FitchRatings

Corporates
Utilities - Non US
Norway

# Statkraft AS

The affirmation of Statkfraft AS's ratings reflects Fitch Ratings' expectation of a solid financial profile over the forecast horizon (2023-2027), despite the gradual reduction in power prices, and increase in taxes and capex. The extraordinary price environment has driven extremely positive results and a net cash position for Statkraft. We forecast funds from operations (FFO) net leverage to gradually increase over the period due to negative free cash flow (FCF), but to remain commensurate with the 'A-' rating sensitivities.

Statkraft's operations remain supported by its highly competitive Norwegian hydro power assets, which benefit from a low cost of production and a highly flexible fleet, driving healthy operating cash flows. Exposure to wholesale power prices is partly offset by the company's long-term contracts.

The Issuer Default Rating (IDR) continues to benefit from a single-notch uplift to the Standalone Credit Profile (SCP) at 'bbb+', reflecting the company's links with the Norwegian sovereign (AAA/Stable).

## Key Rating Drivers

**Declining Electricity Prices:** Fitch expects Nordic power prices to decline in 2023-2024 due to improved hydro balance, lower continental prices and softening demand. Improved reservoir levels (above the historical average in southern Norway) and lower European gas prices are driving prices down compared to 2022 (down 39% in 1H23). We forecast Nordics prices to gradually decline to about EUR45/MWh by 2025 from EUR136/MWh in 2022, with some downward risk to our assumptions.

**Normalising Generation Margins:** We expect Statkraft's EBITDA to decline due to the expected price trend to about NOK30 billion by 2025 from peak levels in 2022 and 2023 of about NOK50 billion on average, also supported by healthy hedges. We consider Statkraft's flexible hydro generation fleet as positive for its credit profile, as the fleet is located in different price areas and allows the company to manage its production profile to realise higher prices than the Nord Pool system price.

**Strong Credit Metrics:** Statkraft reached a net cash position by end-2022 and we expect FFO net leverage to remain below the negative sensitivity of 2.5x for the current rating. This is due to healthy FFO generation (despite the reduction in prices and higher tax rates), higher dividend payments and an expected capex increase (NOK18 billion annual average on 2023-2027).

We expect FFO net leverage to gradually increase to 2.2x by 2027. The higher pace of investments (including higher-than-forecast M&A) or lower-than-expected prices could result in lower leverage headroom.

**Long-Term Contracts Partially Offset Volatility:** Statkraft's exposure to spot price volatility is only partially offset by long-term contracts representing about one-third of its power generation over 2023-2027. Long-term contracts in the Nordics are signed with large industries and with small and medium-size enterprises. In addition, the international segment has secured most of the estimated generation through long-term contracts. We consider robust power purchase agreements as quasi-regulated revenues, rather than financial hedges.

**Ambitious Capex Plan:** Statkraft has an ambitious capex plan that includes significant reinvestments in its hydro fleet, and delivery of 2.5GW-3.0GW additional renewable capacity a year by 2025 and 4.0GW by 2030 (compared to 1GW we expect in 2023).

## Ratings

**Foreign Currency**

| | |
|---|---|
| Long-Term IDR | A- |
| Short-Term IDR | F2 |
| Senior Unsecured Debt - Long-Term Rating | A- |

**Outlooks**

| | |
|---|---|
| Long-Term Foreign-Currency IDR | Stable |

Click here for the full list of ratings

2035 Climate Vulnerability Signal: 17

## Applicable Criteria

Climate Vulnerability in Corporate Ratings Criteria (July 2023)

Corporate Rating Criteria (October 2022)

Corporates Recovery Ratings and Instrument Ratings Criteria (October 2023)

Government-Related Entities Rating Criteria (September 2020)

## Related Research

EMEA Utilities Outlook 2023 (November 2022)

Investment-Grade EMEA Generation Companies – Relative Credit Analysis (April 2023)

EMEA Investment-Grade Gencos to Boost Renewables (April 2023)

## Analysts

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The strategy includes the develop-sell/develop-build-sell model applied in projects in Europe and Nordics (wind and solar) and mainly the build-operate-own model in the international segment. The company has also accelerated its growth with M&A of operating projects in France, Germany and Brazil, which also offer potential for repowering and expansion.

**Investments Ramp-Up:** Statkraft's strategic plan envisages an acceleration of investments well above the average committed level of NOK10 billion a year. The company has significantly increased capex during 2023 through acquisitions. The pace and total amount of investments will depend on market developments and opportunities, retaining flexibility. We see potential delays on development activity (develop-sell/develop-build-sell), but additional M&A is a risk. We assume the company will increase investments to an average of NOK18 billion a year.

**Highly Competitive Hydro:** Statkraft's strong competitive position in the Nordic generation market remains supported by its Norwegian hydro power assets, which have significant scale at about 25% of Europe's reservoir capacity, its ability to store capacity across multiple years and low production costs.

