

# STATKRAFT INVESTOR UPDATE

**SOCIETE GENERALE UTILITIES CONFERENCE**

**13 JANUARY 2011**



**Statkraft**  
PURE ENERGY

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# AGENDA

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1. Statkraft overview

2. Market dynamics

3. Strategy

4. Financial update

5. Treasury

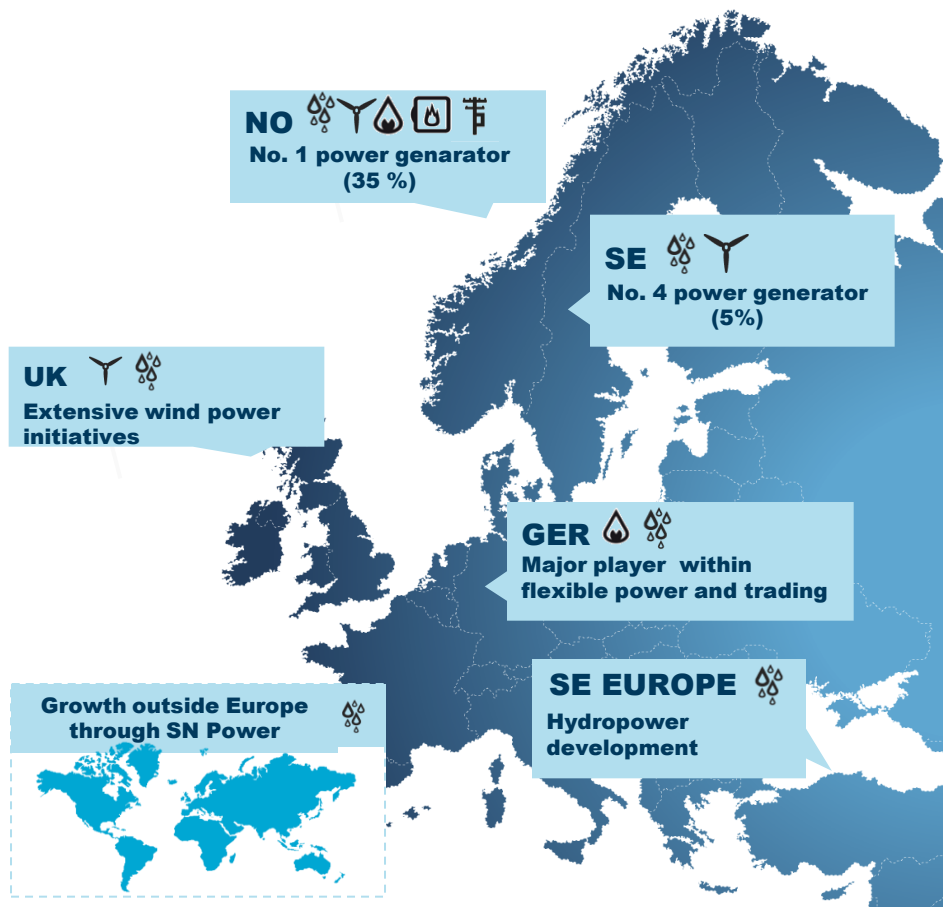
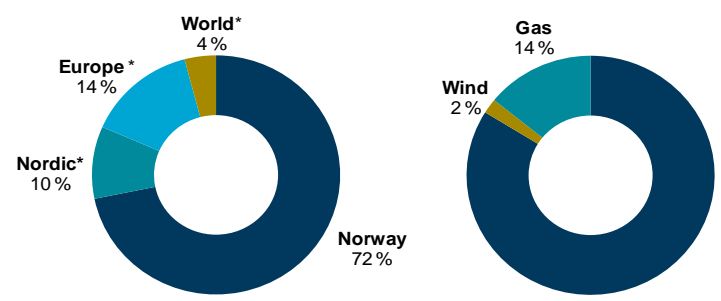
6. Outlook

Appendix

# STATKRAFT AT A GLANCE

<b>NO. 1</b>	IN RENEWABLES IN EUROPE
<b>NO. 3</b>	NORDIC POWER GENERATOR
<b>86%</b>	RENEWABLE ENERGY
<b>98%</b>	FLEXIBLE POWER GENERATION
<b>100 %</b>	OWNED BY THE KINGDOM OF NORWAY
<b>4.17 %</b>	STAKE IN E.ON AG <sup>1</sup>
<b>A-/Baa1</b>	S&P / MOODY'S CREDIT RATINGS

## Installed capacity (15.8 GW)



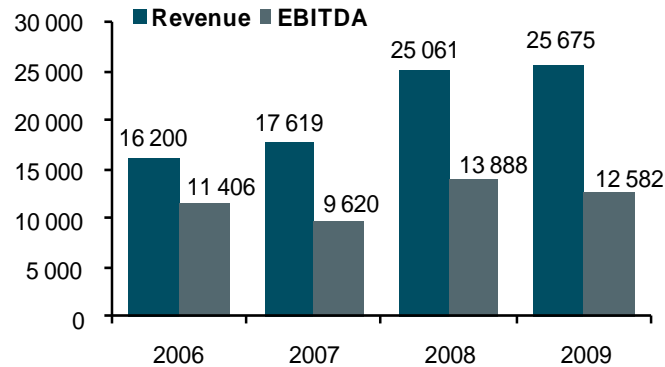
\*Nordic excl. Norway, Europe excl. Nordic, World excl. Europe

1) EUR 1.9 bn. market value as of 30 Dec 2010 (Share price EUR 22.86)

# GROWTH AND DIVERSIFICATION

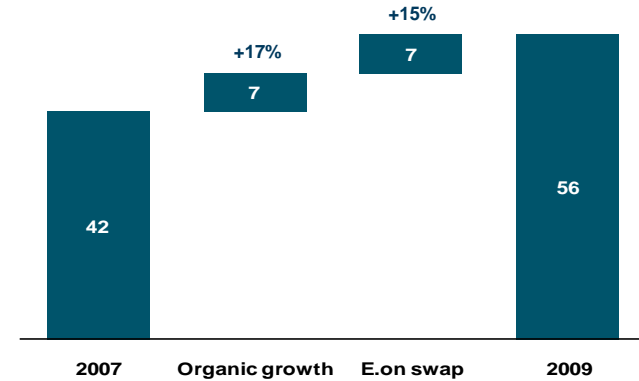
## Financial growth<sup>1</sup>

NOK million

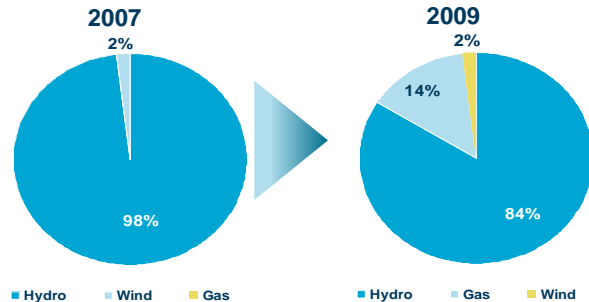


## Capacity growth

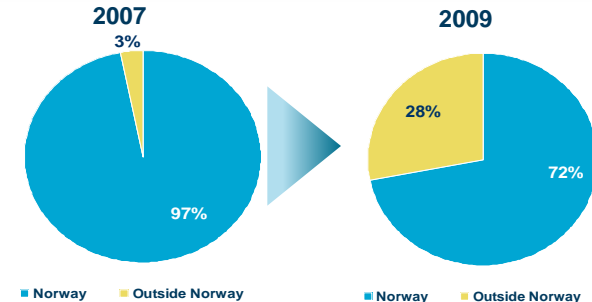
TWh



## Technological diversification



## Geographical diversification



<sup>1</sup>Underlying operations: Adjusted for material non-recurring items and unrealised changes in value

