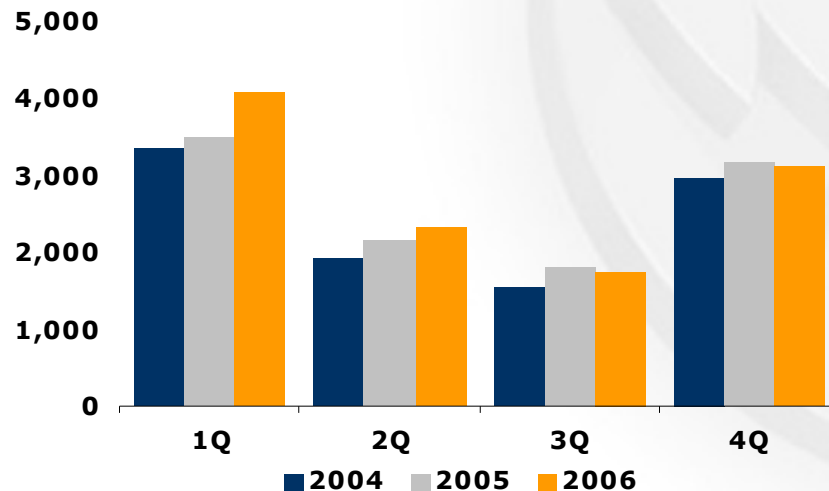


Source: Nord Pool 31.12.06  
Note: The charted quarterly price of power sold by Hafslund's Power Generation business is volume-weighted

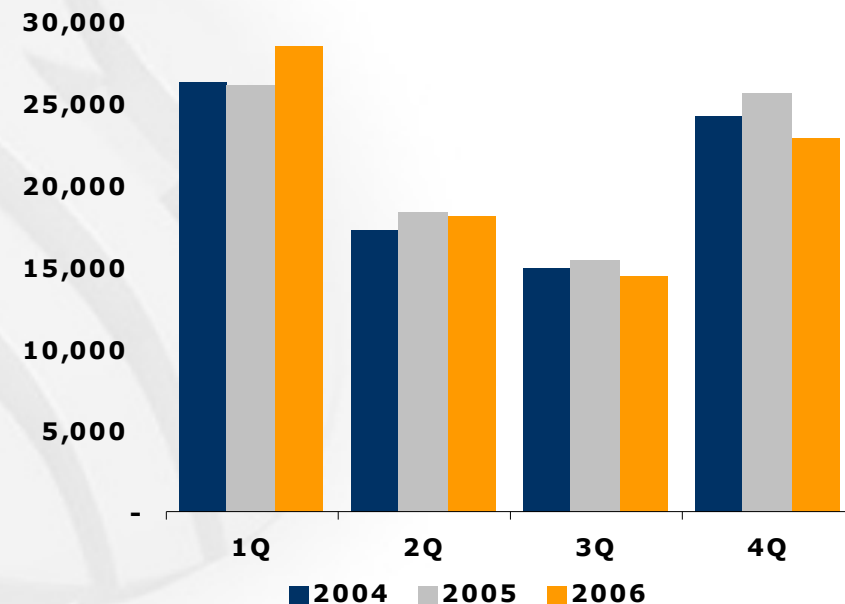
# Hafslund Power Sales: 3,102 GWh = 13.6% of total Norwegian consumption



**Hafslund Power Sales**  
GWh



**Norway's gross general consumption and electric energy\***  
GWh



Note: \* Gross general consumption encompasses gross consumption (excl. Electro-boilers and pumped storage), which includes households and agriculture, services, wood processing, mining and other industries (excl. Power-intensive), construction, transportation, and grid losses.  
Source: NVE

# New regulatory regime for Norway's grid companies as of 1 January 2007



## New grid regime

- **Income ceiling year t =  $0.5 (K_{t-2} + f_{q_{t-2}}) + 0.5 K_t^* + JP$**
- Adopted framework conditions do not provide for satisfactory development of industry as to:
  - Supply reliability
  - Cost-efficiency
  - Profitability
  - Structural changes



## Consequences for Hafslund

- Income ceiling<sup>1</sup> 2007: same level as in 2006 - NOK 2,139 million, excl. central grid.
- Weighted total efficiency 2007: 119%
- Grid investments: NOK 2–2.5 billion over the next three years.
- Continued solid earnings, although somewhat reduced, due to the new regulatory regime.
- Hafslund will continue to work for a regulatory regime that fosters long-term, sustainable industry development.