Statkraft generated around 54TWh from hydro power in 2022, more than 90% of which is in Nordic countries, at a cash cost of around EUR10/MWh. This supports its position as one of the lowest-cost producers in Europe. Its fleet's high flexibility, which enables optimisation of power generation based on market needs, is an important strength in a scenario of increasing intermittent wind and solar power.

**State Support:** Statkraft is 100% owned by the Norwegian state, which regards its ownership as value-creating, as underlined by the requirement for Statkraft to keep its headquarters in Norway and to contribute to profitable and responsible management of Norwegian natural resources.

The state controls the company on a commercial basis under strict corporate governance rules and has supported Statkraft through direct equity injections in 2010 and 2014. We assign a single-notch uplift to Statkraft's SCP for state support under Fitch's *Government-Related Entities Rating Criteria* (GRE Criteria).

**Key Support Factors:** Under the GRE Criteria we assess status, ownership and control as 'Moderate' because the company is governed by commercial law with limited government role in day-to-day management. We assess the socio-political implications of a potential default as 'Moderate' as we expect Statkraft will continue to operate even in financial distress. Support track record and expectations are 'Strong', mainly considering past equity injections, while the financial implications of a potential default are 'Weak', as Norway is rated 'AAA'/Stable

## Financial Summary

| (NOKm) | 2020 | 2021 | 2022 | 2023F | 2024F | 2025F |
|---|---|---|---|---|---|---|
| EBITDA | 12,118 | 27,763 | 55,425 | 46,322 | 32,503 | 33,062 |
| FFO | 9,163 | 24,791 | 41,341 | 16,300 | 15,237 | 17,940 |
| FCF after acquisitions and divestitures | -4,381 | 15,212 | 21,293 | -28,369 | -13,346 | -9,135 |
| FFO net leverage (x) | 2.5 | 0.1 | -0.5 | 0.5 | 1.3 | 1.6 |
| FFO interest coverage (x) | 13.7 | 49.2 | 42.6 | 11.4 | 10.4 | 13.0 |

F — Forecast
Source: Fitch Ratings, Fitch Solutions

## Rating Derivation Relative to Peers

Statkraft (A-/Stable, SCP of 'bbb+') is well positioned relative to its Nordic peer Fortum Oyj (BBB/Stable), allowing a slightly higher debt capacity, due to its low-cost, flexible hydro-asset base and larger quasi-regulated revenues, mainly related to its long-term contracts in Norway.

Statkraft's leverage profile is less aggressive than Nordic peers' and the company benefits from stronger ties with the Norwegian government (AAA/Stable; resulting in a one-notch IDR uplift from its SCP).

RWE AG (BBB+/Stable) is one of the largest German utilities, focusing on generation from both conventional and renewable source. Statkraft benefits from a better generation mix, while RWE has a higher share of quasi-regulated earnings and no emerging-market exposure. Therefore, they have similar debt capacity.

Statkraft's SCP is in line with the rating of the global offshore wind leader Orsted A/S (BBB+/Stable). The company has lower debt capacity on a standalone basis, as Orsted's wind farm operations benefit from a quasi-regulated income stream, which is not the case for Statkraft's hydro fleet mainly exposed to market. Unlike Statkraft, Orsted is rated on a standalone due to overall weak links with its parent the Danish government (AAA/Stable).

# Navigator Peer Comparison

| Issuer | IDR/Outlook | Business profile: Operating Environment | Management and Corporate Governance | Revenues Visibility | Market Position | Asset Base and Operations | Commodity Exposure | Financial profile: Profitability | Financial Structure | Financial Flexibility |
|---|---|---|---|---|---|---|---|---|---|---|
| Statkraft AS | BBB+/Stable | aa | a- | bb | bbb | a- | bbb- | a- | bbb | a- |
| Fortum Oyj | BBB/Stable | aa- | a- | bbb- | bbb | bbb+ | bbb | bbb | bbb | bb+ |
| RWE AG | BBB+/Stable | aa | a- | bbb- | bbb+ | bbb | bbb+ | bbb- | bbb+ | a |
| ERG S.p.A. | BBB-/Stable | a- | a- | bbb | bbb | bbb+ | bbb | bbb- | bb+ | a- |

Source: Fitch Ratings.

Relative Importance of Factor: Higher / Moderate / Lower

| Name | IDR/Outlook | Business profile: Operating Environment | Management and Corporate Governance | Revenues Visibility | Market Position | Asset Base and Operations | Commodity Exposure | Financial profile: Profitability | Financial Structure | Financial Flexibility |
|---|---|---|---|---|---|---|---|---|---|---|
| Statkraft AS | BBB+/Stable | +5 | +1 | -4 | -1 | +1 | -2 | +1 | -1 | +1 |
| Fortum Oyj | BBB/Stable | +5 | +2 | -1 | 0 | +1 | 0 | 0 | 0 | -2 |
| RWE AG | BBB+/Stable | +5 | +1 | -2 | 0 | -1 | 0 | -2 | 0 | +2 |
| ERG S.p.A. | BBB-/Stable | +3 | +3 | +1 | +1 | +2 | +1 | 0 | -1 | +3 |

Source: Fitch Ratings.