# COMPETITIVE ADVANTAGES

## Flexible power generation

- > Peak supplier to Europe with high degree of flexibility (~56 TWh)
- > Europe's largest reservoir capacity (~40 TWh)
- > Unique information base following market share and experience

## Renewable energy

- > Europe's largest renewable energy producer<sup>1</sup>
- > 86 % of total installed capacity constitutes CO<sub>2</sub> –free energy sources
  - > Remaining capacity constitutes CO<sub>2</sub>-friendly gas power
- > Current expansion within hydro and wind

## Flexible power generation



Gas

## Renewable energy

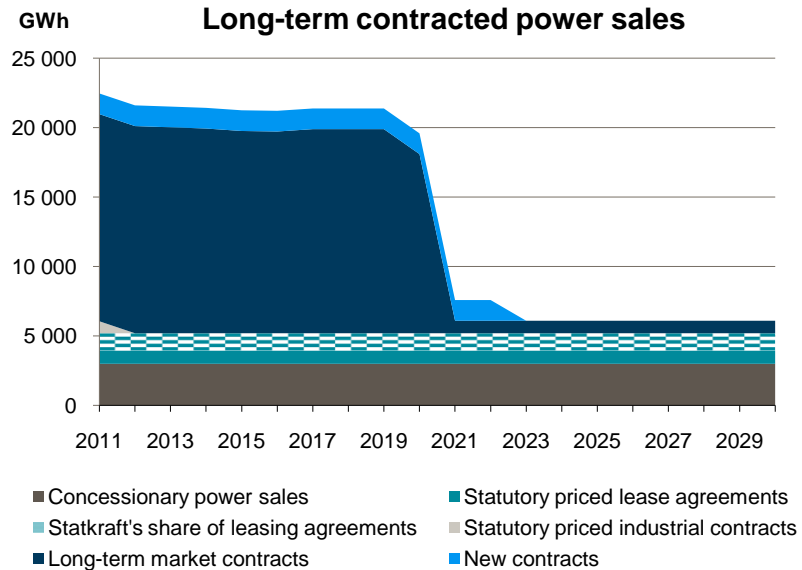


Hydro



Wind

# MAJOR SUPPLIER TO THE INDUSTRY



- > Long-term contracts provides hedging
  - > ~50% of 2010 Nordic normal output
- > Statkraft is the Norwegian industry's most important power supplier
- > Remaining volume sold spot and hedged dynamically
  - > No fixed hedging targets
- > Statutory-priced industrial contracts expire in 2011
  - > Replaced by market-priced contracts
- > New contracts signed with Norske Skog and Finnfjord in December 2010
  - > 0.8 and 0.7 TWh/year in the period of 2011-2022

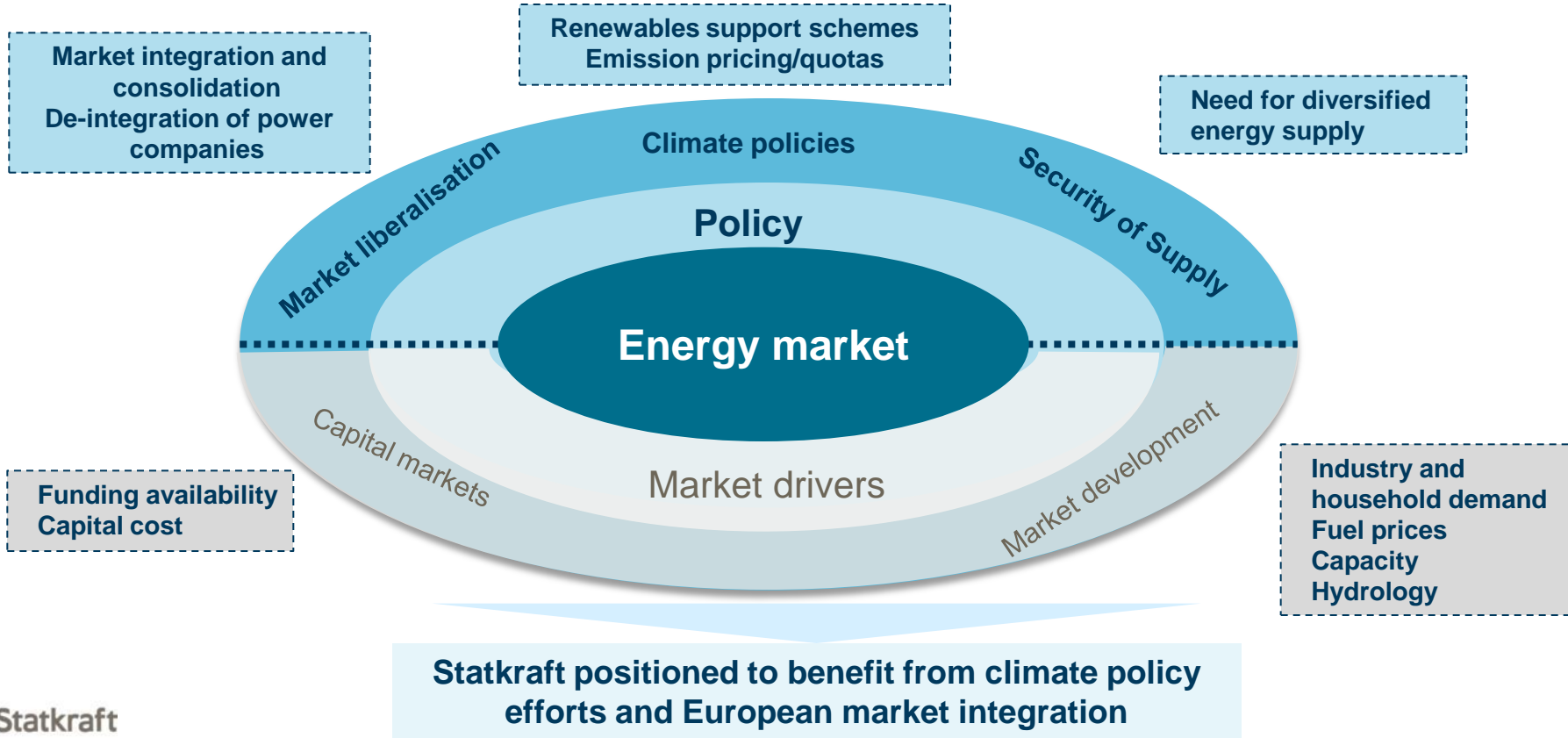
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# AGENDA

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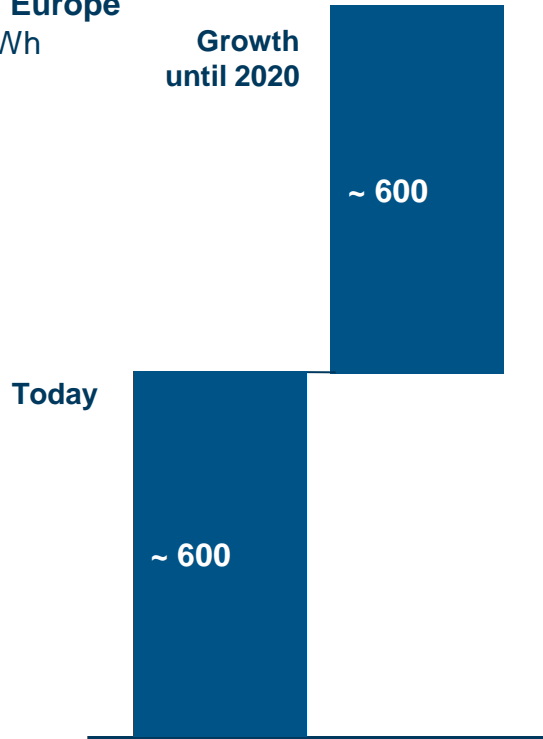
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# MAIN DRIVERS