# Network regulatory regime from 2007



**Income ceiling in year t**

$$IR_t = 0.5 (K_{t-2} + fg_{t-2}) + 0.5 K_t^* + JP$$

Cost basis, most recent two years $K_{t-2} =$	KILE costs (non-delivered energy) $fg_{t-2} =$	Cost norm $K_t^* =$	Adjustment for present value of investments $JP =$
<ul style="list-style-type: none"> <li>• Inflation-adjusted operational and maintenance costs</li> <li>• Annual depreciation on historical invested regulatory grid capital                             <ul style="list-style-type: none"> <li>- Not inflation adjusted</li> </ul> </li> <li>• NVE capital * NVE interest rate                             <ul style="list-style-type: none"> <li>- NVE interest rate = <math>1.14 * r + 2.39\%</math></li> <li>- <math>r</math> = Norges Bank's 5-year current account interest rate</li> </ul> </li> <li>• Grid loss in MWh * price of grid-loss power                             <ul style="list-style-type: none"> <li>- Volume weighted monthly price + 11 NOK/MWh</li> </ul> </li> <li>• Payment due to very long interruptions                             <ul style="list-style-type: none"> <li>- More than 12 hours</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• KILE costs</li> </ul>	<ul style="list-style-type: none"> <li>• Weighted total efficiency 2007: 119%                             <ul style="list-style-type: none"> <li>- Hafslund distribution network 2007: 109%</li> <li>- Hafslund regional network 2007: 124%</li> </ul> </li> <li>• Determined annually via comparative efficiency analyses of grid companies (DEA)</li> <li>• Super efficient <math>\geq 100\%</math> - company compared to own historical performance</li> <li>• Separate models for regional and distribution network</li> </ul>	<ul style="list-style-type: none"> <li>• Adjustment parameters calculated as annual investments in grid activities in two most recent years * <math>(1.6 * \text{NVE interest rate})</math></li> </ul>
	<p><b>Weighting: historical vs. cost norm</b></p> <ul style="list-style-type: none"> <li>• Weighting adjustment as of 2009: to 0.4 and 0.6, respectively</li> </ul>	<p><b>DEA parameters – regional grid</b></p> <ul style="list-style-type: none"> <li>• Overhead transmission lines</li> <li>• Underground cables</li> <li>• Subsea cables</li> <li>• Border interconnects</li> <li>• Forest</li> </ul>	<p><b>DEA parameters – distribution grid</b></p> <ul style="list-style-type: none"> <li>• Subscribers</li> <li>• # leisure property subscriptions</li> <li>• Delivered energy</li> <li>• KM of high voltage lines</li> <li>• Number of grid substation</li> <li>• Border interconnects</li> <li>• Forest</li> <li>• Wind/distance from coast</li> <li>• Snow</li> </ul>
			<p>Further information: <a href="http://www.NVE.no">www.NVE.no</a></p>

# Technical Services — operating profit



NOK million	4Q 06	4Q 05	2006	2005
Hafslund Entreprenør	19	15	46	53
Hafslund Installasjon	2	3	3	20
Hafslund Sikkerhet Teknikk	6	0	10	7
Hafslund Elsikkerhet	6	2	33	7
Hafslund Sikkerhet Vakt	(3)	(1)	(1)	(7)

- Entreprenør (contracting) — satisfactory 4Q 2006 net operating margin of 11 percent.
- Installation (electrical installation) — high activity levels, but non-recurring items associated with acquired business activities strain 4Q 2006 profit.
- Sikkerhet Teknikk (security technology) — high activity levels and solid order intake. Positive profit contribution from acquired businesses.
- Elsikkerhet (electrical safety) — new service provider agreement with Hafslund's Network business contributes NOK 5 million to 4Q 2006 profit.
- Sikkerhet Vakt (guard services) — negative profit contribution due to acquired businesses. Focus on integration and harvesting synergies in 1Q 2007.

# Shareholders (as of 31 December 2006)



#	Shareholder	Class A shares held	Class B shares held	Total	Ownership	Share of voting rights
Shareholding in thousands						
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	MP Pensjon	-	1,564	1,564	0.8 %	0.0 %
5	Odin Norden	660	452	1,112	0.6 %	0.6 %
6	JP Morgan Chase Bank	-	1,016	1,016	0.5 %	0.0 %
7	Bank of New York, Brussels Branch	64	895	959	0.5 %	0.1 %
8	Odin Norge	530	127	657	0.3 %	0.5 %
9	Hafslund ASA	37	399	436	0.2 %	0.0 %
10	Citibank, N.A	-	387	387	0.2 %	0.0 %
	Sum 10 største aksjonærer	111,870	70,893	182,763	93.6 %	96.9 %
	Andre aksjonærer	3,595	8,865	12,460	6.4 %	3.1 %
<b>Total</b>		<b>115,465</b>	<b>79,758</b>	<b>195,223</b>	<b>100%</b>	<b>100%</b>

# Key figures



Group	2006	2005
<b>Capital matters</b>		
Total assets	33,046	20,773
Capital employed	26,974	15,948
Equity	17,597	6,419
Market capitalization	23,500	14,300
Equity ratio	53%	31%
Net interest-bearing debt	9,379	9,528
<b>Profitability</b>		
Profit after tax	11,650	1,175
Return on equity (p.a.)	97%	19%
Earnings per share (EPS)	59.68	6.02
Cash flow per share	9.0	7.5

Power Generation	2006	2005
Sales price (øre/kWh)	37.3	23.3
Production volume (GWh)	3,029	3,067
Production as a % of normal	106%	108%
Capital employed	2,092	2,127

Network	2006	2005
Capital employed	8,530	9,492
NVE-capital (regulatory)	5,644	5,754

Power Sales	2006	2005
Capital employed	1,719	1,631
Total volume (GWh)	11,242	10,624
Volum Retail (GWh)	7,957	7,365
Volum Market (GWh)	3,285	3,259

Residential Security	2006	2005
Employed capital	346	214
Net customer growth	683	10,951
No. Of customer	79,600	79,000

# Definitions



Items	Definition
<b>Group</b>	
Capital employed	Equity + Net interest-bearing debt
Equity ratio (in%)	$(\text{Equity incl. Minority interests} / \text{Total assets}) \times 100$
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 (p.a.)	Annualised result after tax / Average equity (incl. Minority interests)
Return on invested capital (p.a.)	Annualised operating profit / (Average equity + Net interest-bearing debt)
<b>Power generation</b>	
Mean production	Average power generation over the past 10 years.

# Investor information



- Additional information is available from Hafslund's website:
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