Factor Score Relative to IDR: Worse positioned than IDR / Within one notch of IDR / Better positioned than IDR

## Rating Sensitivities

**Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

- Rating upside limited unless the company's business profile changes significantly including materially higher quasi-regulated earnings.
- Stronger links with the government.

**Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

- FFO adjusted net leverage rising sustainably above 2.5x, which could be due to significantly higher expansionary capex than Fitch assumptions or higher-than-expected tax rates.
- Weakening links with the Norwegian state.

## Liquidity and Debt Structure

**Strong Liquidity:** Total liquidity at end-June 2023 was over NOK53.6 billion, including NOK38.4 billion of cash and NOK15.2 billion of unused credit facilities maturing in 2027. This compared with short-term maturities of NOK6.8 billion. We forecast liquidity to be sufficient to cover NOK13.7 billion of debt maturities and operational requirements in the next 24 months. We expect the strong operating cash flow generated to be absorbed by large capex and high dividends paid, resulting in consistently negative FCF.

## ESG Considerations

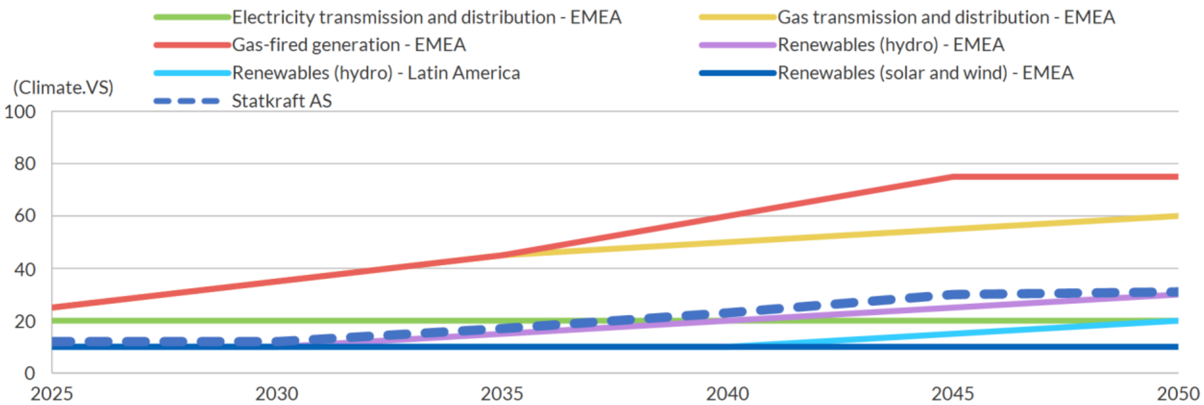
The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

## Climate Vulnerability Considerations

Fitch's *Climate Vulnerability in Corporate Ratings Criteria* report describes how we use Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). Click here for the criteria.

The FY22 revenue-weighted Climate.VS for Statkraft AS for 2035 is 17 out of 100, suggesting low exposure to climate-related risks in that year.

**Climate.VS Evolution**
As of Dec. 31, 2022




Source: Fitch Ratings

## Liquidity and Debt Maturities

### Statkraft AS – Liquidity Analysis

| (NOKm) | 2023F | 2024F | 2025F |
|---|---|---|---|
| **Available liquidity** | | | |
| Beginning cash balance | 58,570 | 23,577 | 9,260 |
| Rating case FCF after acquisitions and divestitures | -28,369 | -13,346 | -9,135 |
| Green bond issuance – June 2023 | 5,700 | | |
| **Total available liquidity (A)** | **35,901** | **10,231** | **125** |
| | | | |
| **Liquidity uses** | | | |
| Debt maturities | -12,324 | -971 | -6,320 |
| *<other uses of liquidity>* | | | |
| **Total liquidity uses (B)** | **-12,324** | **-971** | **-6,320** |
| | | | |
| **Liquidity calculation** | | | |
| Ending cash balance (A+B) | 23,577 | 9,260 | -6,195 |
| Revolver availability | 15,200 | 15,200 | 15,200 |
| **Ending liquidity** | **38,777** | **24,460** | **9,005** |
| Liquidity score (x) | 4.1 | 26.2 | 2.4 |

F – Forecast.
Source: Fitch Ratings, Fitch Solutions

| **Scheduled Debt Maturities** | **Original** |
|---|---|
| (NOKm) | **31/12/2022** |
| 2023 | 12,324 |
| 2024 | 971 |
| 2025 | 6,320 |
| 2026 | 518 |
| Thereafter | 17,475 |
| **Total** | **37,608** |

Source: Fitch Ratings, Fitch Solutions

## Key Assumptions

### Fitch's Key Assumptions within our Rating Case for the Issuer:

- Average Nord Pool prices in Norway to decline towards EUR45/MWh by 2026.
- Average net capex of about NOK18 billion a year for 2023-2027.
- Dividends in line with the company's policy to pay out 85% net profit from Norwegian hydro power business and 35% of net profit from all other business activities.
- Norwegian krone/euro exchange rate based on Fitch sovereign team's projections.