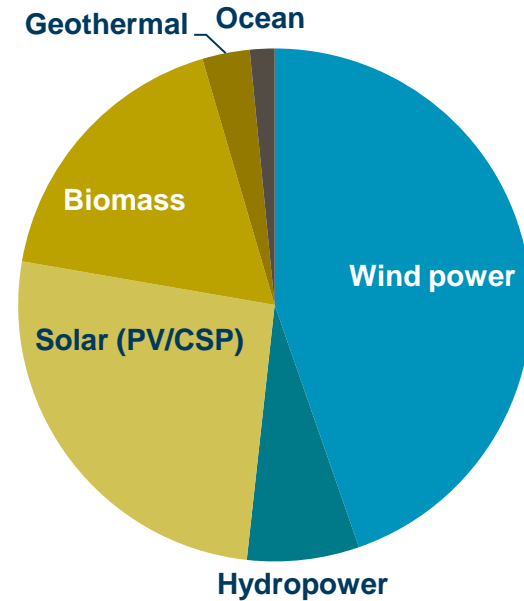


# RENEWABLE GROWTH OPPORTUNITIES

Renewables (electricity)  
in Europe  
TWh



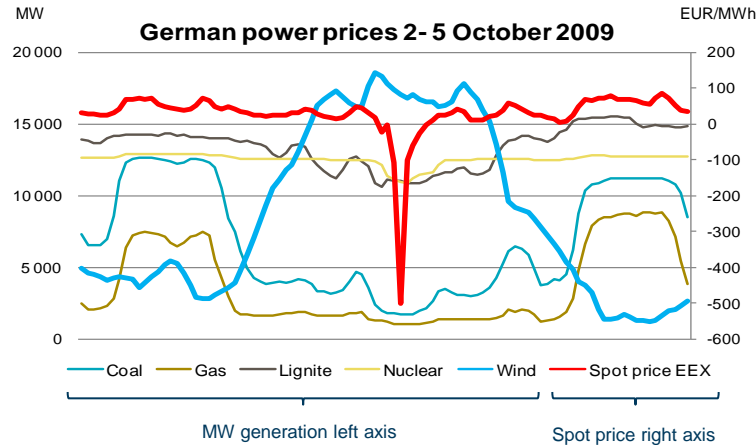
Growth in renewables in Europe  
2007-2020 (TWh)



# NEED FOR INCREASED FLEXIBILITY

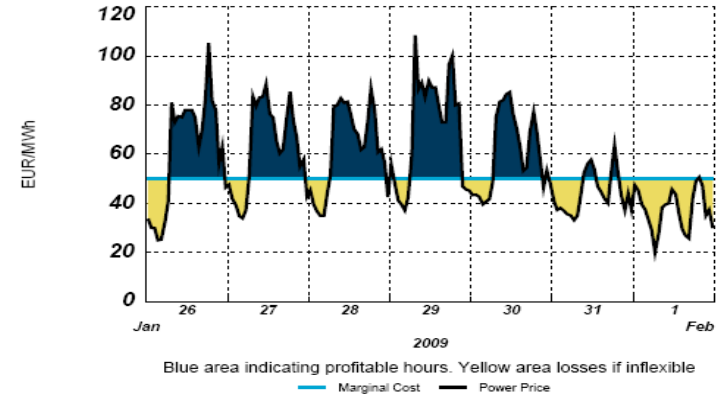
-> Inflexible renewable power requires flexible power sources to balance variable supply

## Need for increased flexibility



*Example with negative prices on EEX due to high wind power output*

## Supplying variable demand





*Illustrative cash flow pattern for CCGT plants*

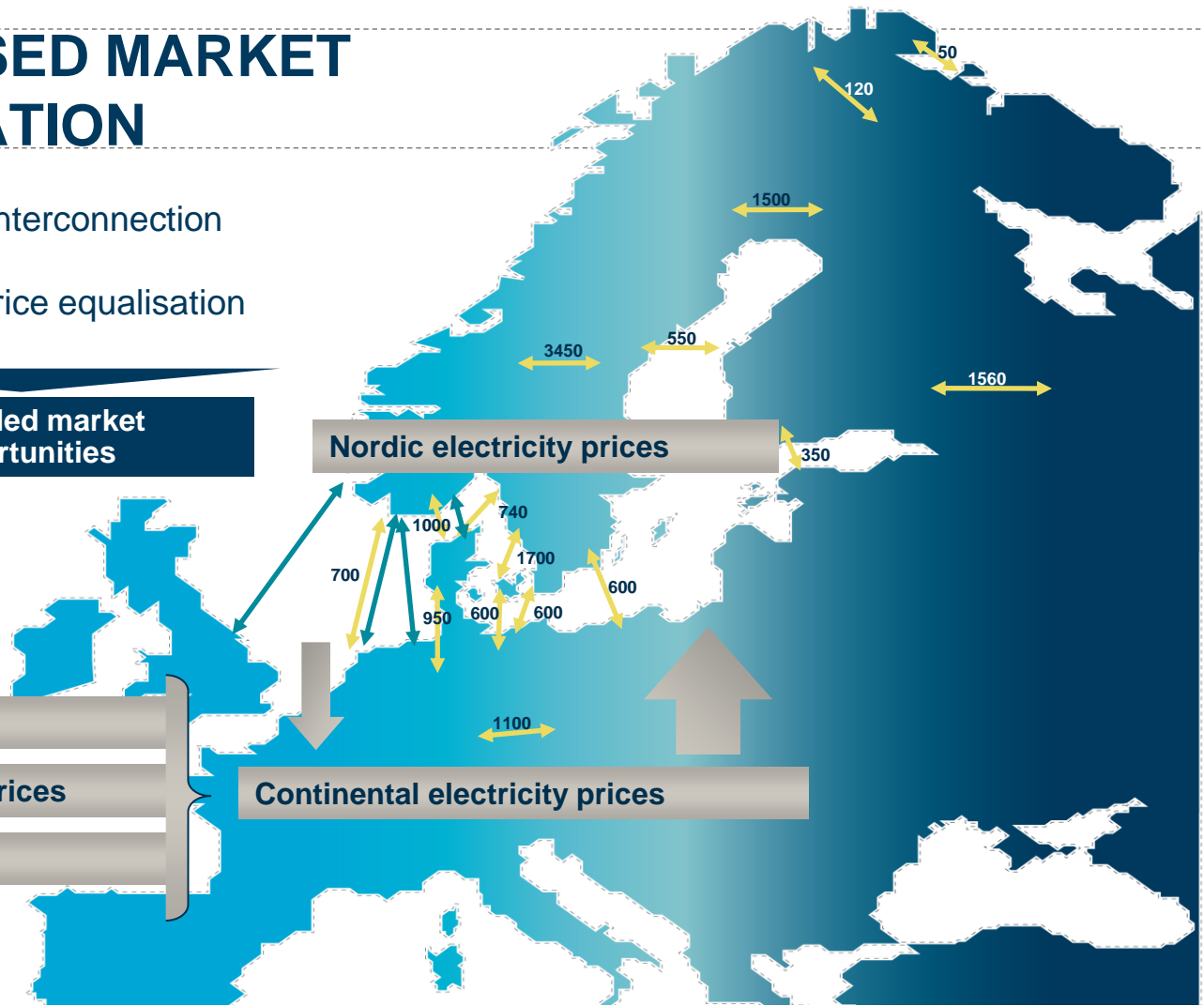
# INCREASED MARKET INTEGRATION

- > Expanding interconnection capacity
- > Increased price equalisation expected

**Expanded market opportunities**

 Power transmission cables (MW)  
 Planned expansions

**Gas prices**  
**Carbon quota prices**  
**Coal prices**



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# FOCUSED STRATEGY



## Flexible generation and energy markets

- Hydropower and gas-fired power in North West Europe, and small-scale hydro in Norway
- Energy management and market operations



