



Statkraft

Investor Update

June 2019



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Agenda

- ▶ **Statkraft Overview**
- ▶ New Strategy and Investment Ambition
- ▶ Funding and Liquidity
- ▶ Sustainability
- ▶ Financial Update

Statkraft at a glance

CONSOLIDATED CAPACITY

17 831 MW

POWER PRODUCTION

62 TWh

98% renewable

CREDIT RATING

A- / BBB+

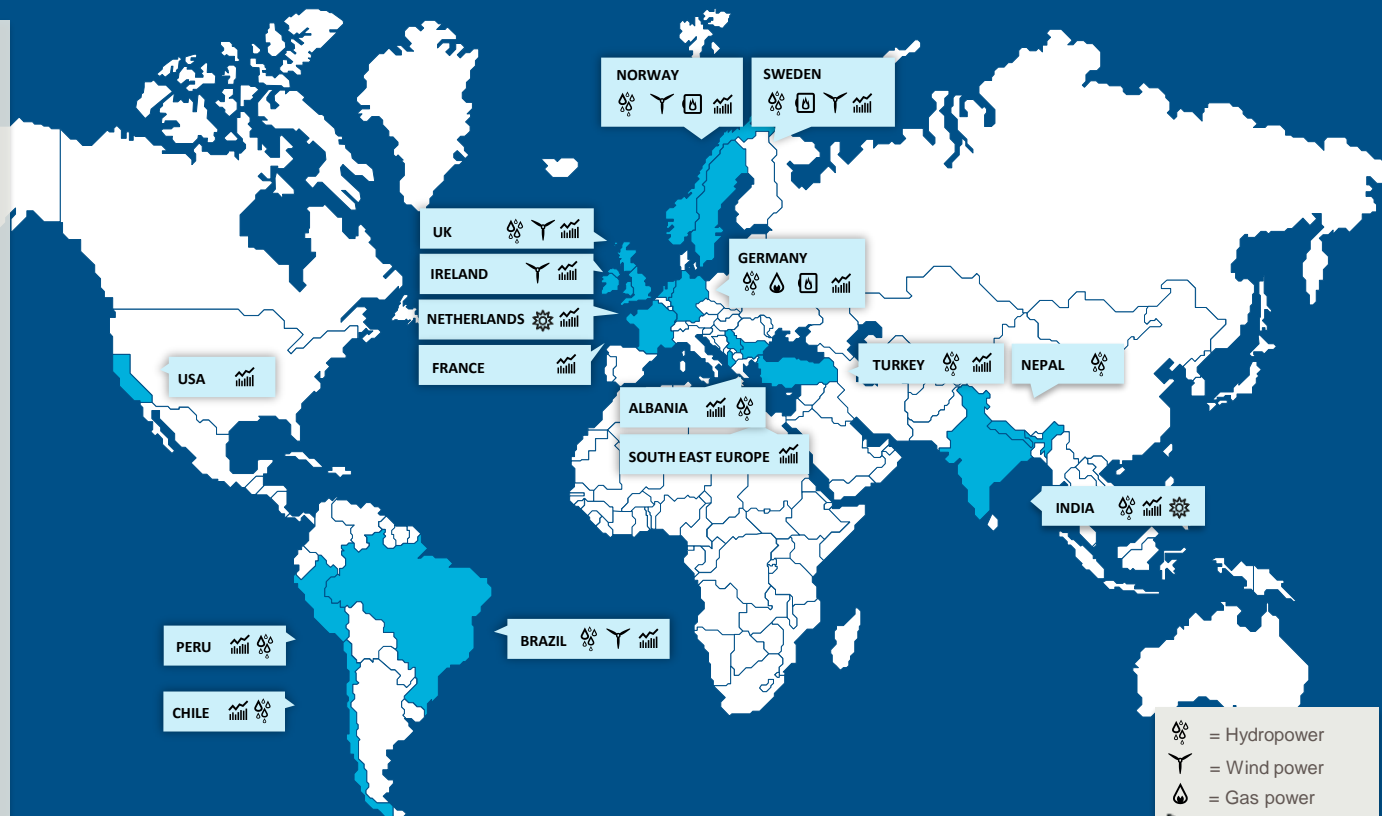
S&P and Fitch

NORWEGIAN STATE OWNED

100 %

EMPLOYEES

3 600



- = Hydropower
- = Wind power
- = Gas power
- = Bio power
- = District heating
- = Solar power
- = Trading and Origination

Key credit strengths

**Owned by
the Norwegian
state (AAA/Aaa)**



Historically strong
support
from owner

**Stable
cash flow**



Long-term industrial
contracts stabilize
cash flow

**Strong
market position**



A low-cost and flexible
generator of
renewable electricity

**Balance sheet
flexibility**



Investment program
adapted to financial
capacity

Key credit strengths

**Owned by
the Norwegian
state (AAA/Aaa)**



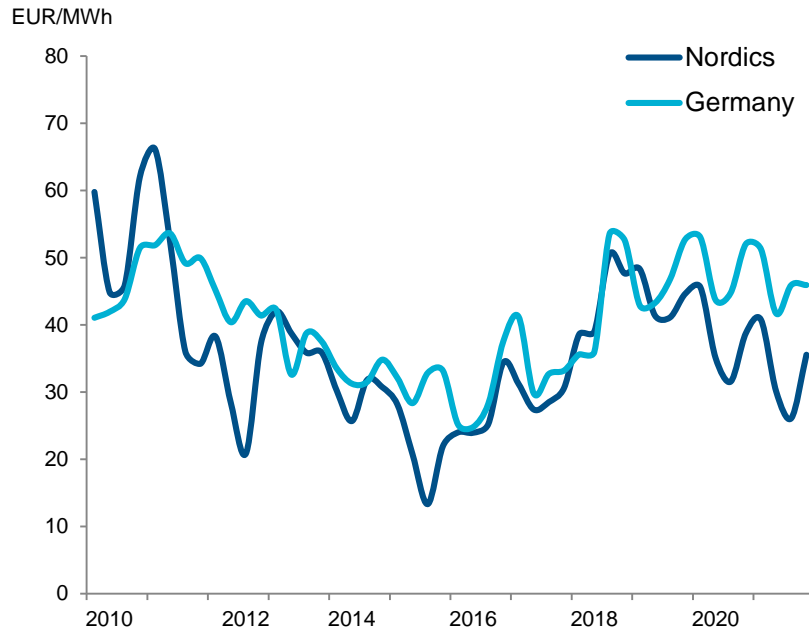
Historically strong
support
from owner

- ▶ **Statkraft 100% owned by the Norwegian State**
 - Norwegian State rated Aaa / AAA / AAA
- ▶ **Support through equity injections**
 - NOK 14 billion in 2010 and NOK 5 billion in 2014, after parliamentary approval
- ▶ **Ownership support Statkraft's corporate credit ratings**
 - Uplift from both S&P and Fitch
- ▶ **Dividend policy**
 - Based on recommendation from Board of Statkraft
 - Reduced dividend pay-out ratio for non-Norwegian hydropower earnings (85% Norwegian Hydropower and 25% other activities)

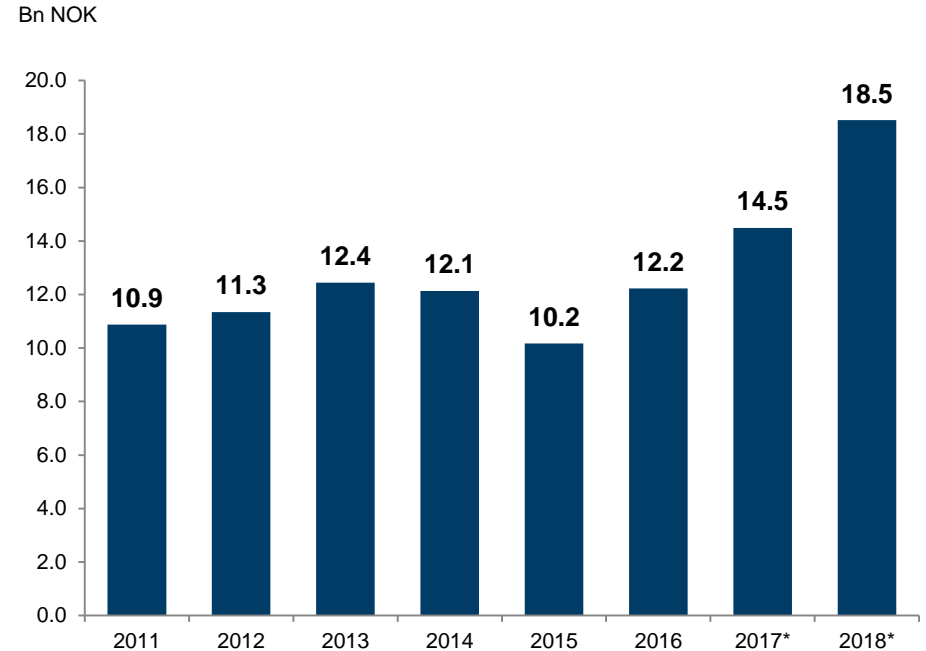
Solid EBITDA over the last decade

Despite volatile Nordic and European power prices

Quarterly average electricity prices



Underlying EBITDA*



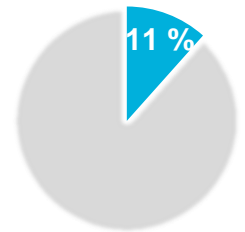
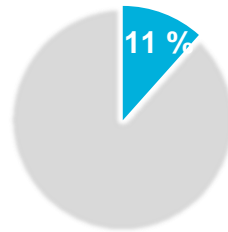
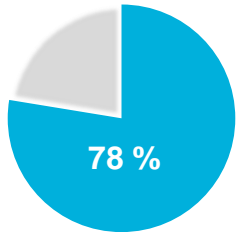
Statkraft segments and their EBITDA* contribution - 2018