## Financial Data

| (NOKm) | 2020 | 2021 | 2022 | 2023F | 2024F | 2025F |
|---|---|---|---|---|---|---|
| **Summary income statement** | | | | | | |
| Gross revenue | 33,875 | 84,656 | 157,605 | 73,887 | 54,152 | 53,230 |
| Revenue growth (%) | -22.0 | 149.9 | 86.2 | -53.1 | -26.7 | -1.7 |
| EBITDA before income from associates | 12,118 | 27,763 | 55,425 | 46,322 | 32,503 | 33,062 |
| EBITDA margin (%) | 35.8 | 32.8 | 35.2 | 62.7 | 60.0 | 62.1 |
| EBITDA after associates and minorities | 12,497 | 28,407 | 56,579 | 47,714 | 33,518 | 34,572 |
| EBITDAR | 12,118 | 27,763 | 55,425 | 46,322 | 32,503 | 33,062 |
| EBITDAR margin (%) | 35.8 | 32.8 | 35.2 | 62.7 | 60.0 | 62.1 |
| EBIT | 6,913 | 27,309 | 50,250 | 41,933 | 27,562 | 27,734 |
| EBIT margin (%) | 20.4 | 32.3 | 31.9 | 56.8 | 50.9 | 52.1 |
| Gross interest expense | -522 | -603 | -1,018 | -1,428 | -1,526 | -1,432 |
| Pretax income including associate income/loss | 4,953 | 32,744 | 58,820 | 39,095 | 28,819 | 29,124 |
| **Summary balance sheet** | | | | | | |
| Readily available cash and equivalents | 6,391 | 36,820 | 58,570 | 20,729 | 11,521 | 5,277 |
| Debt | 30,870 | 38,789 | 37,608 | 29,328 | 32,891 | 35,714 |
| Lease-adjusted debt | 30,870 | 38,789 | 37,608 | 29,328 | 32,891 | 35,714 |
| Net debt | 24,479 | 1,969 | -20,962 | 8,600 | 21,369 | 30,437 |
| **Summary cash flow statement** | | | | | | |
| EBITDA | 12,118 | 27,763 | 55,425 | 46,322 | 32,503 | 33,062 |
| Cash interest paid | -709 | -511 | -969 | -1,428 | -1,526 | -1,432 |
| Cash tax | -8,421 | -3,042 | -14,519 | -26,060 | -17,055 | -15,892 |
| Dividends received less dividends paid to minorities (inflow/outflow) | 379 | 644 | 1,154 | 1,393 | 1,016 | 1,510 |
| Other items before FFO | 5,660 | -221 | -745 | -5,316 | -600 | 1 |
| FFO | 9,163 | 24,791 | 41,341 | 16,300 | 15,237 | 17,940 |
| FFO margin (%) | 27.0 | 29.3 | 26.2 | 22.1 | 28.1 | 33.7 |
| Change in working capital | 1,794 | 859 | -1,524 | -3,803 | -142 | -17 |
| CFO (Fitch-defined) | 10,957 | 25,650 | 39,817 | 12,497 | 15,095 | 17,924 |
| Total non-operating/nonrecurring cash flow | — | — | — | — | — | — |
| Capex | -7,537 | -7,477 | -8,041 | — | — | — |
| Capital intensity (capex/revenue) (%) | 22.2 | 8.8 | 5.1 | — | — | — |
| Common dividends | -6,500 | -3,673 | -10,214 | — | — | — |
| FCF | -3,080 | 14,500 | 21,562 | — | — | — |
| FCF margin (%) | -9.1 | 17.1 | 13.7 | — | — | — |
| Net acquisitions and divestitures | -1,301 | 712 | -269 | — | — | — |
| Other investing and financing cash flow items | -3,968 | 6,124 | 2,817 | 591 | 390 | 390 |
| Net debt proceeds | -427 | 9,093 | -2,360 | -10,063 | 3,749 | 2,500 |
| Net equity proceeds | — | — | — | — | — | — |
| Total change in cash | -8,776 | 30,429 | 21,750 | -37,841 | -9,207 | -6,245 |
| **Leverage ratios (x)** | | | | | | |
| EBITDA leverage | 2.5 | 1.4 | 0.7 | 0.6 | 1.0 | 1.0 |
| EBITDA net leverage | 2.0 | 0.1 | -0.4 | 0.2 | 0.6 | 0.9 |
| EBITDAR leverage | 2.5 | 1.4 | 0.7 | 0.6 | 1.0 | 1.0 |
| EBITDAR net leverage | 2.0 | 0.1 | -0.4 | 0.2 | 0.6 | 0.9 |
| EBITDAR net fixed-charge coverage | 21.8 | 80.5 | -2,176.1 | 1,252.8 | 53.5 | 46.7 |
| FFO adjusted leverage | 3.2 | 1.5 | 0.9 | 1.8 | 2.1 | 1.9 |
| FFO adjusted net leverage | 2.5 | 0.1 | -0.5 | 0.5 | 1.3 | 1.6 |
| FFO leverage | 3.2 | 1.5 | 0.9 | 1.8 | 2.1 | 1.9 |
| FFO net leverage | 2.5 | 0.1 | -0.5 | 0.5 | 1.3 | 1.6 |
| **Calculations for forecast publication** | | | | | | |
| Capex, dividends, acquisitions and other items before FCF | -15,338 | -10,438 | -18,524 | -40,866 | -28,442 | -27,058 |
| FCF after acquisitions and divestitures | -4,381 | 15,212 | 21,293 | -28,369 | -13,346 | -9,135 |
| FCF margin after net acquisitions (%) | -12.9 | 18.0 | 13.5 | -38.4 | -24.6 | -17.2 |

