



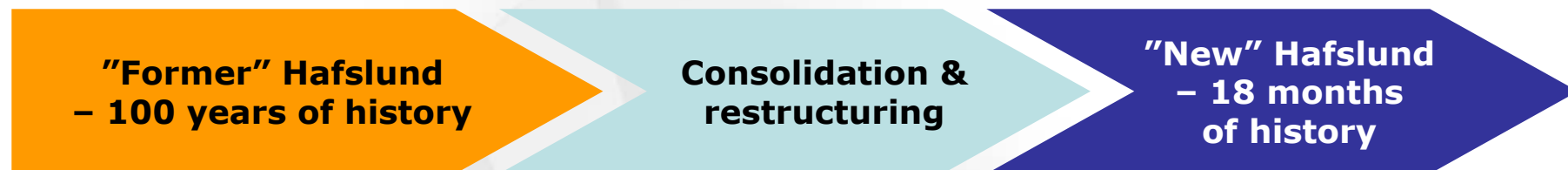
Hafslund

*Trends and possible implications for
Hafslund and the Norwegian and Nordic
electricity sector*

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First Securities' Nordic Energy Summit 2003
Oslo, 20 August 2003


Hafslund – a lot accomplished in a short time period



Hafslund 2003: i) one company, ii) one brand name, iii) significant improvement of results



Fundamental drivers of industry change

- Regulation for network operations
 - Tax regime
 - Concession framework
 - Power prices
 - Supply-side regulation
- 
- Industry consolidation
 - Disintegrated value chain
 - New strategies and business models
 - Investments

Network regulation – high uncertainty of future revenue model

Current model - value destroying

- ➔ Cost reductions
 - reduced revenues
 - cross-subsidization
- ➔ 5 yrs regulation period
 - unpredictable future

New regulatory regime should reward operational efficiency

- ➔ Transparent information
- ➔ Revenues de-coupled from cost base
- ➔ 10-15 yrs regulation period



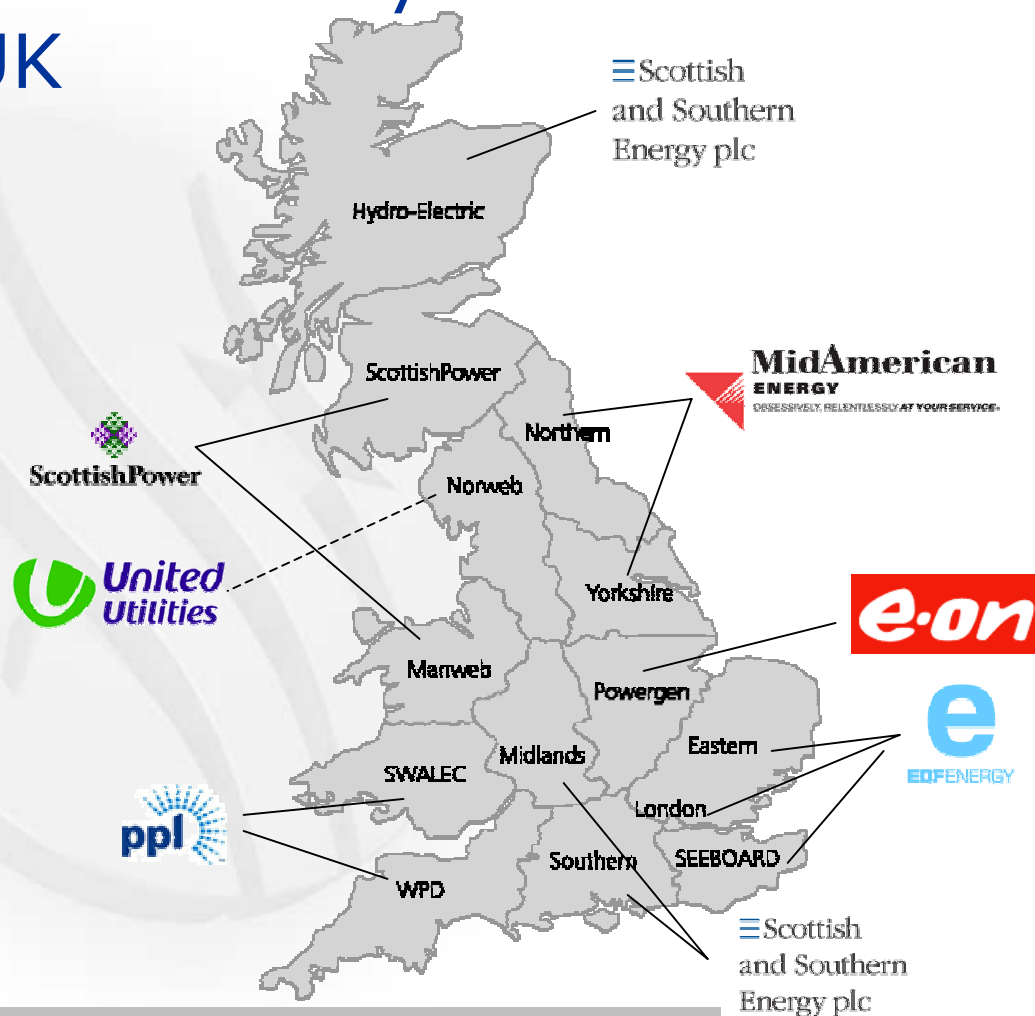
The structure of the electricity distribution companies in the UK