## International hydropower

- Hydropower development in Turkey and Albania
- SN Power in South America and Asia



## Wind power

- Onshore wind power in Norway and Sweden, consolidate UK portfolio
- Offshore wind power in UK, incl. Dogger Bank to concession



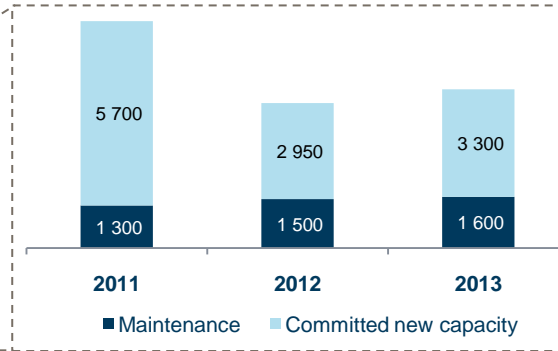
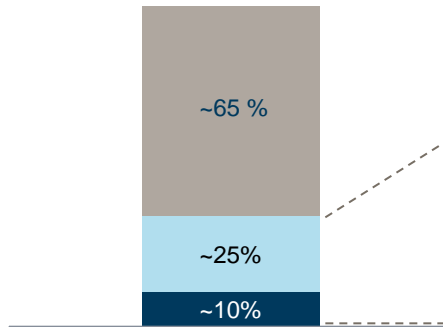
## District heating



## Regional companies

# CAPEX TARGET AND FINANCING ASSUMPTION

Capex target 2010-2015: NOK 75-85 bn.



Maintenance and projects approved by the board

Excluding Norfund's option to sell remaining 40% stake in SN Power in 2010, 2013, 2014 or 2015

- Maintenance
- Potential projects
- Committed projects

- > Strategy supported by owner with NOK 14 bn. equity injection in December 2010
- > High capex flexibility to maintain credit strength

FINANCING ASSUMPTIONS	
New Equity	NOK 14 bn.
External funding	~45%
Retained CF	~35%









# MAIN PROJECTS UNDER CONSTRUCTION



**European Flexible Power Generation**

**International Hydropower**

**Wind power**

Projects (Figures in million)			Remaining capex <sup>1</sup> (million)	Total capex <sup>1</sup> (million)	New capacity <sup>2</sup>	Statkraft's ownership share	Planned completion
Eiriksdal and Makkoren		NORWAY	NOK 650	NOK 750	84 MW	100%	2013
Nedre Røssåga		NORWAY	NOK 375	NOK 400	-	100%	2018
Knapsack II		GERMANY	EUR 367	EUR 367	430 MW	100%	2013
Cheves		PERU	USD 400	USD 400	168 MW	100% <sup>3</sup>	2013
Ambuklao & Binga		PHIL.	USD 100	USD 300	105 MW	50% <sup>3</sup>	2011
Kargi		TURKEY	EUR 250	EUR 250	102 MW	100%	2013
La Confluencia		CHILE	USD 90	USD 475	158 MW	50% <sup>3</sup>	2010/11
Sheringham Shoal		UK	GBP 300	GBP 500	315 MW	50%	2012

1: Ownership share  
 2: Total for project, incl. partners' share  
 3: SN Power's share (60 % owned by Statkraft)

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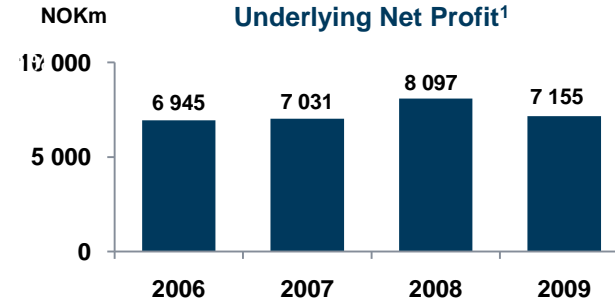
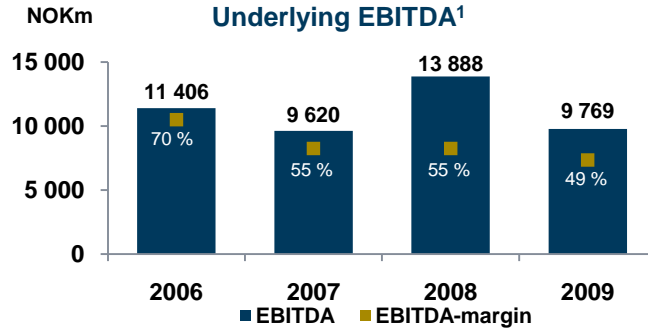
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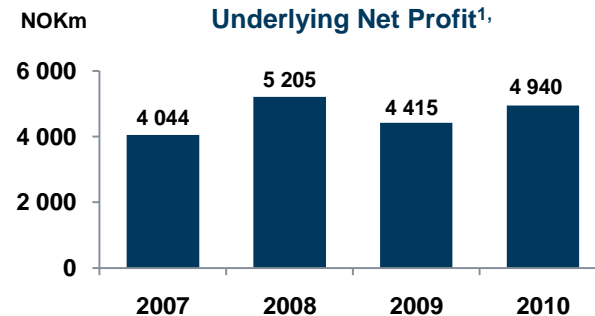
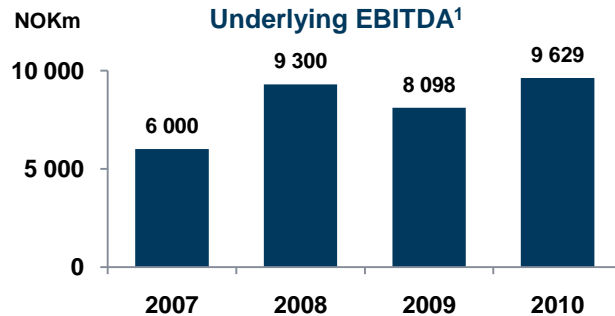
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# FINANCIAL HIGHLIGHTS

## FULL YEAR RESULTS



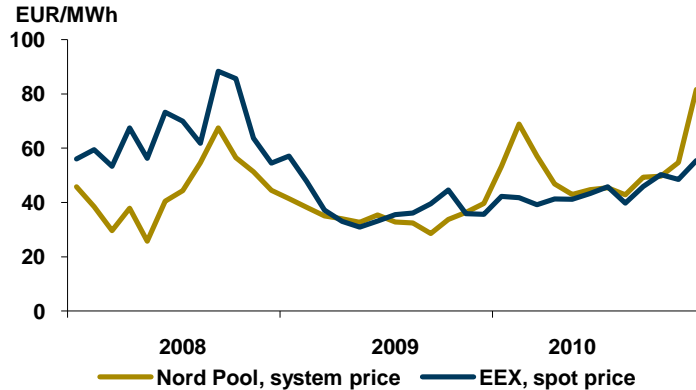
## 9M YEAR TO DATE



1: Underlying figures adjusted for material non-recurring items and unrealised changes in value