| (NOKm) | 2020 | 2021 | 2022 | 2023F | 2024F | 2025F |
|---|---|---|---|---|---|---|
| **Coverage ratios (x)** | | | | | | |
| FFO interest coverage | 13.7 | 49.2 | 42.6 | 11.4 | 10.4 | 13.0 |
| FFO fixed-charge coverage | 13.7 | 49.2 | 42.6 | 11.4 | 10.4 | 13.0 |
| EBITDAR fixed-charge coverage | 17.6 | 55.6 | 58.4 | 33.4 | 22.0 | 24.1 |
| EBITDA interest coverage | 17.6 | 55.6 | 58.4 | 33.4 | 22.0 | 24.1 |
| **Additional metrics (%)** | | | | | | |
| CFO-capex/debt | 11.1 | 46.9 | 84.5 | -48.4 | -17.5 | -1.0 |
| CFO-capex/net debt | 14.0 | 923.0 | -151.6 | -165.1 | -26.9 | -1.1 |
| CFO/capex | 145.4 | 343.1 | 495.2 | 46.8 | 72.4 | 98.1 |

CFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

**How to Interpret the Forecast Presented**

The forecast presented above is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

## Ratings Navigator


**Bar Chart Legend:**

| Vertical Bars = Range of Rating Factor | Bar Arrows = Rating Factor Outlook |
|---|---|
| Bar Colors = Relative Importance | ⇧ Positive |
| Higher Importance | ⇩ Negative |
| Average Importance | ⇳ Evolving |
| Lower Importance | □ Stable |

FitchRatings

# Statkraft AS

**Corporates Ratings Navigator**
**Global Electricity Generation**

### Operating Environment

| | | | |
|---|---|---|---|
| aa+ | Economic Environment | aa | Very strong combination of countries w here economic value is created and w here assets are located. |
| aa | Financial Access | aa | Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market. |
| | Systemic Governance | aa | Systemic governance (eg rule of law , corruption; government effectiveness) of the issuer's country of incorporation consistent w ith 'aa'. |
| b- | | | |
| ccc+ | | | |

### Management and Corporate Governance

| | | | |
|---|---|---|---|
| a+ | Management Strategy | bbb | Strategy may include opportunistic elements but soundly implemented. |
| a | Governance Structure | a | Experienced board exercising effective check and balances. Ow nership can be concentrated among several shareholders. |
| a- | Group Structure | a | Group structure show s some complexity but mitigated by transparent reporting. |
| bbb+ | Financial Transparency | bbb | Good quality reporting w ithout significant failing. Consistent w ith the average of listed companies in major exchanges. |
| bbb | | | |

### Revenues Visibility

| | | | |
|---|---|---|---|
| bbb- | Contracted Position | b | Merchant contractual position w ith low likelihood of entering into long-term PPAs or getting incentives. More than 50% merchant position or materially over-contracted. |
| bb+ | Contract Renewal Risk | bbb | Likely re-contracting prospects w ith similar to potentially moderately w orse contractual terms. |
| bb | System / Capacity Payments | bbb | Less transparent or shorter duration market pricing structures w ith some risk of political interference proving medium term price visibility for pow er generators. |
| bb- | Degree of Supply Integration | b | Minimal supply integration. Significant long or short generation position. |
| b+ | Resource Predictability | bb | Somew hat volatile capacity factor. |

### Market Position

| | | | |
|---|---|---|---|
| a- | Supply/Demand Dynamics | bb | Low er certainty outlook for prices. Potential price volatility from bulky capacity/demand expansion in system. |
| bbb+ | Competitive Position | a | Low est cost, highly dispatched, reliable fleet of generating assets. |
| bbb | Relative Size and Scale | a | Large scale operations w ith diverse generation asset base or company supplies more than 50% of electricity to the systems w here it operates or strong competitive position in a localized market |
| bbb- | | | |
| bb+ | | | |