The UK¹

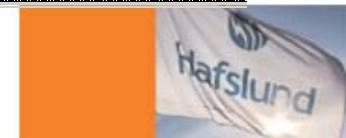
- 14 electricity distribution companies
- 60 million inhabitants
- Average 4 300 000 customers/company

Norway²

- 178 electricity distribution companies
- 4.6 million inhabitants
- Average: 26 000 customers/company



Distribution tariffs were lowered after the consolidation in the UK

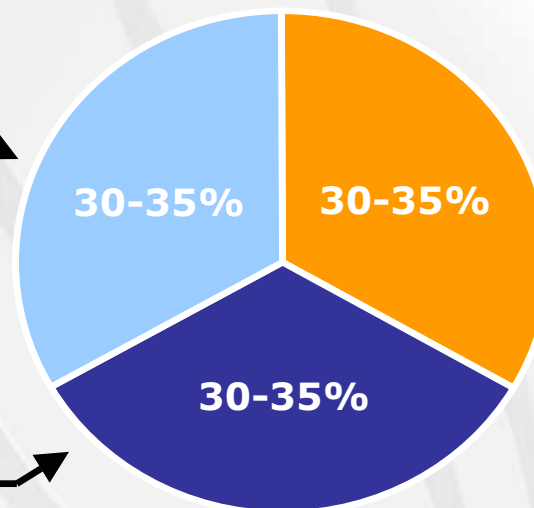


Who profits on Retail Power Sales?

- distribution of household electricity costs

Power price
(to the producer and
sales margins to the
retailer)

Distribution
(to the network
company for distributing
the power)




Taxes
(electricity taxes and
VAT)

One third of the power price represents
distribution tariff

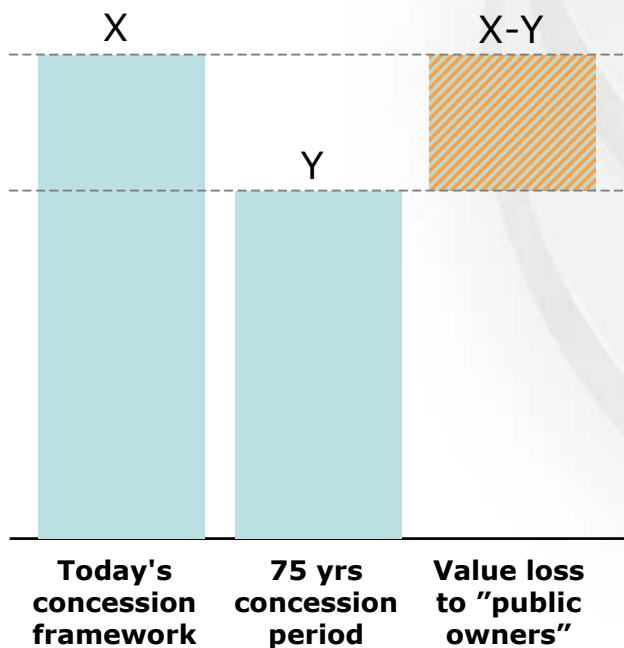
New tax regime – Nordic harmonization required to create a level playing field

Currently material differences in tax regime between Norway and the other Nordic countries

- Double taxation – Special tax on production (“grunnrenteskatt”) in addition to corporate tax
 - Debt limitation on publicly owned power assets
 - Investment incentives
- 
- Weaker profitability
 - Lower valuations
 - Reduced merger & acquisition “currency”

A harmonized concession framework will drive a new round of industry consolidation

