

Statement from the Board of Directors of Hafslund ASA on announced offer

1. BACKGROUND

On 26 April 2017, it was announced that the City of Oslo and Fortum Oyj ("Fortum") had entered into a transaction agreement whereby the City of Oslo, acting through a new wholly owned company, would put forward a voluntary offer to purchase all of the shares in Hafslund ASA ("Hafslund") subject to certain conditions, including the approval of Oslo City Council. On 14 June 2017, Oslo City Council approved the transaction agreement between the City of Oslo and Fortum, and all significant public approvals have now been obtained.

In connection with the announcement of the forthcoming offer, the Board of Directors in Hafslund ASA, acting in conformity with the Norwegian Code of Practice for Corporate Governance (the NUES recommendation) and the Company's own principles of corporate governance, requested an independent valuation report from SpareBank 1 Markets. The independent valuation and the preliminary statement of the Board of Directors on the expected offer was made public through a stock exchange release on 20 June 2017.

On 3 July 2017, Oslo Energi Holding AS, a company wholly-owned by the City of Oslo, put forward an offer for all the shares in Hafslund based on an offer document dated 30 June 2017. Pursuant to the Securities Trading Act, the Board of Directors shall make a statement regarding the offer no later than one week before the end of the offer period. The statement shall include its views on the effects of the implementation of the offer on the Company's interests, including the effects that the offeror's strategic plans as described in the offer document may have for the employees and the location of the Company's businesses. The Board of Directors hereby issues such statement.

2. THE OFFER AND THE SUBSEQUENT PROCESS

The City of Oslo has through Oslo Energi Holding AS put forward a voluntary offer with an offer price amounting to NOK 96.75 per class A and class B share, corresponding to NOK 100 per class A and class B share less the amount of the dividend paid in 2017. The offer period expires on 28 July 2017 at 15:00 CET. Completion of the offer is expected to take place during the first half of August 2017.

At present, the City of Oslo and Fortum together own 105 377 757 class A shares and 66 049 246 class B shares in Hafslund, which in the aggregate constitute 91.29% of the votes and 87.83% of the shares in the Company. The acceptances by the City of Oslo and Fortum will, regardless of the other shareholders' response, result in Oslo Energi Holding AS becoming owner of more than 90% of all voting shares in Hafslund. As a result, Oslo Energi Holding AS will in accordance with section 6-22 of the Securities Trading Act have the right to acquire the remaining shareholders' shares through a compulsory acquisition procedure.

This implies that the shareholders in Hafslund have no realistic possibility of remaining shareholders in the Company. However, the shareholders will have the choice between (i) accepting the offer price and receive cash payment within the settlement deadline, which is expected to be 11 August 2017, (ii) wait for the compulsory acquisition, refrain from making objections to the proposed redemption amount and receive cash payment when the two-month period for raising objections has expired, and (iii) wait for the compulsory acquisition, object to the proposed redemption amount and receive cash payment when the redemption amount has been determined by judicial valuation.

The compulsory acquisition is expected to take place shortly after the implementation of the offer. The remaining shares will then immediately be transferred to Oslo Energi Holding AS. Oslo Energi Holding AS will at the same time submit a proposed redemption amount

per share, which is expected to be the same as the offer price. After this, the shareholders will have two months to decide whether to accept the proposed redemption amount. If they decline or raise objections against the proposed redemption amount, the amount will be determined by the court in its discretion based on the Company's underlying values. In principle, the redemption price may be both greater and less than the offer price, but in practice it is considered unlikely that the redemption amount will be less than the offer price.

A judicial valuation would be conducted by the Oslo District Court, as a principal rule with one professional judge and four expert lay judges. The valuation may be appealed to the Borgarting Court of Appeals. The possibility for appealing judicial valuations to the Supreme Court is restricted, but one cannot exclude the possibility of an appeal being admitted to the Supreme Court.

Normally, the process before the District Court will take approximately one year, and an appeal to the Court of Appeals will take approximately the same amount of time. While the process is ongoing, the proposed redemption amount will be deposited on a blocked bank account. The offeror will not be obliged to provide security in excess of the proposed redemption amount. The redemption amount will be assigned interest determined by the court from the time of the compulsory acquisition until the cash settlement.

The expenses of the judicial valuation, including the minority shareholders' costs of hiring legal counsel and economic experts, will as a main rule be for the account of the offeror. However, whenever special reasons so indicate, the court may decide that the minority shareholders shall pay all or part of the expenses.