### Asset Base and Operations

| | | | |
|---|---|---|---|
| a+ | Asset Quality and Diversity | a | High-quality assets w ith large diversification by geography and/or generation source. |
| a | Exposure to Environmental Regulations | a | No exposure to environmental regulations. Energy generation mostly from clean sources and low carbon exposure. |
| a- | Capital and Technological Intensity of Capex | a | Low levels of reinvestment requirements. |
| bbb+ | | | |
| bbb | | | |

### Commodity Exposure

| | | | |
|---|---|---|---|
| bbb+ | Counterparty Risk | bbb | Diversified, medium counterparty risk or w eighted average credit quality of actual and potential off-takers is in line w ith 'BBB' rating. Single 'BBB' rated off-taker under w ell-structured PPA. |
| bbb | Costs Pass-Through and Supply Mix | bbb | Limited exposure to changes in commodity costs w ith ability to pass cost changes to end users. Low variable costs and moderate flexibility/certain of supply. |
| bbb- | Hedging Strategy | bb | Minimal portfolio/cash flow smoothing effects from contractual hedge. |
| bb+ | | | |
| bb | | | |

### Profitability

| | | | |
|---|---|---|---|
| a | Free Cash Flow | bbb | Structurally neutral to slightly negative FCF across the investment cycle. |
| a- | Cash Flow Predictability | bb | Low er stability and predictability of cash flow relative to peers. |
| bbb+ | | | |
| bbb | | | |
| bbb- | | | |

### Financial Structure

| | | | |
|---|---|---|---|
| a+ | EBITDA Leverage | a | <1.8x |
| a | FFO Leverage | a | <2.0x |
| a- | FFO Net Leverage | a | <1.0x |
| bbb+ | | | |
| bbb | | | |

### Financial Flexibility

| | | | |
|---|---|---|---|
| a+ | Financial Discipline | a | Clear commitment to maintain a conservative policy w ith only modest deviations allow ed. |
| a | Liquidity | a | Very comfortable liquidity. No need to use external funding, except for already committed facilities, in the next 12 months even under a severe stress scenario. Well-spread debt maturity schedule. Diversified sources of funding |
| a- | FFO Interest Coverage | a | 5.5x |
| bbb+ | DSCR | | n.a. |
| bbb | FX Exposure | bbb | Some FX exposure on profitability and/or debt/cash flow match. Effective hedging in place. |

**How to Read This Page:** The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

### Credit-Relevant ESG Derivation

Statkraft AS has 13 ESG potential rating drivers

- Emissions from operations
- Fuel use to generate energy and serve load
- Water used by hydro plants or by other generation plants, also effluent management
- Impact of waste from operations
- Plants' and networks' exposure to extreme weather
- Product affordability and access

Show ing top 6 issues

| | | | Overall ESG |
|---|---|---|---|
| key driver | 0 | issues | 5 |
| driver | 0 | issues | 4 |
| potential driver | 13 | issues | 3 |
| not a rating driver | 1 | issues | 2 |
| | 0 | issues | 1 |

For further details on Credit-Relevant ESG scoring, see page 3.

FitchRatings

# Statkraft AS

**Corporates Ratings Navigator**
**Global Electricity Generation**

## Credit-Relevant ESG Derivation

Statkraft AS has 13 ESG potential rating drivers

- Statkraft AS has exposure to emissions regulatory risk but this has very low impact on the rating.
- Statkraft AS has exposure to energy productivity risk but this has very low impact on the rating.
- Statkraft AS has exposure to water management risk but this has very low impact on the rating.
- Statkraft AS has exposure to waste & impact management risk but this has very low impact on the rating.
- Statkraft AS has exposure to extreme weather events but this has very low impact on the rating.
- Statkraft AS has exposure to access/affordability risk but this has very low impact on the rating.

Showing top 6 issues

| | | | ESG Relevance to Credit Rating |
|---|---|---|---|
| key driver | 0 | issues | 5 |
| driver | 0 | issues | 4 |
| potential driver | 13 | issues | 3 |
| not a rating driver | 1 | issues | 2 |
| | 0 | issues | 1 |

## Environmental (E) Relevance Scores

| General Issues | E Score | Sector-Specific Issues | Reference | E Relevance |
|---|---|---|---|---|
| GHG Emissions & Air Quality | 3 | Emissions from operations | Asset Base and Operations | 5 |
| Energy Management | 3 | Fuel use to generate energy and serve load | Asset Base and Operations; Counterparty and Commodity Exposure; Profitability | 4 |
| Water & Wastewater Management | 3 | Water used by hydro plants or by other generation plants, also effluent management | Asset Base and Operations; Profitability | 3 |
| Waste & Hazardous Materials Management; Ecological Impacts | 3 | Impact of waste from operations | Asset Base and Operations; Profitability | 2 |
| Exposure to Environmental Impacts | 3 | Plants' and networks' exposure to extreme weather | Asset Base and Operations; Profitability | 1 |