Primarily a Nordic hydropower company

Segments



EBITDA*



European flexible generation:

Low-cost hydropower with high flexibility

- ▶ Production assets with **low marginal cost**, **high flexibility**, high longevity and almost zero carbon emissions
- ▶ **Unique optimizations skills** leading to a premium price capture through an integrated business model
- ▶ Gas-fired power plants in Germany

European flexible generation

Europe's largest producer of electricity from hydropower

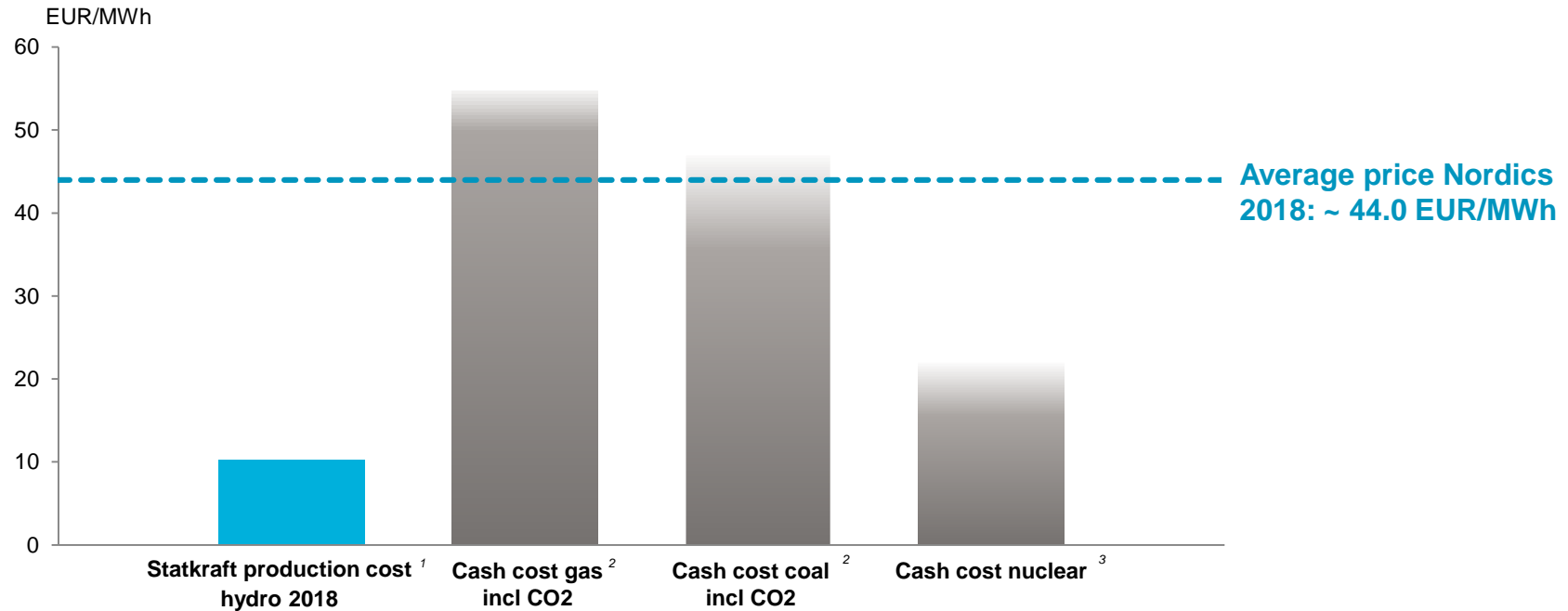
242 hydropower plants with 13 200 MW capacity and 5 gas fired power plants (3 in operation) with 2 400 MW capacity

~25% of Europe's reservoir capacity



European flexible generation:

Statkraft has a unique cost position



Full cost incl. depreciation: ~ 10.21 EUR/MWh¹

¹ Annual Report 2018: Production cost 98 NOK/MWh. Production cost, incl. property tax and depreciation, excl. sales costs, net financial items and tax. This is divided by 7 years average output from power plants under own management.

² Cash costs for coal and gas incl CO2. Estimates for modern plants. CO2 contributions are 14.3 €/MWh for coal and 5.9 €/MWh for gas.

³ Estimates for nuclear plants in Sweden / Finland is around 22 EUR/MWh. In Sweden nuclear tax adds to this, but Parliament has decided to phase-out nuclear tax.

European flexible generation:

Long-term contracts

▶ Statkraft performs **annual hedging assessment**

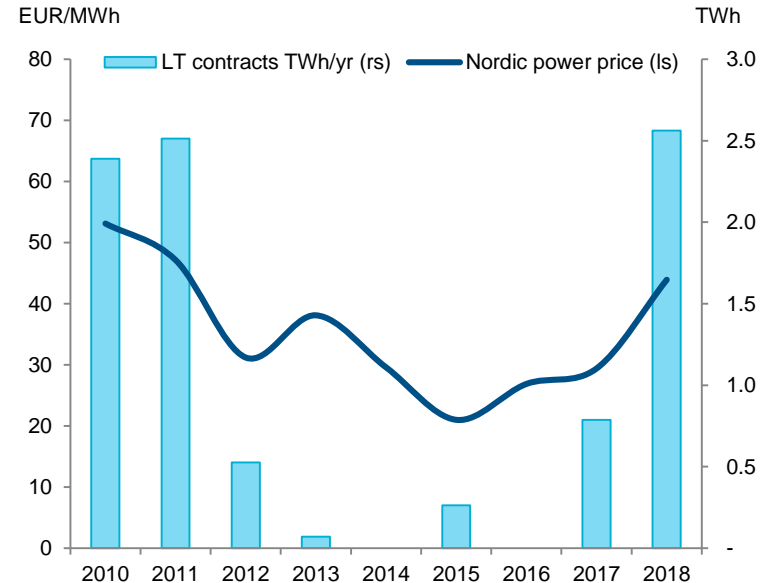
- Statkraft's global hedging level is assessed against certain pre-defined criteria, including long-term **market prices** and **market prognosis**.

▶ Activity level on **hedging has increased** due to **higher market prices**

- New long-term contracts with Hydro Energi, Elkem, FerroGlobe, Eramet, Norske Skog and Finnfjord.
- Statkraft is currently negotiating with several other industrials.

▶ Going forward:

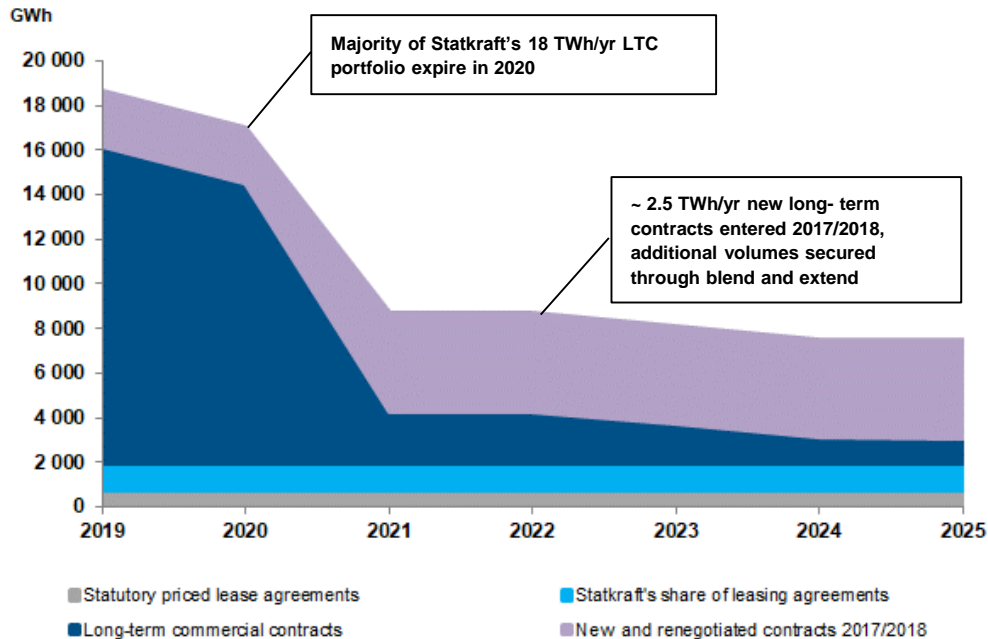
- Statkraft expects **demand** for long-term contracts to somewhat **increase**. Particularly from **new** energy intensive **industries** such as datacentres.



