

APPENDIX

Oslo Kommune ("OK") and Fortum Corporation OYj ("Fortum") have on 26 April 2017 entered into a transaction agreement (the "Transaction Agreement") regarding the ownership and future co-operation concerning Hafslund ASA ("Hafslund") and Klemetsrudanlegget AS ("KEA", together the "Companies").

Subject to the terms and conditions of the Transaction Agreement, OK and Fortum have agreed to complete a restructuring of the ownership of the Companies and a de-listing of the shares issued by Hafslund on the Oslo Stock Exchange (the "Transaction").

Completion of the Transaction will be subject to inter alia the approval of Oslo city council ("Bystyret") and regulatory approvals as further described below. OK and Fortum currently own together 115,427,759 A-shares and 79,758,505 B-shares in Hafslund, representing 91.29% of the votes and 87.83% of the shares in Hafslund.

The key elements of the Transaction are:

- **Voluntary Offer:** OK will, through a wholly owned company ("Bidco"), present a voluntary cash offer (the "Offer") for all the shares in Hafslund. The offer price (the "Offer Price") for each A and B share will be NOK 100 less any dividend paid in 2017. If completion of the Offer occurs after 31 July 2017, the Offer Price will include interest of 3 month NIBOR plus 0.5% from 1 August 2017 until closing of the Offer. Fortum and OK have undertaken to sell all of their shares in Hafslund to Bidco in connection with the Offer at the Offer Price;
- **Compulsory Acquisition:** Following the completion of Offer, Bidco will make a compulsory acquisition of any minority shareholders in accordance with the Norwegian Securities Trading Act (the "Compulsory Acquisition") and the shares of Hafslund will be delisted;
- **Demerger of Hafslund:** Following the Compulsory Acquisition, Hafslund will complete a legal demerger (the "Demerger") in which all assets, rights and obligations other than those assets, rights and obligations that are owned by Hafslund Production will be demerged into a new company ("New Hafslund"). Upon completion of the demerger, BidCo will own 100% of the remaining Hafslund (comprising inter alia Hafslund Produksjon AS and Sarp Kraftstasjon AS ("Production")) and New Hafslund (comprising inter alia Hafslund Marked AS ("Markets"), Hafslund Varme AS ("Heat") and Hafslund Nett AS ("Distribution")); and
- **Restructuring of Hafslund and acquisition of KEA after completion of the Demerger:** OK and Fortum will commit to complete a restructuring of the ownership in Production, Heat, Markets, Distribution and KEA ("Ownership Restructuring").

Summary of the key elements and outcome of Ownership Restructuring is shown below:

Entity	Summary of transaction <sup>(1)</sup>	Ownership <sup>(2)</sup>
Markets	Fortum will purchase 100% of Markets from New Hafslund based on an agreed enterprise value of NOK 4.5 billion as per 30.09.2016	Fortum 100%
Heat and KEA	Heat will purchase 100% of KEA from OK based on an agreed enterprise value of NOK 2.3 billion as per 31.12.2016, after which Fortum and OK will each purchase 50% of the shares in Heat (including KEA) from New Hafslund based on an agreed enterprise value for Heat (prior to the purchase of KEA) of NOK 4.7 billion as per 30.09.2016	OK 50% Fortum 50% <sup>(3)</sup>
Production	Fortum will purchase 10% and OK (through E-CO Energi AS) will purchase 90% of Production from Bidco based on an agreed enterprise value of NOK 7.75 billion as per 30.09.2016	OK 90% Fortum 10%
Distribution	Distribution will remain with New Hafslund	OK 100%

- 1) *All purchase prices are at fair market value and subject to customary purchase price adjustments, inter alia with regard to changes after the stated valuation dates.*
- 2) *Ownership after completing the Transaction and Ownership Restructuring, including direct and indirect ownership.*
- 3) *Fortum will have operational control of Heat (including KEA) and the entity will for accounting purposes be consolidated with the Fortum group. The future cooperation/partnership regarding Heat is regulated in a long term Shareholders' Agreement, with a special focus on the ongoing Carbon Capture Project at Klemetsrud.*

New Hafslund will own Distribution as a fully regulated grid company, and ensure stable future earnings for its owners and lenders. The Company will aim to maintain a credit profile which will form basis for borrowing terms and conditions comparable with those of Hafslund today. It is expected that all existing interest-bearing debt in Hafslund is transferred to New Hafslund and that parts of this debt will be redeemed to achieve the desired balance sheet, dividend capacity and creditworthiness for New Hafslund.

The completion of the Transaction and obligations on each of OK and Fortum are subject to the following conditions:

- Bystyret's approval of the Transaction Agreement
- Approval of the Transaction from the relevant competition authorities (including the competition authorities in Norway, Sweden and Finland) and the Ministry of Petroleum and Energy (pursuant to the Norwegian Industrial Concession Act)

Expected timeline:

- The Demerger is expected to be approved by the Board of Directors of Hafslund around 16 May 2017, and by the extraordinary general meeting of Hafslund around 19 June 2017.
- Bystyret is expected to vote on the Transaction Agreement on 14 June 2017
- Authority approvals are expected in second half of June 2017
- The Offer is planned to be presented around 1 July 2017 with an acceptance period of approximately 4 weeks.
- Settlement of the Offer and the Compulsory Acquisition will take place around 1 August 2017.
- Closing of the Demerger will take place immediately following closing of the Offer and the Compulsory Acquisition.
- The Ownership Restructuring will be completed as soon as possible following 1 August 2017.

The completion of the Transaction and the Ownership Restructuring are expected to take place during Q3/2017.