**How to Read This Page**
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.
**The Environmental (E), Social (S) and Governance (G) tables** break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.
**The Credit-Relevant ESG Derivation** table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact.
**Classification** of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

## Social (S) Relevance Scores

| General Issues | S Score | Sector-Specific Issues | Reference | S Relevance |
|---|---|---|---|---|
| Human Rights, Community Relations, Access & Affordability | 3 | Product affordability and access | Asset Base and Operations; Revenues Predictability; Profitability | 5 |
| Customer Welfare - Fair Messaging, Privacy & Data Security | 3 | Quality and safety of products and services; data security | Asset Base and Operations | 4 |
| Labor Relations & Practices | 3 | Impact of labor negotiations and employee (dis)satisfaction | Asset Base and Operations; Profitability | 3 |
| Employee Wellbeing | 2 | Worker safety and accident prevention | Asset Base and Operations | 2 |
| Exposure to Social Impacts | 3 | Social resistance to major projects that leads to delays and cost increases | Asset Base and Operations; Revenues Predictability; Profitability; Financial Structure | 1 |

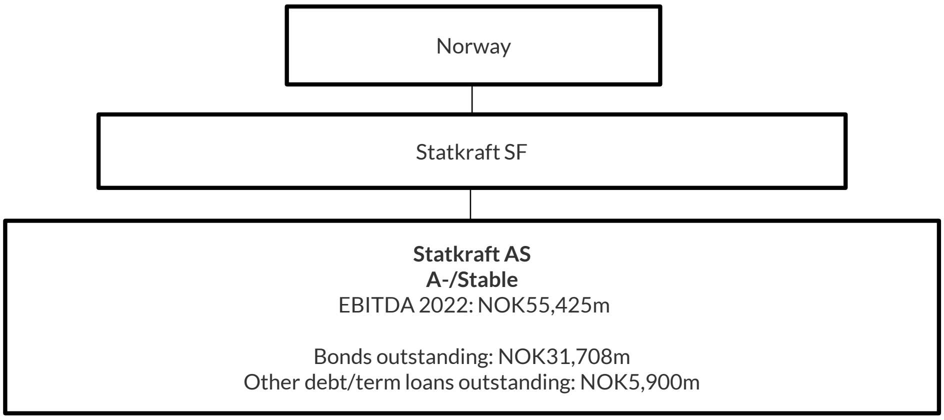
## Governance (G) Relevance Scores

| General Issues | G Score | Sector-Specific Issues | Reference | G Relevance |
|---|---|---|---|---|
| Management Strategy | 3 | Strategy development and implementation | Management and Corporate Governance; Financial Structure | 5 |
| Governance Structure | 3 | Board independence and effectiveness; ownership concentration | Management and Corporate Governance | 4 |
| Group Structure | 3 | Complexity, transparency and related-party transactions | Management and Corporate Governance; Counterparty and Commodity Exposure | 3 |
| Financial Transparency | 3 | Quality and timing of financial disclosure | Management and Corporate Governance | 2 |
| | | | | 1 |

**CREDIT-RELEVANT ESG SCALE**
**How relevant are E, S and G issues to the overall credit rating?**

| | |
|---|---|
| 5 | Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator. |
| 4 | Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator. |
| 3 | Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator. |
| 2 | Irrelevant to the entity rating but relevant to the sector. |
| 1 | Irrelevant to the entity rating and irrelevant to the sector. |

## Simplified Group Structure Diagram




Source: Fitch Ratings, Fitch Solutions, Statkraft, as of December 2022.

## Peer Financial Summary

| Company | Issuer Default Rating | Financial statement date | EBITDA (EURm) | FFO (EURm) | FCF after acquisitions and divestitures (EURm) | FFO net leverage (x) | FFO interest coverage (x) |
|---|---|---|---|---|---|---|---|
| Statkraft AS | A- | | | | | | |
| | A- | 2022 | 5,285 | 3,942 | 2,030 | -0.5 | 42.6 |
| | BBB+ | 2021 | 2,773 | 2,476 | 1,519 | 0.1 | 49.2 |
| | BBB+ | 2020 | 1,141 | 862 | -412 | 2.5 | 13.7 |
| Fortum Oyj | BBB | | | | | | |
| | BBB | 2022 | 2,004 | 1,875 | 543 | 1.7 | 10.0 |
| | BBB | 2021 | 4,501 | 3,012 | -1,239 | 2.6 | 18.3 |
| | BBB | 2020 | 2,538 | 2,134 | -348 | 2.7 | 11.5 |
| ERG S.p.A. | BBB- | | | | | | |
| | BBB- | 2022 | 502 | 405 | 744 | 3.5 | 14.9 |
| | BBB- | 2021 | 581 | 495 | -284 | 4.1 | 16.3 |
| | BBB- | 2020 | 481 | 392 | 160 | 3.1 | 8.5 |
| Orsted A/S | BBB+ | | | | | | |
| | BBB+ | 2022 | 2,681 | 2,224 | -1,029 | 1.8 | 5.8 |
| | BBB+ | 2021 | 2,079 | 1,240 | -1,311 | 3.0 | 4.6 |
| | BBB+ | 2020 | 2,011 | 1,627 | 360 | 1.3 | 5.7 |
| RWE AG | BBB+ | | | | | | |
| | BBB+ | 2022 | 5,899 | 7,408 | -2,983 | -0.5 | 10.1 |
| | BBB+ | 2021 | 3,444 | 4,249 | 3,668 | -0.6 | 14.4 |
| | BBB | 2020 | 3,105 | 3,102 | 565 | -1.9 | 11.8 |