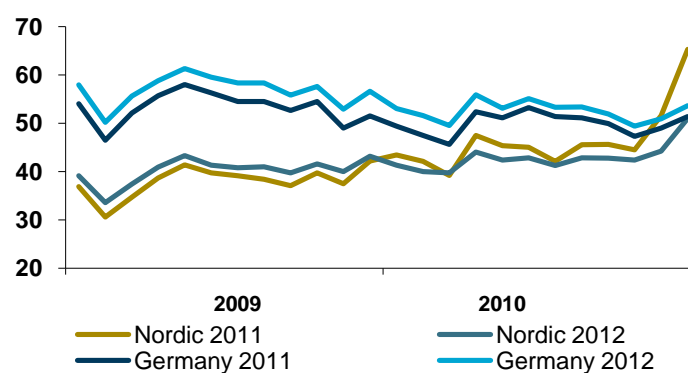
# ELECTRICITY MARKET 12M 2010

## ELECTRICITY, AVERAGE MONTHLY PRICE

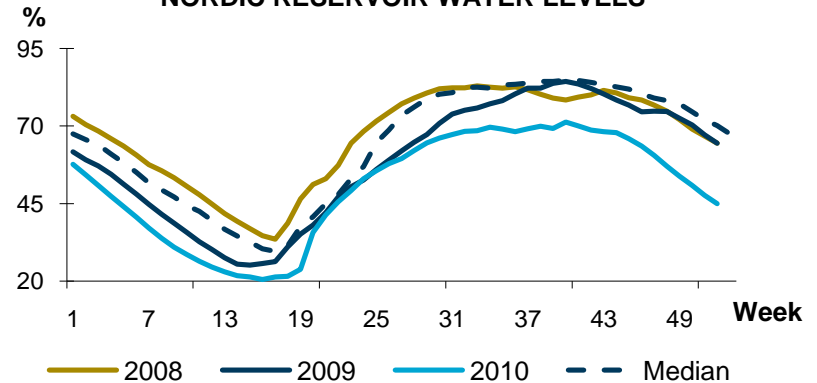


- > Average Nord Pool system price of 53.1 EUR/MWh (35.0)
- > Average EEX spot price of 44.5 EUR/MWh (38.9)
- > Nordic reservoir levels 25% below of median level at year end

## ELECTRICITY, FORWARD PRICE

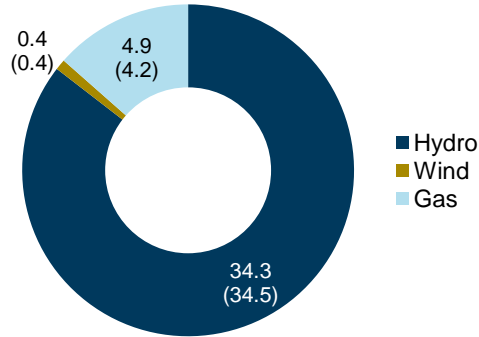


## NORDIC RESERVOIR WATER LEVELS



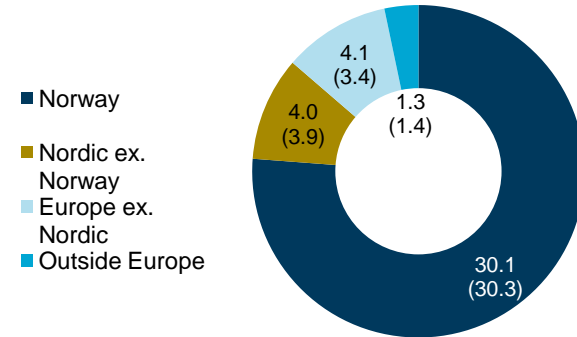
# STATKRAFT'S POWER GENERATION 9M 2010

## Technology (TWh)

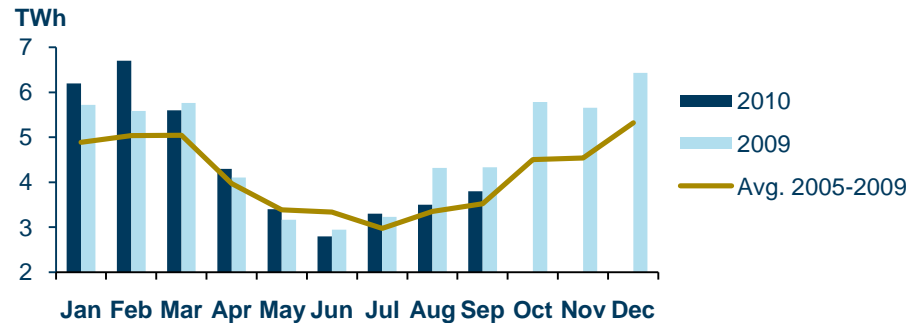


Total generation YTD  
39.6 TWh (39.1)

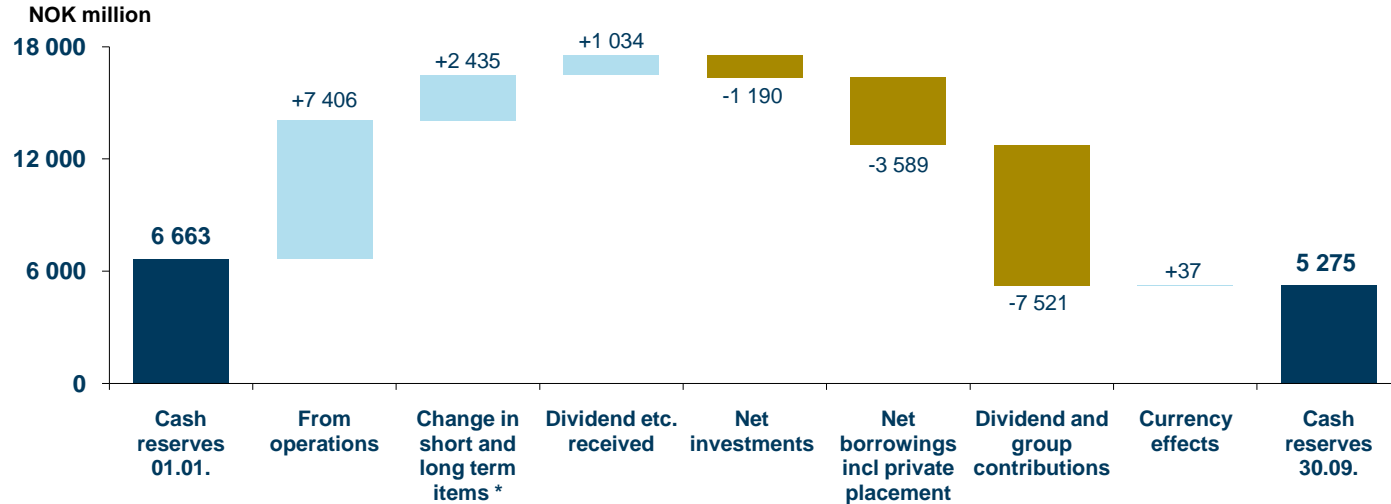
## Geography (TWh)



## Monthly power generation



# CASH FLOW 9M 2010



- > Cash flow from operations up 93% to NOKm 7 406 (3 842)
- > Gross investments of NOKm 2 596 (3 421)
  - New capacity (42%), shareholdings/loans (33%) and maintenance (25%)
  - Proceeds from sales of assets of NOKm 1 406 (mainly related to Trondheim Energi Nett)

**\* Included in short-term item changes:**

- Cash collateral: NOKm 555
- Working capital: NOKm 1 473
- Currency effects: NOKm -170