European flexible generation:

Securing long-term revenues in the Nordics

Nordic long term industrial contract



- ▶ Statkraft is actively evaluating additional hedging opportunities, balancing profit and risk
- ▶ Yearly average production in Nordics approx. 56 TWh for the period

Market Operations:

Capitalize on market expertise



Market Operations

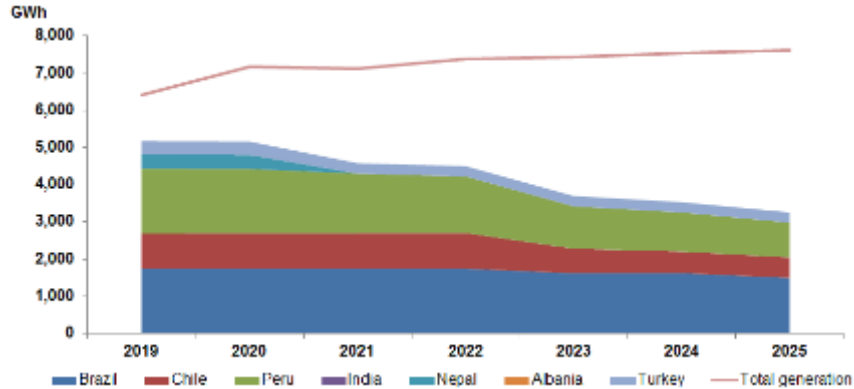
Main activities:

- Trading of energy-related products
- Origination – customized agreements for industry and commerce
- Dynamic asset management
- Market access
- Exploring and developing new business models

Presence in many European countries, as well as Brazil, Peru, USA and India

Renewable assets in emerging markets

Securing long term revenues



International Power

28 hydropower plants, 4 wind farms and 2 solar parks in operation in Southeast Europe, South Asia and South America

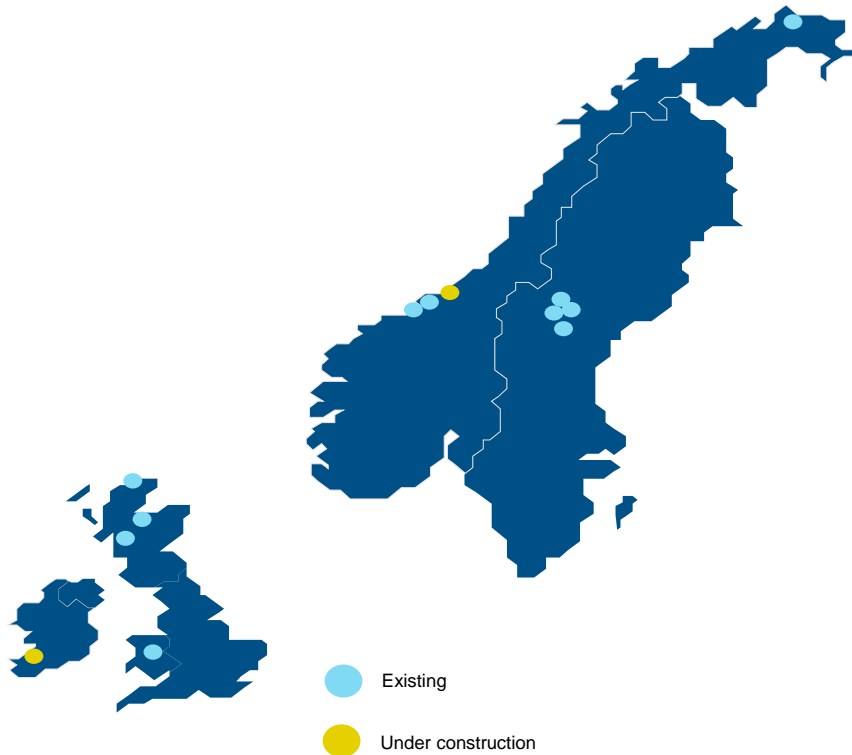
More than 1 100 MW in operations

Established positions in several emerging markets

- Long-term economic growth
- Rising energy demand
- Increased demand for renewables

Wind Power:

Develop and operate onshore wind



Wind Power

9 wind farms in operation in Norway, Sweden and UK, in total 1080 MW

Solid track record in delivering projects on cost and time

Europe's largest onshore wind power project under construction in Norway; Fosen 1057 MW

1550 MW development portfolio in Ireland and UK

Including equity share in wind farms

District Heating:

Stable production



District Heating

28 locations in Norway and Sweden with ~1.1 TWh annual production

Distribute heating and cooling to 13 000 customers in Norway and Sweden

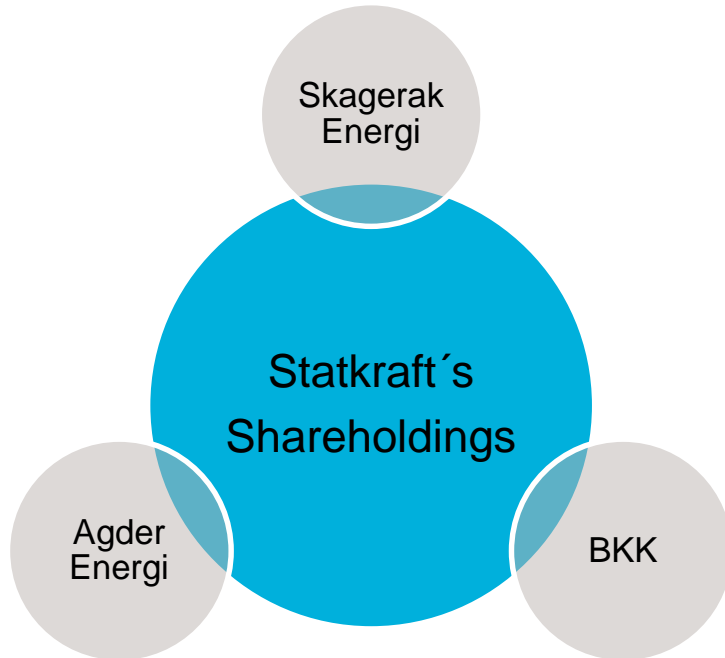
The revenues are influenced by power prices, waste prices, grid tariffs and taxes

Waste, biomass, bio oil, electricity and gas constitute the energy sources in the production

Limited capex going forward

Industrial Ownership:

Management of Norwegian shareholdings



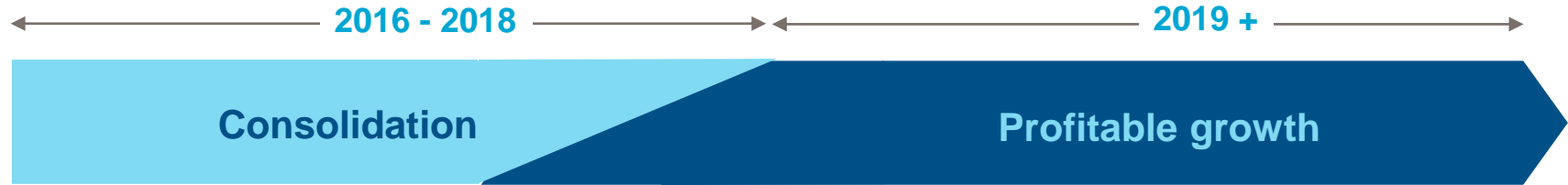
Industrial Ownership

Manage and develop Norwegian shareholdings within the Group's core business

Shareholdings in Skagerak Energi, BKK and Agder Energi

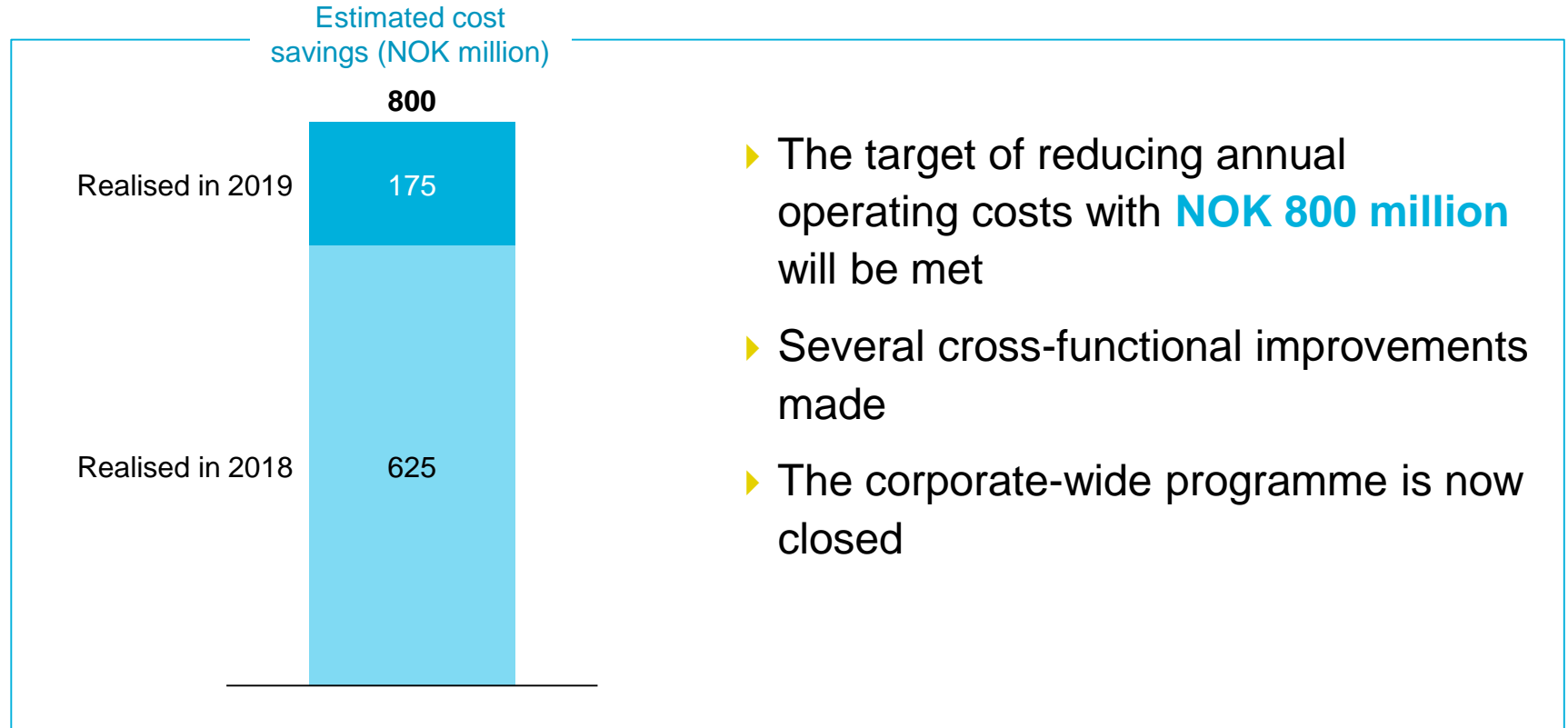
Divestment of shares in Fjordkraft, Istad and BKK in 2018