Source: Fitch Ratings, Fitch Solutions

## Fitch Adjusted Financials

| (NOKm as of 31 December 2022) | Notes and formulas | Standardised values | Lease treatment | Other adjustments | Adjusted values |
|---|---|---|---|---|---|
| **Income statement summary** | | | | | |
| Revenue | | 157,605 | — | — | 157,605 |
| EBITDAR | (a) = (c-b) | 57,743 | -451 | -1,867 | 55,425 |
| Lease expense for capitalised leased assets | (b) | — | — | — | — |
| EBITDA | (c) | 57,743 | -451 | -1,867 | 55,425 |
| Depreciation and amortization | | -5,565 | 390 | — | -5,175 |
| EBIT | | 52,178 | -61 | -1,867 | 50,250 |
| **Balance sheet summary** | | | | | |
| Debt | (d) | 43,135 | -2,032 | -3,495 | 37,608 |
| Of which other off-balance-sheet debt | | — | — | — | — |
| Lease-equivalent debt | (e) | — | — | — | — |
| Lease-adjusted debt | (f) = (d+e) | 43,135 | -2,032 | -3,495 | 37,608 |
| Readily available cash and equivalents | (g) | 58,570 | — | — | 58,570 |
| Not readily available cash and equivalents | | 332 | — | — | 332 |
| **Cash flow summary** | | | | | |
| EBITDA | (c) | 57,743 | -451 | -1,867 | 55,425 |
| Dividends received from associates less dividends paid to minorities | (h) | 1,154 | — | — | 1,154 |
| Interest paid | (i) | -1,030 | 61 | — | -969 |
| Interest received | (j) | 995 | — | — | 995 |
| Preferred dividends paid | (k) | — | — | — | — |
| Cash tax paid | | -14,519 | — | — | -14,519 |
| Other items before FFO | | -2,612 | — | 1,867 | -745 |
| FFO | (l) | 41,731 | -390 | — | 41,341 |
| Change in working capital | | -1,524 | — | — | -1,524 |
| CFO | (m) | 40,207 | -390 | — | 39,817 |
| Non-operating/nonrecurring cash flow | | — | — | — | — |
| Capex | (n) | -8,041 | — | — | -8,041 |
| Common dividends paid | | -10,214 | — | — | -10,214 |
| FCF | | 21,952 | -390 | — | 21,562 |
| **Gross leverage (x)** | | | | | |
| EBITDA leverage | d / (c+h) | 0.7 | — | — | 0.7 |
| EBITDAR leverage | f / (a+h) | 0.7 | — | — | 0.7 |
| FFO leverage | d / (l-i-j-k) | 1.0 | — | — | 0.9 |
| FFO adjusted leverage | f / (l-i-j-k-b) | 1.0 | — | — | 0.9 |
| (CFO-capex)/debt (%) | (m+n) / d | 74.6 | — | — | 84.5 |
| **Net leverage (x)** | | | | | |
| EBITDA net leverage | (d-g) / (c+h) | -0.3 | — | — | -0.4 |
| EBITDAR net leverage | (f-g) / (a+h) | -0.3 | — | — | -0.4 |
| FFO net leverage | (d-g) / (l-i-j-k) | -0.4 | — | — | -0.5 |
| FFO adjusted net leverage | (f-g) / (l-i-j-k-b) | -0.4 | — | — | -0.5 |
| (CFO-capex)/net debt (%) | (m+n) / (d-g) | -208.4 | — | — | -151.6 |
| **Coverage (x)** | | | | | |
| EBITDA interest coverage | (c+h) / (-i) | 57.2 | — | — | 58.4 |
| EBITDAR fixed-charge coverage | (a+h) / (-i-b) | 57.2 | — | — | 58.4 |
| FFO interest coverage | (l-i-j-k) / (-i-k) | 40.6 | — | — | 42.6 |
| FFO fixed-charge coverage | (l-i-j-k-b)/(-i-k-b) | 40.6 | — | — | 42.6 |

CFO - Cash flow from operations
Notes: The standardised items presented above are based on Fitch's taxonomy for the given sector and region. Reported items may not match the Fitch taxonomy, but they are captured into corresponding lines accordingly.
Debt includes other off-balance-sheet debt.
Source: Fitch Ratings, Fitch Solutions, Statkraft AS

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