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# TREASURY POLICY

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## Centralised treasury function

- Funding, currency risk, interest rate risk, liquidity and cash management centralised on group level
- Subsidiaries are funded through equity and internal loan agreements

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## Focus on cash flow

- Focus on cash flows and economic exposure aiming at;
- Minimizing risk of financial stress
  - Reducing volatility in cash flows

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## Funding strategy

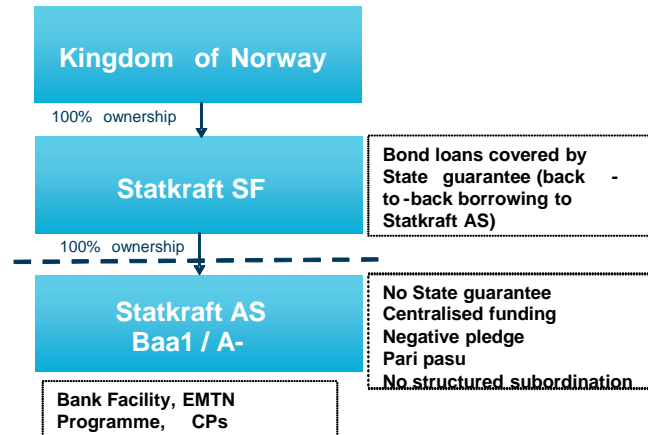
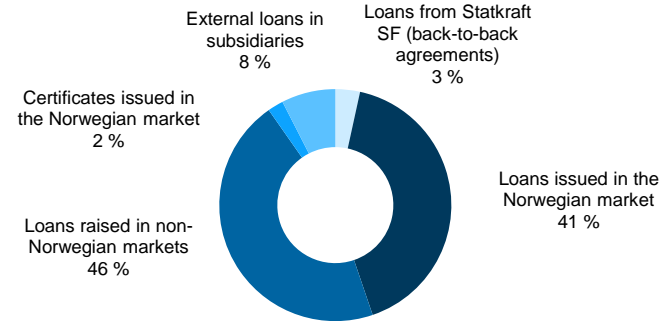
Secure financial flexibility through diversification of funding sources and maintaining sufficient back-stop facilities

# LIQUIDITY AND DEBT DISTRIBUTION

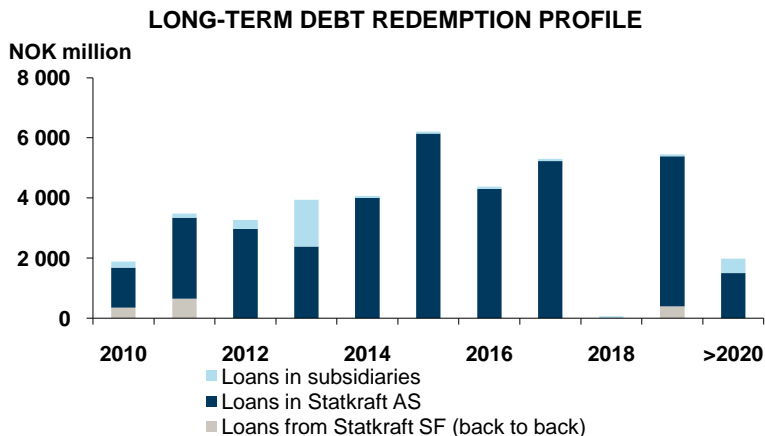
Liquidity position	
<b>NOK m</b>	<b>Q3 2010</b>
Cash and equivalents	5 275
RCF, maturing 2012 (undrawn)	5 000
RCF, maturing 2013 (undrawn)	3 000
Overdraft (undrawn)	400
<b>Total</b>	<b>13 675</b>

Liquidity capacity target<sup>1</sup>: >1.5x projected payments over next six months

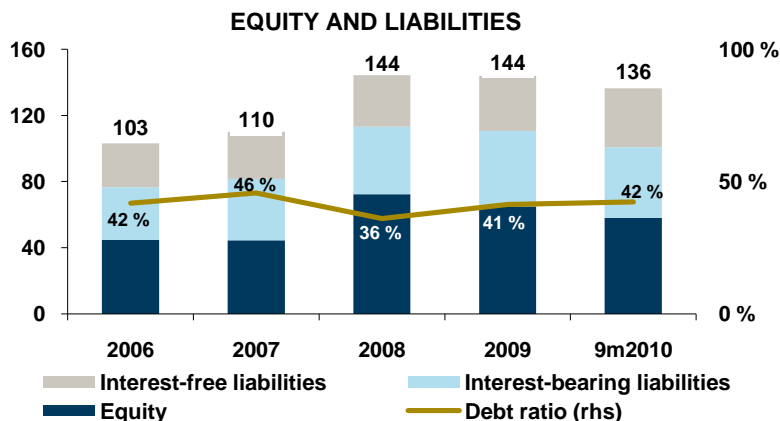
## Distribution of loans by source of financing



# LIABILITIES AND BALANCE SHEET STRUCTURE



- > Funding 9m 2010:
  - New loans NOKm 2 904
  - Repayment NOKm 6 734
- > Interest-bearing liabilities of NOK 42.6 bn. at 9m 2010
  - NOK 50%, EUR 40%, SEK 6%, USD 4%
- > Undrawn credit facilities of NOK 8 bn.
- > 64% exposed to floating interest rates



# COVENANTS AND COUNTERPARTY EXPOSURE

## Limited number of covenants

- > Change of ownership/Change of control clause
  - Undrawn revolving credit facilities of NOK 8 bn.
  - Present Euro bond issues under EMTN Programme
- > Financial indebtedness in material subsidiaries limited to 7.5 per cent of total Group assets

## Counterparty exposure

- > Interest rate and FX derivatives are subject to weekly collateral arrangements (ISDA agreements with Credit Support Annexes)
- > Excess liquidity is invested within established credit lines with high quality counterparties. The lines are approved by the CEO

# FUNDING PLAN

## Funding strategy

Financial flexibility through diversification of funding sources and maintaining sufficient back-stop facilities

## Key determinants

- > Equity
- > Retained cash flow
- > Redemption profile
- > Investment plan

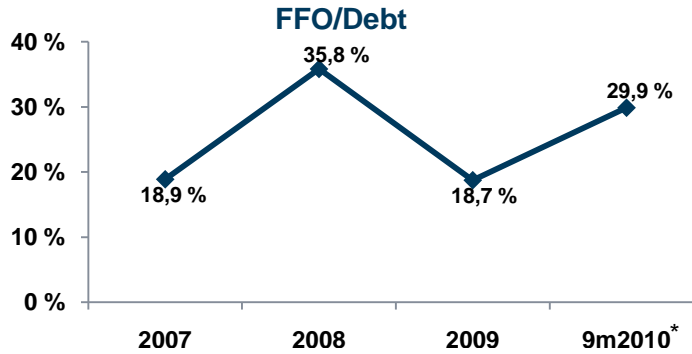
## Funding needs

- > NOK 14 bn. equity injection approved and paid-in in December 2010
- > Further funding needs in 2011 will depend on new project initiatives

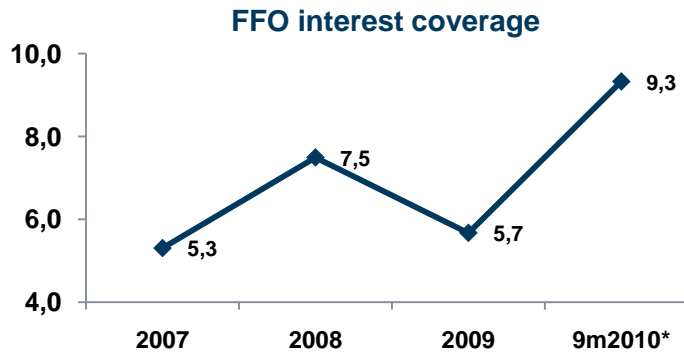
## Mixed funding sources

- > Norwegian bond and commercial paper market
- > Swedish bond market
- > Euro bond market