Positioning for growth

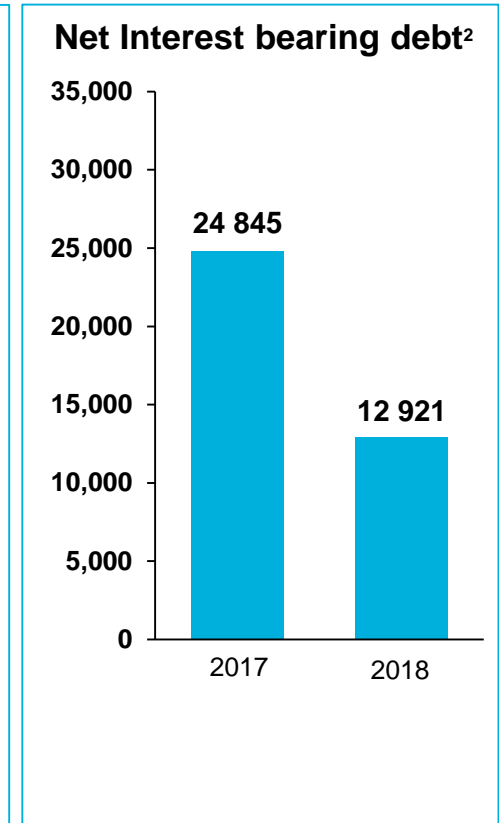
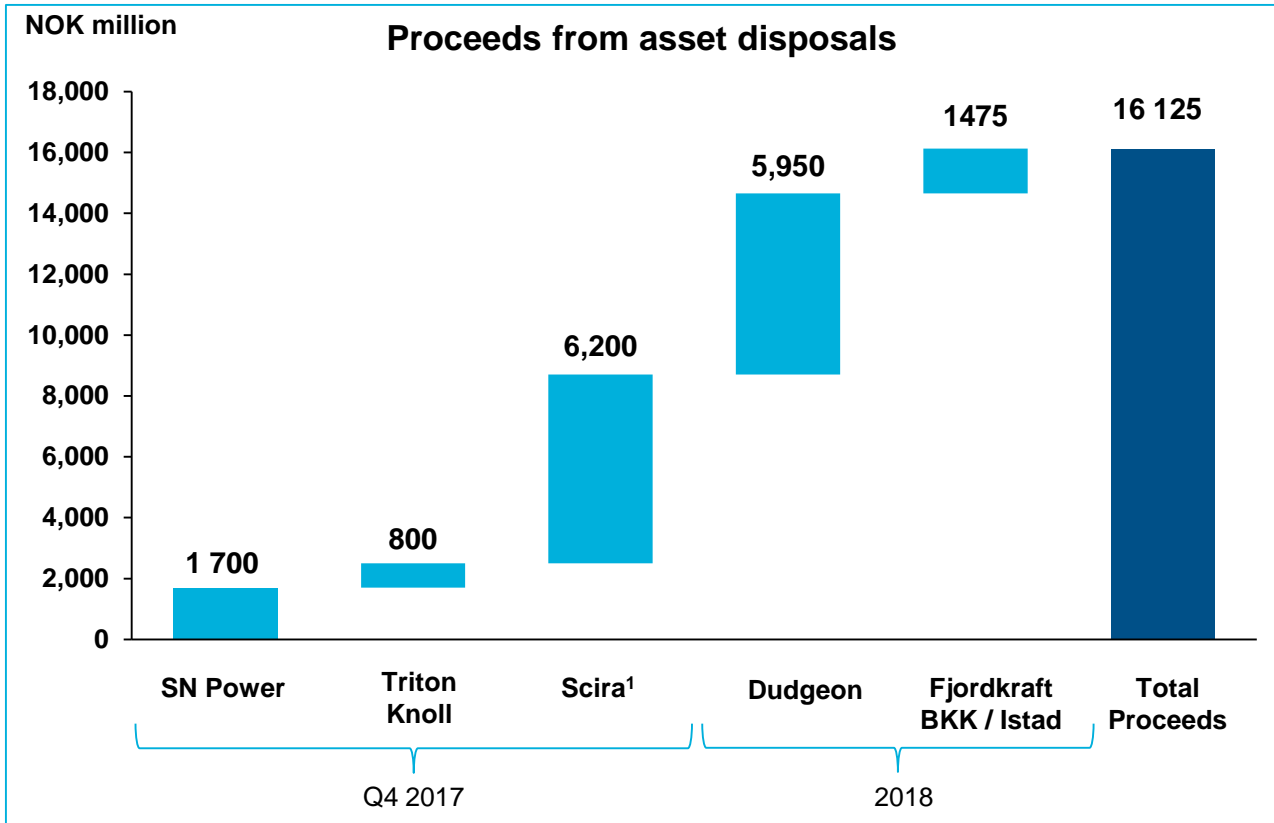


- ▶ **PIP: Strengthening of:**
 - Competitiveness
 - Cost efficiency
 - Performance
- ▶ **Reduced investment level**
- ▶ **Restructured international power**
- ▶ **Divestments**
 - Offshore wind
 - SN Power
- ▶ **Revised dividend policy**
- ▶ **Capitalize on our competitive advantages**
- ▶ **Maintain and reinvest in existing asset base**
- ▶ **Grow in renewable energy and market operations**
- ▶ **New business development**

Performance Improvement Programme



Large proceeds and financial improvements from asset disposals



¹ Excluding proceeds related to sell down from 50% to 40% in Q4 2014

² Net Interest bearing debt from Annual Report 2018

Summary of highlights in 2018



Fossvatn, Norway

- ▶ New long-term industry contracts
- ▶ Performance Improvement Programme closed
- ▶ Acquisitions in Brazil, India and Ireland/UK
- ▶ Divestment of offshore wind, Istad and shares in BKK. Fjordkraft listed through IPO
- ▶ New strategy – *up next*

Agenda

- ▶ Statkraft Overview
- ▶ **Strategy and Investment Ambition**
- ▶ Funding and Liquidity
- ▶ Sustainability
- ▶ Financial Update

Statkraft's new strategy

**OPTIMISE HYDRO-
POWER PORTFOLIO**



**RAMP UP AS WIND
AND SOLAR DEVELOPER**



**GROW THE
CUSTOMER BUSINESS**



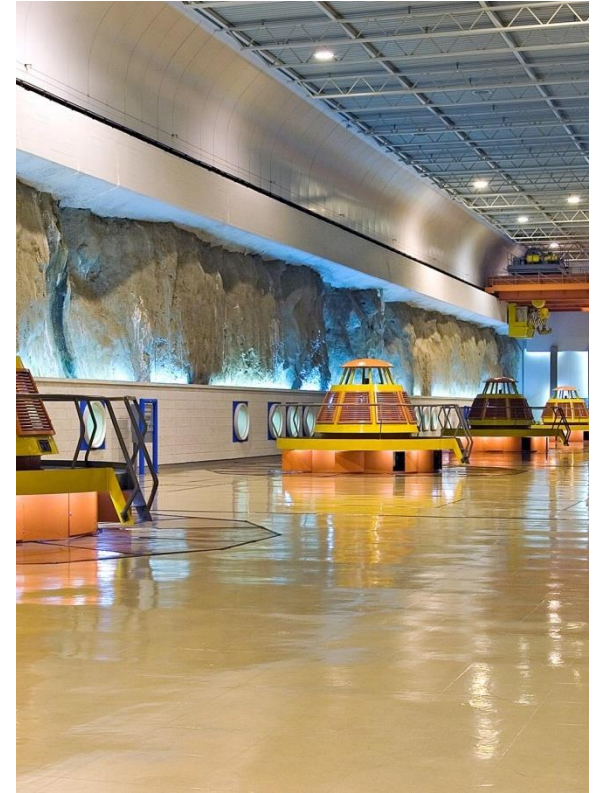
**DEVELOP NEW
BUSINESS INITIATIVES**



Statkraft's new strategy:

Hydropower and other flexible generation

- ▶ New hydro is challenged on costs, but the need for flexibility increases and provides a good starting point for a **flexible hydropower** player with **market expertise**
- ▶ **Priorities:**
 - 1) Protect and improve** value of Nordic hydropower
 - Focus on refurbishments, operational improvement, regulatory work, hedging
 - 2) Opportunistic acquisitions** or portfolio swaps
 - Restructuring Norwegian regional companies
 - Bid for French hydro auctions
 - Actively pursue acquiring hydropower in operation or in construction with particular competitive advantages
 - 3) Operate gas-fired power in Germany**



Statkraft's new strategy:

Massive ramp up as wind and solar developer

- ▶ Solar and wind become the **cheapest way** to build new power generation - **huge growth** expected in all countries

- ▶ **Priorities:**

- 1) Taking on a developer role**

- High value creation for Statkraft in the development phase
 - Develop and construct projects, and then partially sell down

- 2) Ramp up in onshore wind (6 GW) and solar (2 GW)**

- Wind: Substantial growth in Europe, South America and India
 - Solar: Utility scale solar and commercial size distributed installations.