The process described above implies that the shareholders do not have to make a final decision as to whether they will accept the offer or let the price be determined by judicial valuation before late September to early October this year.

3. THE BOARD OF DIRECTORS' ASSESSMENT

Sparebank 1 Markets concluded that the Company's underlying value per share is NOK 139 based on currently expected transaction values and NOK 168 based on discounted expected future cash flows.

As a basis for its valuation, Sparebank 1 Markets had, in addition to publicly available information, access to the Company's financial forecasts and, on an anonymised basis, the valuations of Hafslund Markets made by the banks in connection with the planned stock exchange listing of this business area as an independent company. As far as Sparebank 1 Markets' own assumptions and assessments are concerned, reference is made to the previously released valuation report.

The Board of Directors' view at the time of release of Sparebank 1 Markets' valuation report was that the conclusions in the report were in line with the Company's own considerations. Nothing has subsequently occurred that changes this view.

Sparebank 1 Markets' value assessments are significantly higher than the offer price amounting to NOK 96.75 per share and even higher compared to historical share prices. The announced offer price in the stock exchange announcement of 26 April 2017 was NOK 100, less any dividend paid in 2017, per class A share and class B share, while the average share price for the class A share and the class B share was respectively NOK 87.3 and NOK 88.9 the last month prior to the announcement and NOK 89.8 and NOK 90.1 the last three months prior to the announcement (volume weighted average price (VWAP)). However, the Board of Directors does not consider the stock exchange prices to be representative of the company's underlying values by reason of the Company's concentrated ownership situation with a controlling shareholder holding 53.7% of the ownership interests, three principal shareholders together holding 92.6% of the ownership

interests and limited liquidity in the remaining shares.

The Board of Directors thereby considers the underlying values to be substantially higher than the expected offer price. However, in their assessment of the offer, the shareholders must also take into consideration that the outcome of a judicial valuation process is associated with significant uncertainty, and that settlement will be substantially postponed if the price is to be determined by such a process.

However, the objective of the potential judicial valuation is to determine the price per share by allocating the Company's underlying values equally to all class A and class B shares. Considering the very significant difference between Sparebank 1 Markets' valuation, which the Board of Directors considers to be reasonable, and the offer price, it is the Board of Directors' opinion that the prospects of a redemption amount determined by judicial valuation exceeding the offer price clearly compensates for the risk associated with the outcome of possible legal proceedings.

Postponement of the settlement as a result of a judicial valuation process, a process that will presumably take at least one year in the court of first instance and significantly longer should the matter be subject to appeal, is also a disadvantage, although interest will be added.

Despite the uncertainty associated with the outcome of legal proceedings and the resulting delay of the shareholders' settlement, the Board of Directors' consolidated assessment is that it will be in the shareholders' economic interests not to accept the offer, but instead let the price be fixed by judicial valuation. The individual shareholder may, however, assess this differently based on a different perspective on the underlying values, considerations related to liquidity, a desire to avoid any risk that the price is fixed below the offer price in a judicial valuation or for other individual reasons.

4. IMPACT ON THE EMPLOYEES AND THE LOCATION OF THE COMPANY'S BUSINESSES

It is stated in the offer document that the City of Oslo and Fortum intend to carry out a reorganisation of Hafslund's business areas. It is further stated at that there is no current intention of discontinuing the employment of existing employees outside the ordinary course of business.

The Board of Directors expect the planned reorganisation to have an effect on the tasks of most of the 55 employees who form part of the corporate management and corporate support functions. Such employees will in connection with the planned reorganisation be assigned to the new business entities based on the business areas to which their respective tasks are currently primarily related. Their place of work will remain in the Oslo area.

The employees have not issued any separate statement about the offer. The Board of Directors is, however, aware that there is a dialogue ongoing between the employee representatives and the City of Oslo and Fortum.

5. VIEWS ON THE OFFER BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE CEO IN THEIR CAPACITY AS SHAREHOLDERS

At present, the Chairman of the Board of Directors, Birger Magnus, the employee elected members of the Board of Directors, Per Orfjell, Per Luneborg and Jane Koppang, and the CEO of the Company, Finn Bjørn Ruyter, own shares in Hafslund.

The shareholder elected members of the Board of Directors, Katrine Mourud Klaveness, Petra Lundström, Odd Håkon Hoelsæter og Ellen Chr. Christiansen, do not own shares in Hafslund.

All members of the Board of Directors owning shares in Hafslund as well as the CEO intend not to accept the offer.

The Board of Directors of Hafslund ASA

Oslo, 10 July 2017