# FINANCIAL STRENGTH AND RATING



FFO of NOKm 12 736<sup>1</sup> (7 662)



## Current ratings



A-/Stable



Moody's Investors Service

Baa1/Stable

- > Short term target to maintain ratings of minimum BBB+/Baa1
- > Long term target to achieve single A ratings with both Moody's and S&P

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# OUTLOOK

- > Focused growth strategy within European flexible power generation, international hydropower and wind power
- > Solid support from owner to company and growth strategy proven by equity injection of NOK 14 bn.
- > High capex flexibility in order to maintain credit strength
- > Statkraft is positioned to benefit from green policy measures and European market integration
  - > Generation portfolio with high degree of CO<sub>2</sub>-free capacity and flexibility
  - > Europe's largest hydropower reservoir capacity



PURE  
ENERGY

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# UNDERLYING OPERATIONS 9M 2010

<b>NOK million</b>	<b>9m2010</b>	<b>9m 2009</b>	<b>+/-</b>
Gross operating revenues <sup>1</sup>	19 920	17 518	+14%
Adjusted EBITDA <sup>1</sup>	9 629	8 098	+19%
Adjusted EBIT <sup>1</sup>	7 720	6 177	+25%
Adjusted net profit <sup>1</sup>	4 940	4 415	+12%
Net cash flow from operating activities	10 875	10 271	+6%
Gross investments	2 596	3 421	-24%
Interest-bearing debt	42 627	45 660 <sup>2</sup>	-7%
Adjusted ROACE before tax <sup>1</sup>	18.0% <sup>3</sup>	15.2% <sup>4</sup>	+2.8

1. Adjusted for material non-recurring items and unrealised changes in value

2. As of 31 December 2009

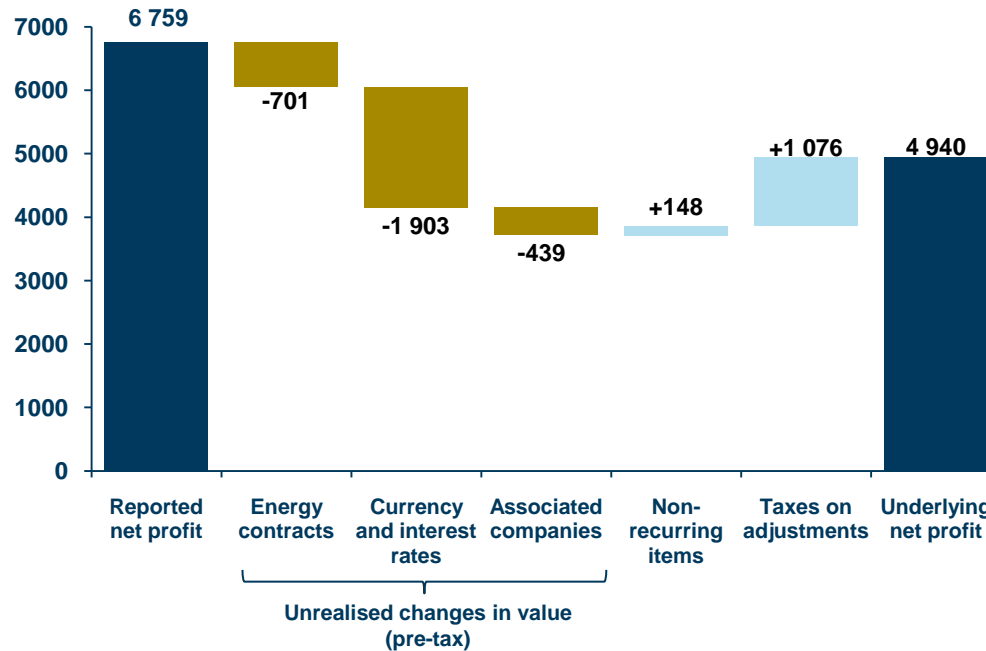
3. 12 month rolling period

4. Full-year 2009

# ADJUSTMENTS TO INCOME STATEMENT

9m 2010

NOKm



## --> Energy contracts

- Changes mainly related to stronger gas prices and USD appreciations

## --> FX and interest rate contracts

- Mainly related to EUR depreciation

## --> Non-recurring items

- Gain on sale of Trondheim Energi Nett (NOKm +393)
- Write-downs (NOKm -541)

# ACTUAL FINANCIAL STATEMENT 9M 2010

3rd Quarter 2010		2009 Figures in NOK million		Year to date		The year
				2009	2010	2009
4 114	4 410	Sales revenues		19 168	17 032	24 715
249	177	Other operating revenues		1 146	485	960
<b>4 364</b>	<b>4 588</b>	<b>Gross operating revenues</b>		<b>20 314</b>	17 518	25 675
-572	-1 116	Energy purchase		-3 797	-3 475	-4 825
-266	-284	Transmission costs		-1 086	-939	-1 054
255	-1 023	Unrealised changes in the value of energy contracts		701	-2 169	-2 813
<b>3 781</b>	<b>2 165</b>	<b>Net operating revenues</b>		<b>16 131</b>	10 934	16 983
-659	-635	Salaries and payroll costs		-1 877	-1 790	-2 517
-637	-629	Depreciation, amortisation and impairments		-2 135	-1 921	-2 743
-311	-300	Property tax and licence fees		-928	-865	-1 166
-812	-809	Other operating expenses		-2 604	-2 350	-3 530
<b>-2 418</b>	<b>-2 374</b>	<b>Operating expenses</b>		<b>-7 544</b>	-6 925	-9 956
<b>1 363</b>	<b>-209</b>	<b>Operating profit</b>		<b>8 587</b>	4 009	7 027
297	549	Share of profit from associates and joint ventures		504	1 202	1 179
-70	-95	Financial income		1 602	1 370	2 060
-379	-246	Financial expenses		-1 212	-3 074	-3 756
415	3 756	Unrealised changes in the value of currency and interest contracts		1 903	5 544	5 977
<b>-33</b>	<b>3 415</b>	<b>Net financial items</b>		<b>2 294</b>	3 840	4 281
<b>1 627</b>	<b>3 756</b>	<b>Profit before tax</b>		<b>11 385</b>	9 050	12 487
-464	-1 111	Tax expense		-4 626	-3 112	-4 771
<b>1 163</b>	<b>2 645</b>	<b>Net profit</b>		<b>6 759</b>	5 938	7 716
69	51	Of which minority interest		163	175	184
<b>1 094</b>	<b>2 594</b>	<b>Of which majority interest</b>		<b>6 596</b>	5 763	7 532