- 3) Hedge revenues of wind and solar to mitigate risk**

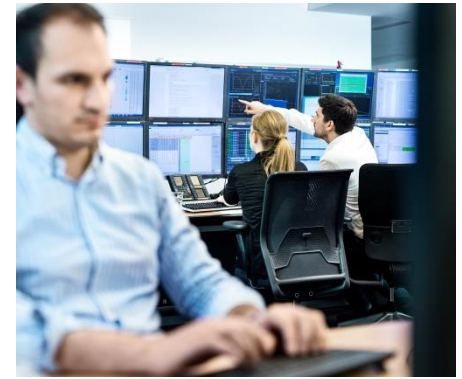
- 4) Develop batteries and hybrid storage systems**



Statkraft's new strategy:

Grow the customer business

- ▶ More **complex energy markets** and customers taking stronger interest in renewable energy. Statkraft well positioned with deep market expertise and renewable assets
- ▶ **Priorities:**
 - 1) Significant ramp up of customer part of market operations**
 - Take a position as a leading provider of market solutions for renewable energy for large customers
 - Provide market access, hedging, distributed energy solutions and green power supply to large customers
 - 2) One of top three in District Heating in Norway and Sweden**
 - 3) Continue growth in EV charging**
 - Exploring opportunities in Central Europe and the Nordics



Statkraft's new strategy:

New opportunities in the energy transition

▶ Norway is an early mover in the energy transition, through **de-carbonization** and **electrification**

▶ **Priorities:**

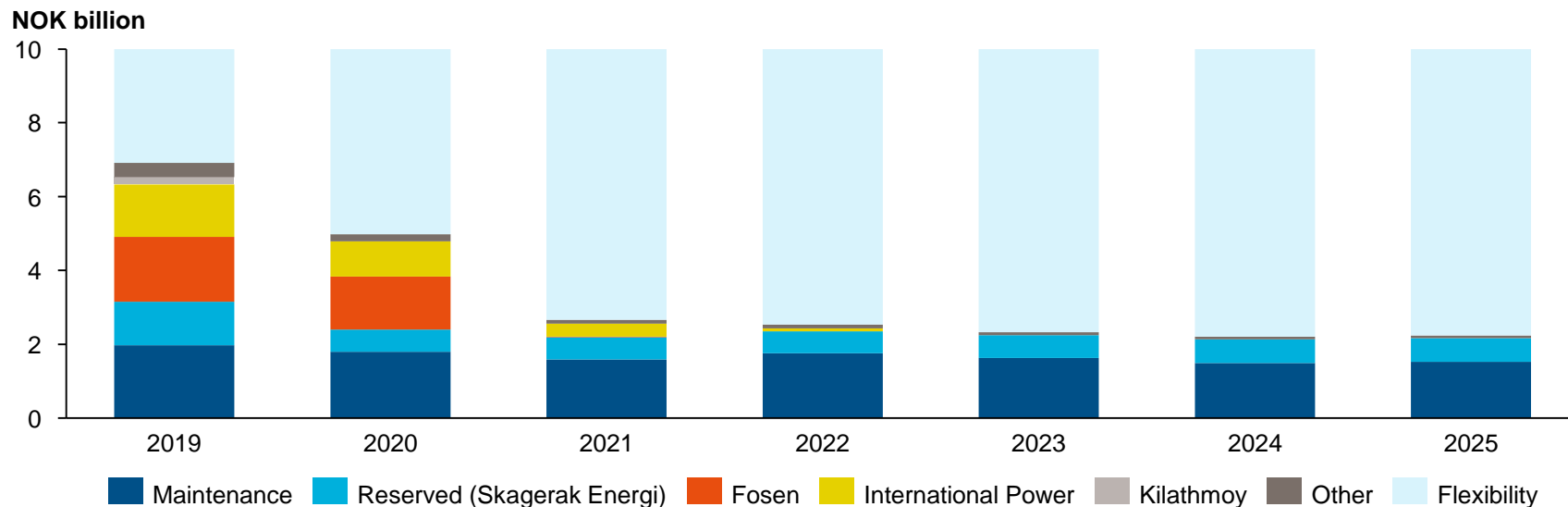
Develop new business arising from the green shift in Norway that has potential internationally:

- 1) **Data centers:** Develop, market and sell ready-to-build data centers site prospects
- 2) **Biofuels:** Aim to produce 2nd generation biofuel from wood feedstock
- 3) **Hydrogen:** Investigate business opportunities in production of renewable hydrogen



Investment ambition 2019 - 2025

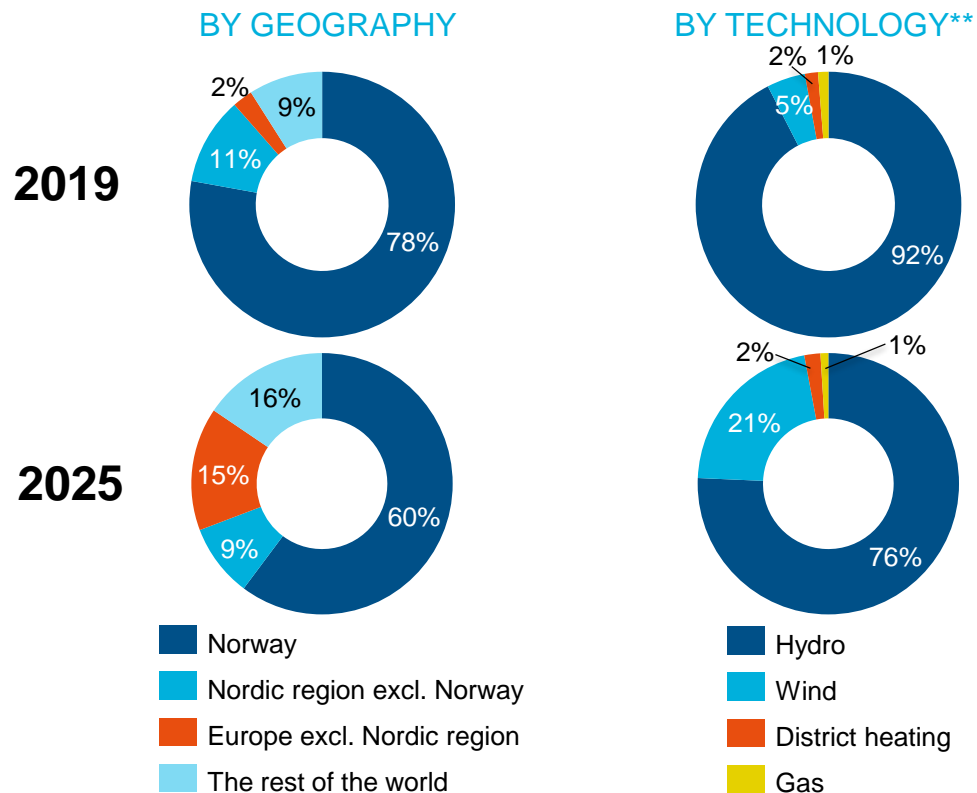
- ▶ Investment ambition 2019 – 2025 subject to financial capacity:
 - Average NOK 10 bn per year
 - Total committed investments 2019 – 2025 of NOK 24 bn
- ▶ Committed to **maintain current ratings**



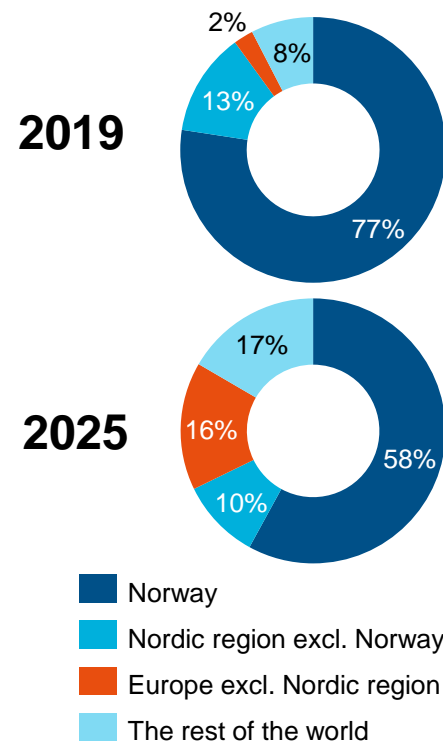
Post investment ambition

- Predominantly a Nordic hydropower producer

GENERATION*



EBITDA



*Share based on total consolidated generation.