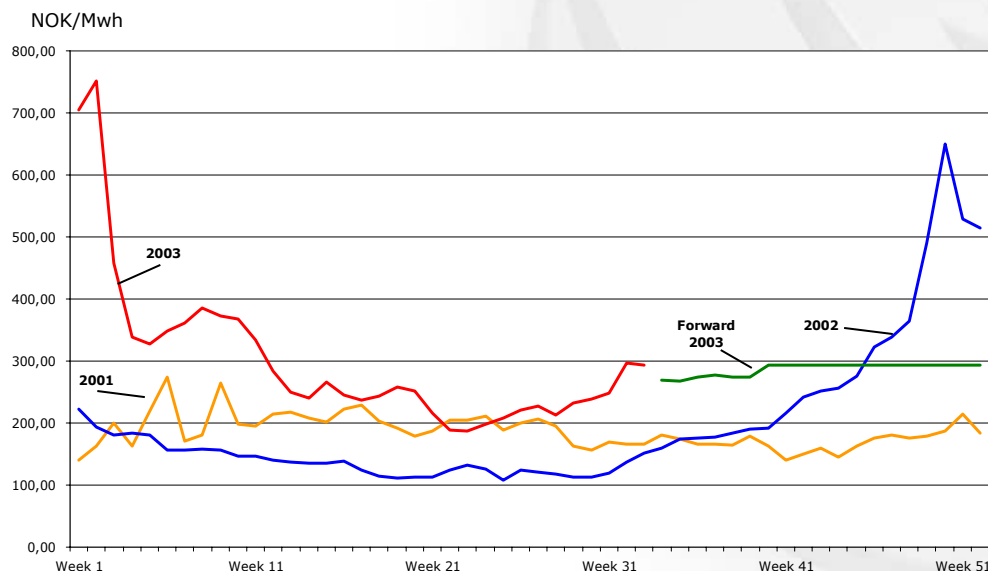
Value loss to "public owners"



- Level playing field
- Optimal ownership
- Continued investment and development

Last year's "price shock" – a temporary abnormality or a new era?

Actual el-price vs. forward el-price

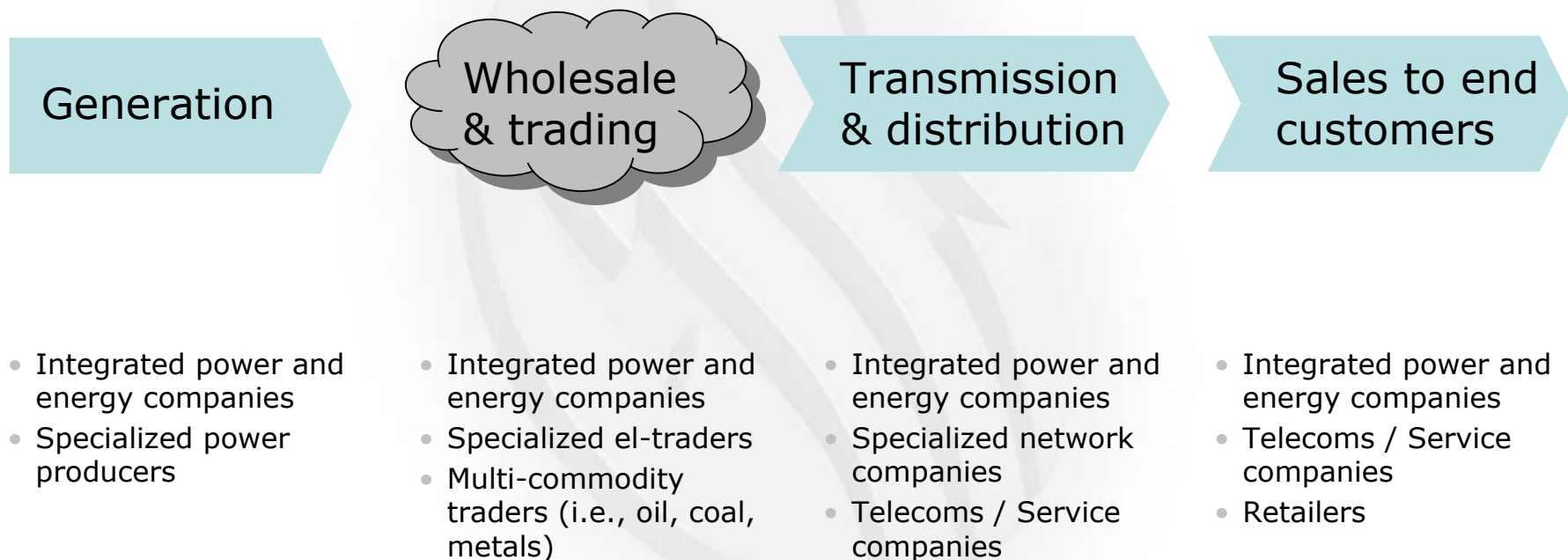


- Long term supply/demand indicates a trend towards higher prices
- Implications:
 - Focus on energy savings
 - Reduced investments in power intensive industry
 - Alternative energy commercially viable