# BALANCE SHEET 9M 2010

Figures in NOK million	30.09.10	30.09.09	31.12.09
<b>ASSETS</b>			
Intangible assets	1 781	3 046	2 277
Property, plant and equipment	77 967	79 314	78 239
Investments in associates and joint ventures	16 875	14 435	16 509
Other non-current financial assets	16 102	22 402	21 939
Derivatives	4 051	3 361	3 358
<b>Non-current assets</b>	<b>116 776</b>	<b>122 558</b>	<b>122 322</b>
Inventories	999	876	1 247
Receivables	7 924	7 079	8 707
Short-term financial investments	418	409	421
Derivatives	4 906	6 483	4 645
Cash and cash equivalents	5 275	11 770	6 663
<b>Current assets</b>	<b>19 522</b>	<b>26 616</b>	<b>21 683</b>
<b>Assets</b>	<b>136 297</b>	<b>149 174</b>	<b>144 005</b>
<b>EQUITY AND LIABILITIES</b>			
Paid-in capital	31 569	31 569	31 569
Retained earnings	19 049	23 883	26 065
Minority interests	7 524	6 844	7 267
<b>Equity</b>	<b>58 142</b>	<b>62 296</b>	<b>64 901</b>
Provisions	14 056	12 315	13 653
Long-term interest-bearing liabilities	35 691	38 935	36 342
Derivatives	2 772	3 732	4 016
<b>Long-term liabilities</b>	<b>52 518</b>	<b>54 982</b>	<b>54 011</b>
Short-term interest-bearing liabilities	6 936	9 561	9 318
Taxes payable	3 496	3 703	2 372
Other interest-free liabilities	10 122	13 404	9 336
Derivatives	5 082	5 228	4 067
<b>Current liabilities</b>	<b>25 637</b>	<b>31 896</b>	<b>25 093</b>
<b>Equity and liabilities</b>	<b>136 297</b>	<b>149 174</b>	<b>144 005</b>

# CASH FLOW STATEMENT 9M 2010

Figures in NOK million	Year to date		The Year
	2010	2009	2009
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before tax	11 385	9 050	12 487
Profit/loss on sales of non-current assets	26	3	13
Depreciation, amortisation and impairments	2 135	1 921	2 743
Profit from sale of business	-393	-	-
Profit from sale of shares	-	-	-
Share of profit from associates and joint ventures	-504	-1 202	-1 179
Unrealised changes in value	-2 604	-3 375	-3 164
Taxes	-2 639	-2 555	-3 119
<b>Cash flow from operating activities</b>	<b>7 406</b>	<b>3 842</b>	<b>7 781</b>
Changes in long-term items	459	-44	-305
Changes in short-term items *	1 976	5 549	4 155
Dividend from associates	1 034	924	1 083
<b>Net cash flow from operating activities</b>	<b>10 875</b>	<b>10 271</b>	<b>12 714</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investments in property, plant and equipment - maintenance	-646	-871	-1 308
Investments in property, plant and equipment - new capacity	-1 102	-1 533	-2 447
Proceeds from sales of non-current assets	145	63	158
Capital reduction in associates and joint ventures	-	-	1 320
Sale of business, net liquidity accruing to the group	1 261	-	-
Business combinations, net liquidity accruing to the Group	-	-421	-417
Loans to third parties	-128	-138	-1 410
Repayment of loans	84	65	161
Investments in other companies	-804	-523	-735
<b>Net cash flow from investing activities</b>	<b>-1 190</b>	<b>-3 358</b>	<b>-4 678</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New debt	2 904	15 363	15 377
Repayment of debt	-6 734	-7 027	-9 378
Capital increase	-	-	-
Capital reduction	-	-	-
Dividend and Group contribution paid	-7 521	-6 245	-10 260
Share issue to minority	241	911	928
<b>Net cash flow from financing activities</b>	<b>-11 110</b>	<b>3 002</b>	<b>-3 333</b>
<b>Net change in cash and cash equivalents</b>	<b>-1 425</b>	<b>9 915</b>	<b>4 703</b>

Currency effect on cash flows	37	-354	-249
Cash and cash equivalents 01.01	6 663	2 209	2 209
Cash and cash equivalents 30.06 / 31.12	5 275	11 770	6 663
Unused committed credit lines	8 040	8 000	8 054
Unused overdraft facilities	1 569	400	731

# REVENUE BREAKDOWN

NOK million	9m2010	9m2009	Year 2009
Net physical spot sales, incl. green certificates	11 073	7 730	10 464
Concessionary sales at statutory prices	224	254	384
Sales to industry at statutory prices	1 147	1 192	1 671
Long-term commercial contracts	2 332	2 044	2 820
Nordic and Continental DAMP*	230	1 379	1 654
Trading and origination	528	586	1 616
Distribution grid	1 046	1 069	1 485
Retail sales	3 879	3 006	4 285
District heating	392	255	505
Other / eliminations	-1 683	-483	-169
<b>Sales revenues</b>	<b>19 168</b>	<b>17 032</b>	<b>24 715</b>
Other operating revenues	753	485	960
<b>Gross operating revenues</b>	<b>19 920</b>	<b>17 518</b>	<b>25 675</b>
Energy purchases	-3 797	-3 475	-4 825
Transmission costs	-1 086	-939	-1 054
<b>Net operating revenues</b>	<b>15 037</b>	<b>13 103</b>	<b>19 796</b>

\*DAMP = Dynamic Asset Management Portfolio

# SEGMENT OVERVIEW

## Generation and markets



Operation and maintenance of hydro- and gas power plants in Europe, as well as physical and financial energy trading.

## Skagerak Energi



Holding in Skagerak Energi (66.6%)

- Generation, distribution grid and district heating

## Industrial Ownership



Holdings in regional power companies

- Fjordkraft (57%), BKK (49.9%) and Agder Energi (45.5%)

Profit before financial items and tax

6 107

1 170

1 380

EBITDA

11 114

1 609

40

## Wind Power



Wind farms in operation in Norway and UK

Extensive growth ambitions in Norway, Sweden and UK

## Emerging markets



Operations outside Europe through shareholding in SN Power (60%)

Global niche player within hydropower

## Customers



District heating through Trondheim Energi (100%)

Profit before financial items and tax

-78

379

180

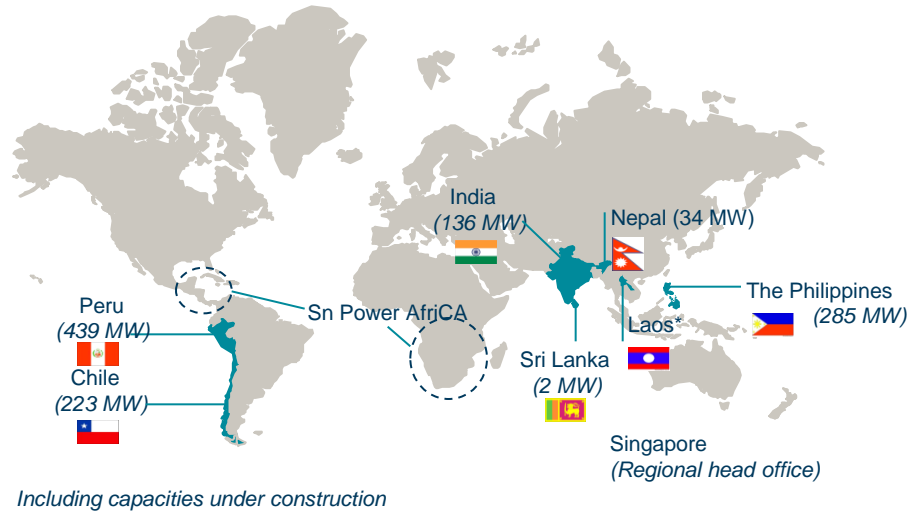
EBITDA

29

282

297

# SN POWER – GROWTH OUTSIDE EUROPE



- > Statkraft majority owner in SN Power (60%)
  - Option to further increase ownership during 2010-15
- > Objective to invest, own and operate renewable capacity in emerging markets outside Europe
- > Positioned as a global hydro niche player

- Jointly owned by Statkraft AS (60%) and Norfund (40%)
- Capacity; Installed and under development ~1,000MW