**Generation in Skagerak Energi allocated to Hydro as the vast majority of production in Skagerak is hydropower

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Credit Ratings

Key Priority:

Maintain current ratings

S&P/Fitch

A- / BBB+
Stable

100%
state-owned



CAPEX

adapted to financial capacity

Strong support
from owner

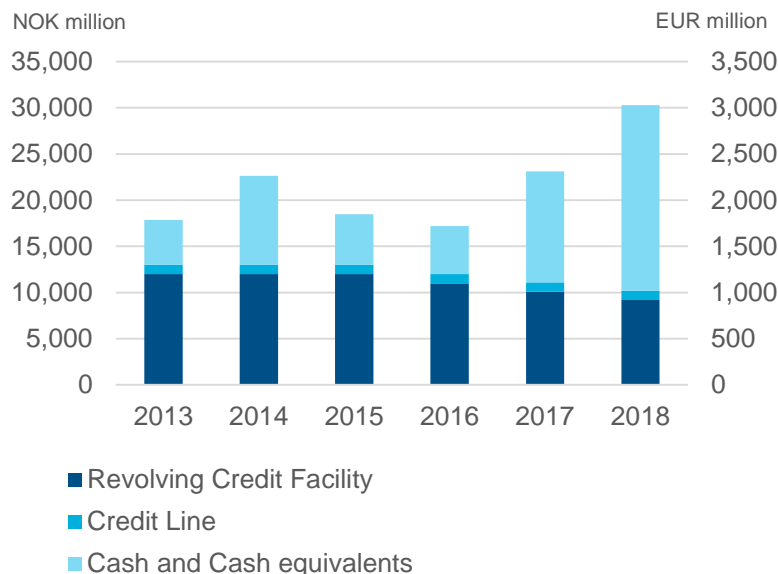


Close monitoring of methodology

Rating impact assessment of investments

Liquidity position

Available liquidity and target



- ▶ Liquidity capacity target¹: >1.5x projected payments over next six months

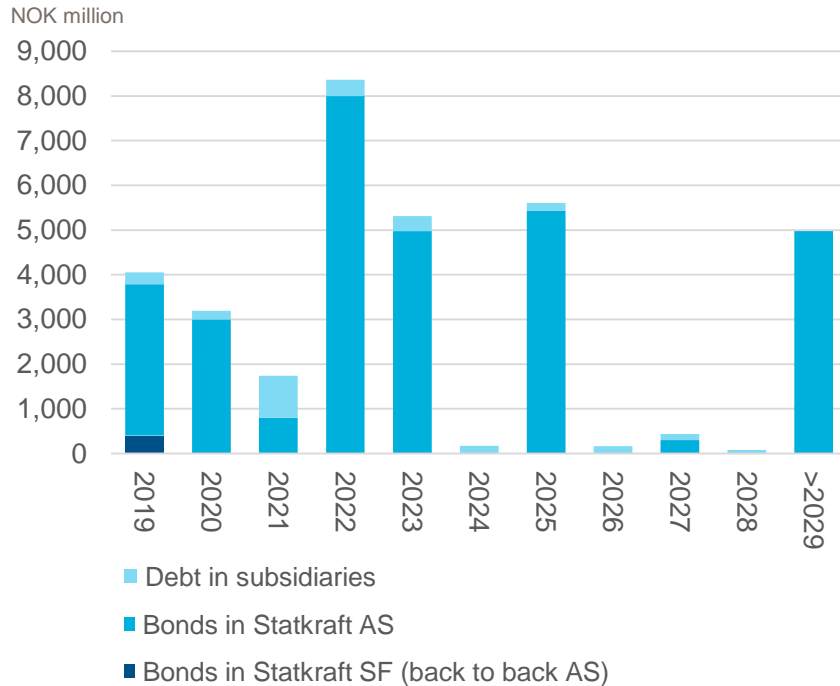
¹ Liquidity capacity defined as cash and cash equivalents, plus committed revolving credit facilities, plus projected receipts for the next six months

Liquidity and market access

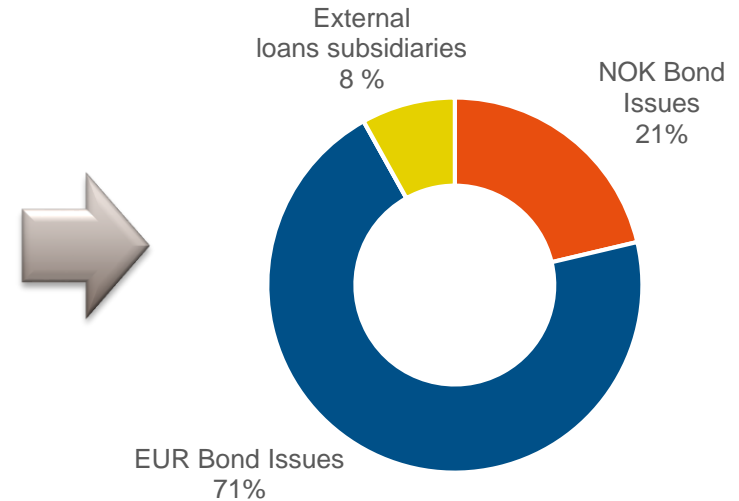
- ▶ NOK 9.2 bn [0.95] Revolving Credit Facility with 10 core banks
 - Matures 2023
- ▶ NOK 1bn [0.10] in committed credit line renewed on a yearly basis
- ▶ EMTN Programme EUR 6bn
 - EUR 3.2 bn available under current Programme
 - Recently updated
- ▶ No commercial papers outstanding

Balanced debt maturity and mixed funding sources

Debt maturity profile 31.12.2018



Distribution of funding sources



Funding Strategy

Centralized
Diversification
Back-stop facilities



Funding Sources



Funding need

- **Limited**, near term. Dependent on new investments decisions
- Need to utilize capital markets to support investment ambition

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POWERING A GREEN FUTURE

We are committed to develop and manage green, smart and profitable energy solutions

competent

innovative

responsible

Create values, whilst showing respect for **employees**, **customers**, the **environment** and **society**

Global Initiatives and standards

To fulfil our corporate responsibility commitments

- ▶ Statkraft takes **guidance** from globally recognised initiatives and standards, including
 - ▶ OECD's Guidelines for Multinational Enterprises
 - ▶ UN's Guiding Principles on Business and Human Rights
- ▶ Statkraft is a **member** of the **UN Global Compact** and adheres to its ten principles.
- ▶ Statkraft's **external reporting** on corporate responsibility is based on the **Global Reporting Initiative Standards**.
- ▶ Statkraft **contributes** to the implementation of several of the 17 **UN Sustainable Development Goals** (SDGs)...



Statkraft's contribution to UN Sustainable Development Goals in 2018

Core SDGs for Statkraft



Achievements in 2018

61.7 Twh power production and 1.1 Twh district heating.
98% of power generation in 2018 was renewable
Additional 865 MW renewable energy is under development

Initiative of extending access to affordable and clean energy to communities in disadvantaged regions. 8500 households have been given access to electricity as a result.

Example: Khimti Rural Electricity Cooperative in Nepal in connecting to the national grid

Other SDGs

2 ZERO HUNGER



End hunger, achieve food security and improved nutrition and promote sustainable agriculture

5 GENDER EQUALITY



Achieve gender equality and empower all women and girls

8 DECENT WORK AND ECONOMIC GROWTH



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Achievements in 2018

Initiatives in place to collaborate with local communities to improve **food security** and ongoing programmes to **restore livelihoods** impacted by the company's projects

Statkraft **invests** specifically in **gender empowerment activities** in communities affected by the company's projects.

Examples in Peru, Chile, Nepal and India aiming at promoting women's economic activities, education and institutional capacity building.

In 2018 **social development programmes** were **implemented** in project communities in Peru, Brazil and India. The programmes are primarily focused on **agriculture**, improved **market access** and **skills** training.