Demanding for customers and el-companies

Deregulation will lead to disintegration

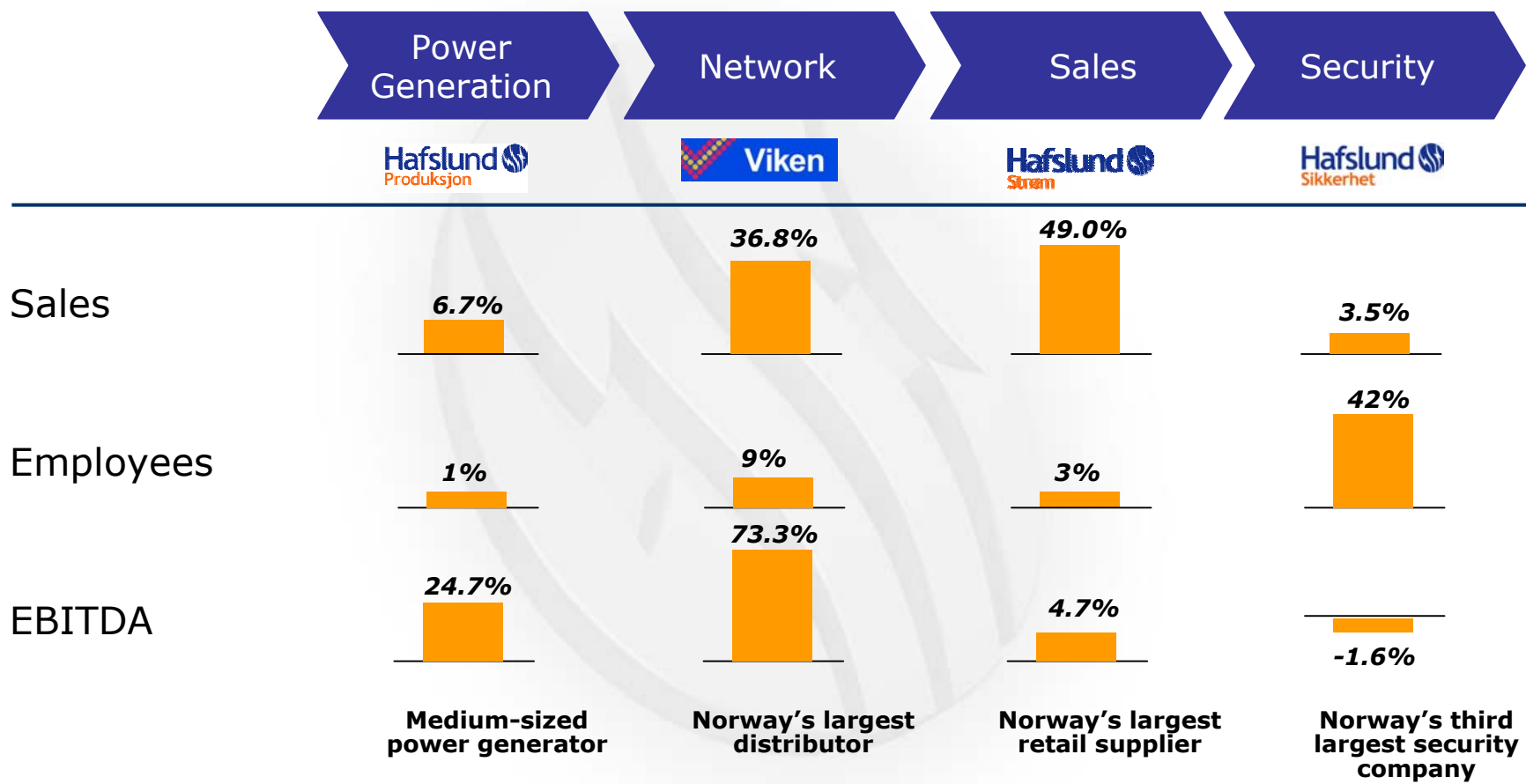
Disintegration will lead to specialization



Efficient intermediary markets and more focused players are likely effects of a more disintegrated value chain in power



Hafslund's positioning in the value chain



Attractively positioned for further development

Note: Percentage of total Sales, Employees and EBITDA respectively. Other operations such as Contracting, Investments, Other activities, Restructuring represent the remaining.