Extensive information in Annual Reporting

2018

Report from Board
of Directors

- ▶ Strategy
- ▶ Financial performance
- ▶ Segments
- ▶ Risk Management

2018

Corporate
responsibility

- ▶ Management of Corporate responsibility
- ▶ Statkraft's contribution
- ▶ Social, Environmental and Economic disclosures
- ▶ Independent auditor's report

2018

Corporate
Governance

- ▶ Distribution of roles between owner, board and management
- ▶ Risk management and control

Health and safety

- ▶ **Caring** for **people** is at the core of **Statkraft's culture**
- ▶ A **safe**, **secure** and **healthy** working environment is paramount and this applies wherever we are
- ▶ We work continuously to improve our performance towards our **vision of zero injuries**
- ▶ Implementation of an **HSSE improvement programme**

Powered
by care



Agenda

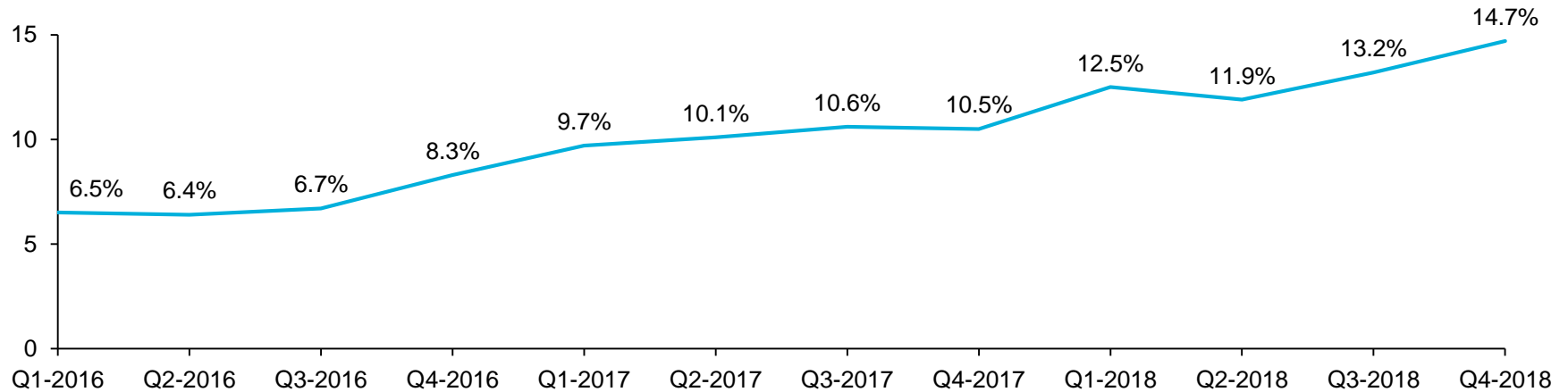
- ▶ Statkraft Overview
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- ▶ **Financial Update**

Financial results

NOK million	The year 2018	The year 2017
Operating profit/loss (EBIT) underlying	14 953	10 824
Profit before tax	20 649	15 668
Net profit	13 390	11 710

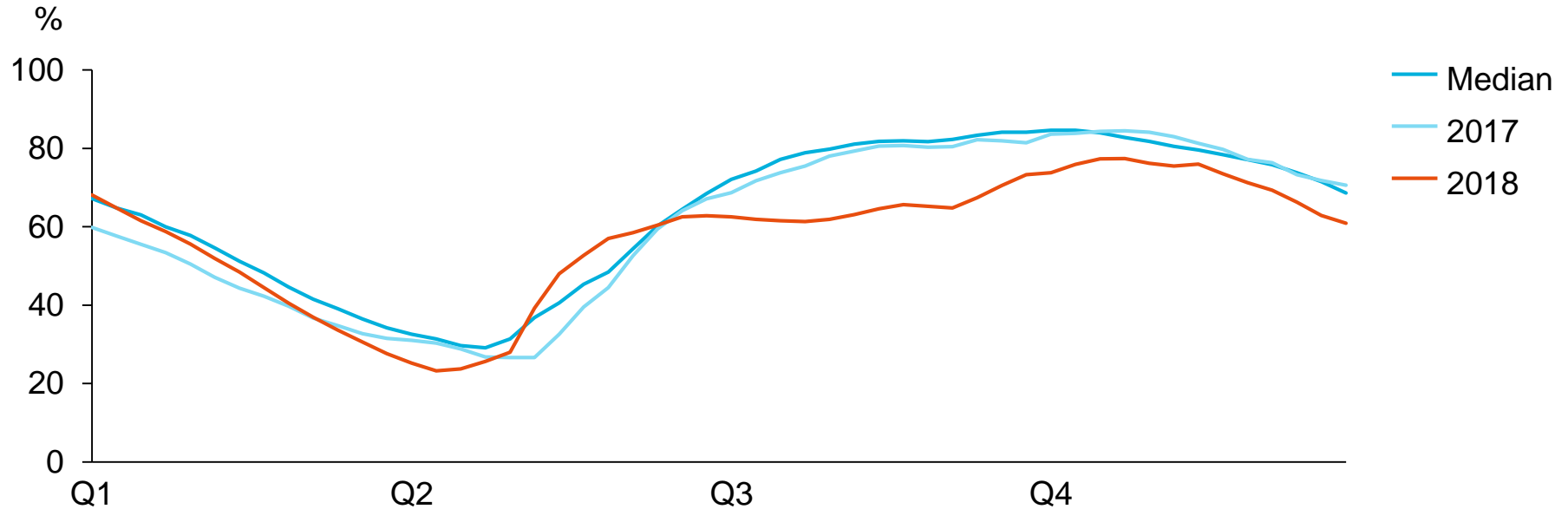
- ▶ Record high underlying EBIT of NOK 15 billion
- ▶ Solid net profit of NOK 13.4 billion
- ▶ Dividend of NOK 8.4 billion

Financial performance (ROACE)



- ▶ Improvement in underlying EBIT primarily driven by higher Nordic power prices
- ▶ Average capital employed stable through 2018
- ▶ ROACE significantly higher than target of >7%

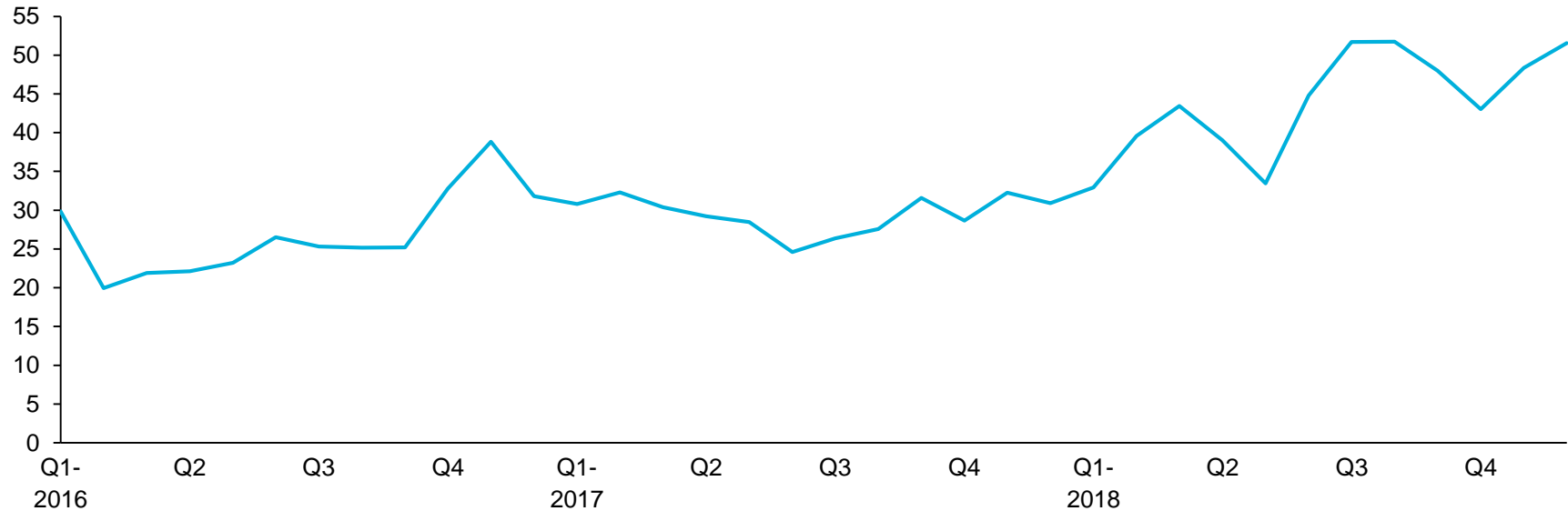
Nordic reservoir water level



- ▶ Nordic reservoir water level below normal at year-end
- ▶ Weather drier than normal
- ▶ Nordic reservoir water level (total market) at 89% of median at the end of the year

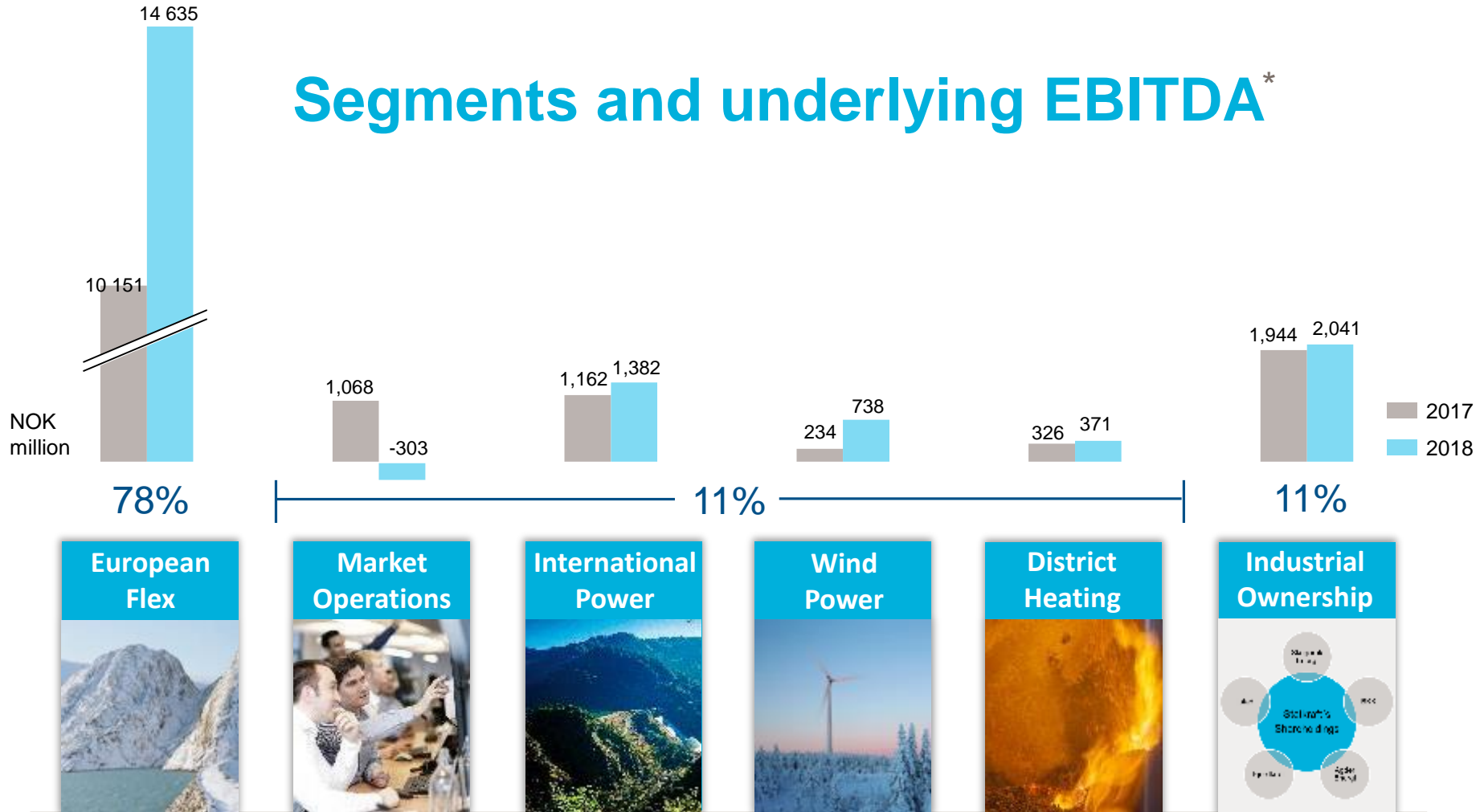
Nordic system prices, monthly average

EUR/MWh

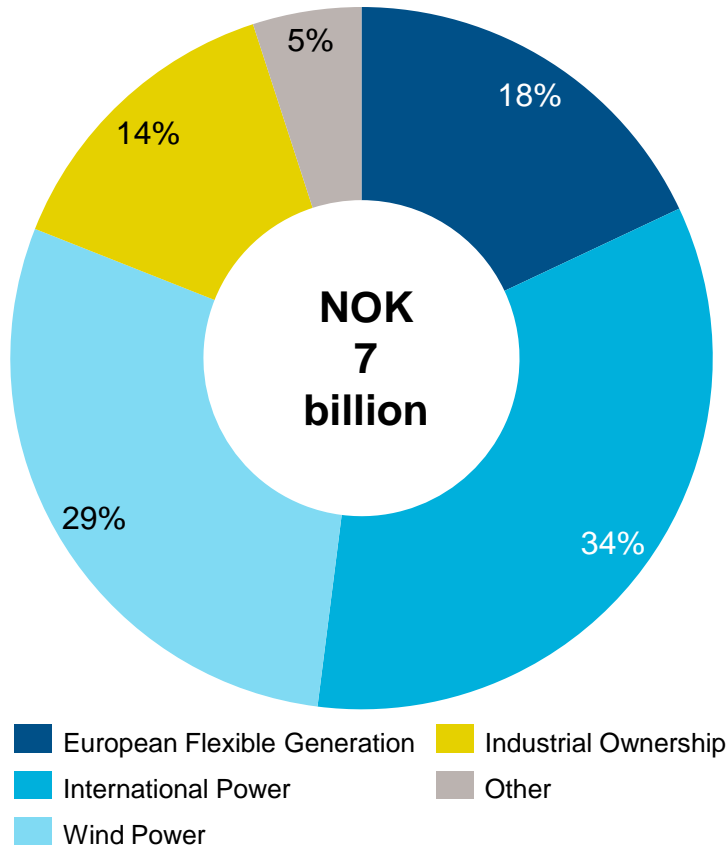


- ▶ Average Nordic system price 44 EUR/MWh, up 49% year-on-year
- ▶ Main drivers was weaker hydrological balance and higher Continental prices

Segments and underlying EBITDA*



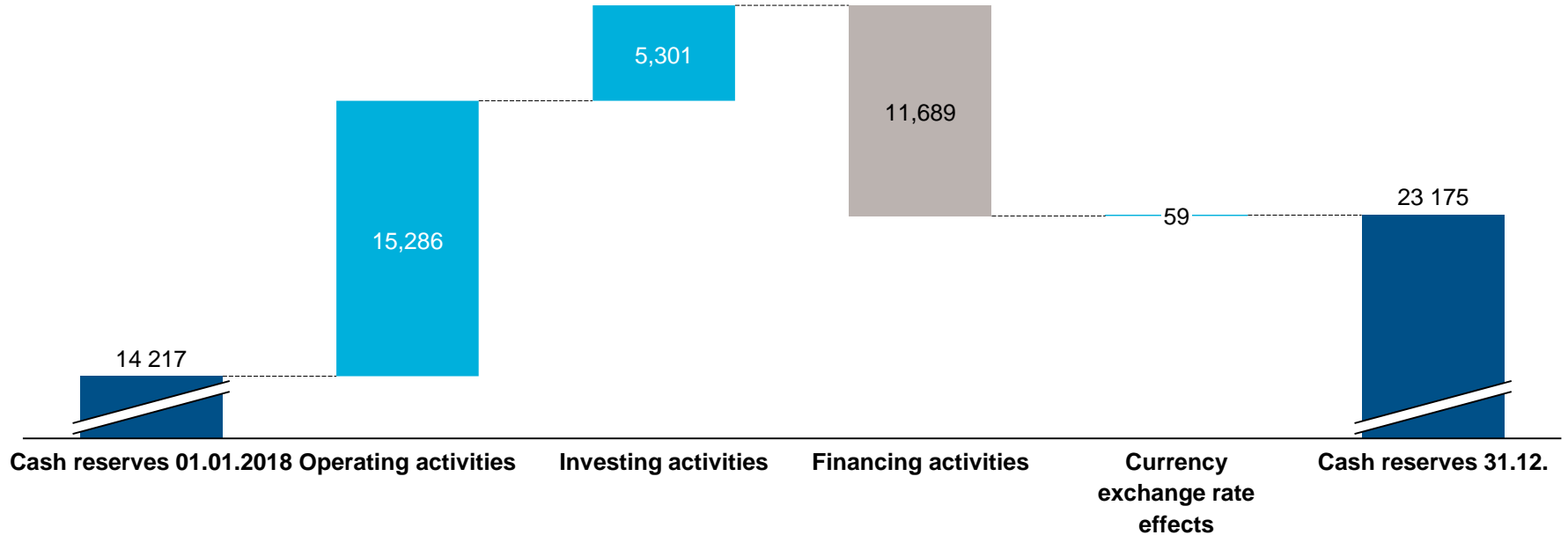
Capital expenditure in 2018



- ▶ Distribution of CAPEX:
 - 44% new capacity investments
 - 30% maintenance/other investments
 - 27% shareholdings
- ▶ New hydropower capacity under construction in Albania and wind power developments in Norway
- ▶ Maintenance primarily related to Nordic hydropower
- ▶ Shareholding investments mainly related to acquisitions in Brazil and Ireland/UK
- ▶ Ramping up investments after scale down last couple of years

Cash flow in 2018

NOK million



- ▶ Strong cash flow driven by high Nordic power prices and divestments
- ▶ Dividend of NOK 6 billion and repaid debt of NOK 5.5 billion
- ▶ Solid cash position

Summary of financial results 2018



Andershaw wind farm, Scotland

- ▶ Solid underlying performance in 2018
- ▶ Robust financial position
- ▶ Solid foundation for growth phase
- ▶ Investment plan with large degree of flexibility

Statkraft in 2025

Leading renewables company – enabling and managing own and customer's production and consumption of renewable energy

- ▶ **Largest hydro power company in Europe** and **significant** player in **South America** and **India**
- ▶ **Major wind and solar developer** in Europe, **South America** and **India**
- ▶ Leading provider of **market solutions** for renewable energy for large customers in Europe, South America and India
- ▶ Top 3 player in **district heating** in Norway and Sweden
- ▶ Developed 1-2 sizable **new businesses** from the green transition with international footprint





THANK YOU

Investor contacts:

Debt Capital Markets

Funding Manager Stephan Skaane

Phone: +47 905 13 652

E-mail: Stephan.Skaane@statkraft.com

Vice President Tron Ringstad

Phone: +47 992 93 670

E-mail: Tron.Ringstad@statkraft.com



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