Electricity and Security – successfully capitalizing on Hafslund's customer franchise

Electricity

1. Market leader within sale and distribution in the most densely populated area in Norway
2. Leading competence and strong company culture
3. In front of the restructuring of the Norwegian energy sector

New meters in all homes

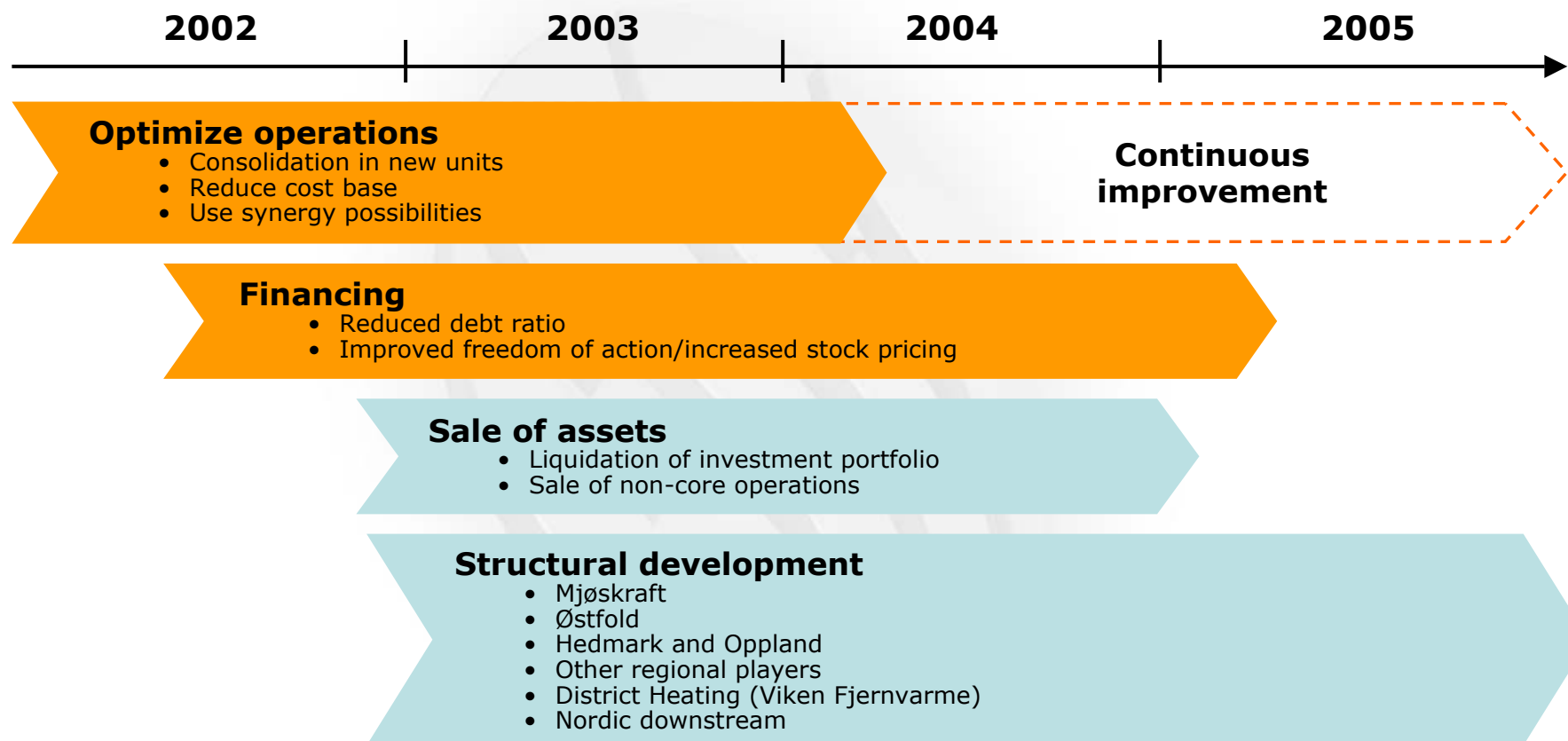
- Technological convergence
- Common client base and customer service
- Cross sale
- Synergies between activities

Security

1. Significant market share already achieved
2. Market in strong growth with attractive earnings potential
3. Limited capital tied up

Hafslund Security: 42,000 retail customers and break-even in 3Q 2003

Restructuring in progress – further potential



Continued focus on restructuring and strategic growth

Summary of strategy and goals

Strategy

1. Commission restructuring and optimize operations
2. Payment of debt
3. Sale of non-core activities
4. Pursue attractive structural opportunities



Goals 2003–2004

1. EBITDA minimum NOK 2–2.2 billion
2. Equity share > 30%
3. Dividend capacity: NOK 200–400 million
4. Equity value: > NOK 10 billion

Hafslund is well positioned to realize the value potential