

# FINANCIAL RESULTS Q2 AND HALF YEAR 2010

CEO CHRISTIAN RYNNING-TØNNESEN  
CFO STEIN DALE

19 AUGUST 2010



**Statkraft**  
PURE ENERGY

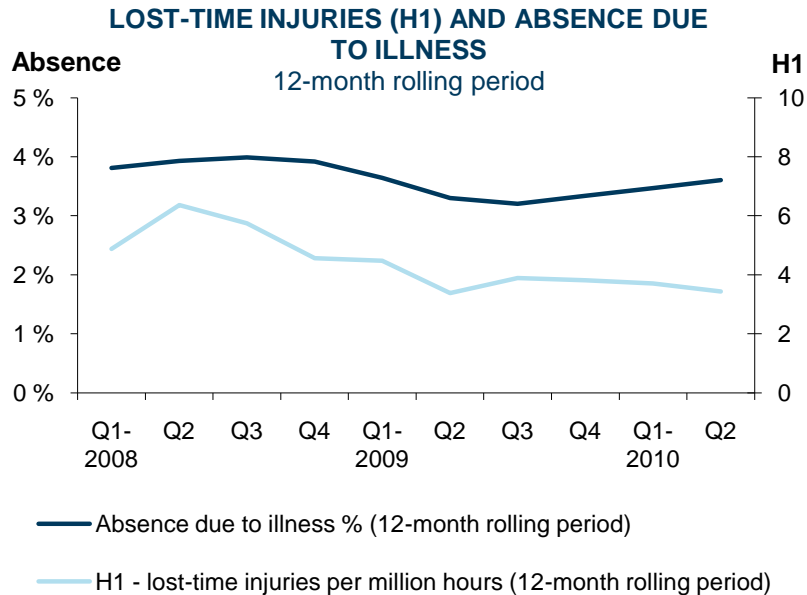
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# HIGHLIGHTS

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- > **Strong half year earnings**
  - All-time high Q1 earnings following high power prices and good energy management
  - Reduced Q2 earnings due to lower power prices, hydropower generation and gas power spark-spreads
  
- > **Revised strategy and changes in corporate management team**
  
- > **New industrial power contracts signed in Norway**
  - Contract with Elkem – 1.5 TWh/year 2011-2020 (transferred from Norske Skog)
  - Energy service management agreement with Celsa Armeringsstål
  - Currently 23 industrial plants in energy service management portfolio
  
- > **First Turkish hydropower plant (Cakit) in operation**

# 1H 2010 HEALTH, SAFETY AND ENVIRONMENT



## HEALTH AND SAFETY

- > Two fatalities in associated activities
  - > Sub-contractor employee at the Allain Duhangan construction site<sup>1</sup> (India) killed by fall from a mast
    - > Expanded safety training for work at heights, and regular safety meetings
  - > Child drowned at outlet connected to Theun Hinboun power station<sup>2</sup> (Laos)
    - > Enhanced security of area and communication with local community
- > H1-value: 3.0 (3.8)
  - > Total of 11 lost-time injuries
- > Illness absence: 3.4% (2.9%)

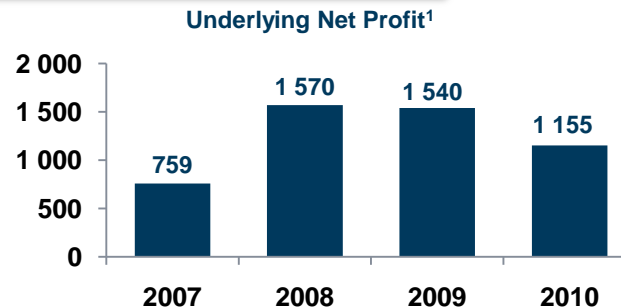
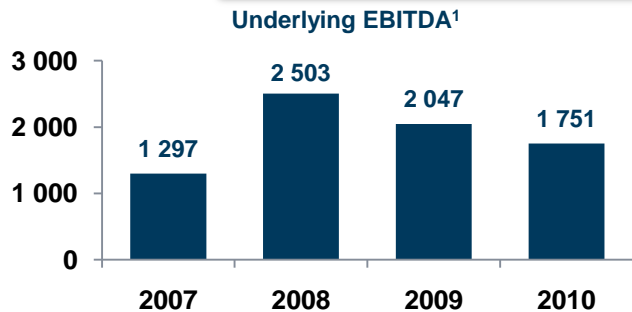
## ENVIRONMENT

- > No environmental non-compliances during 1H 2010

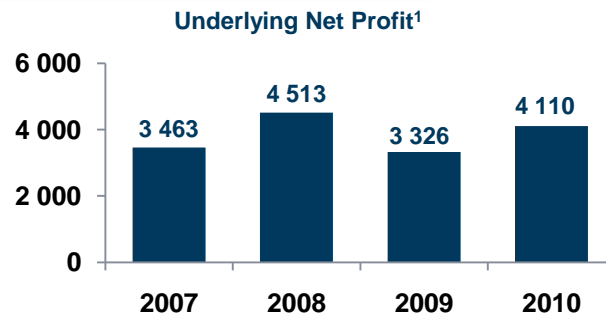
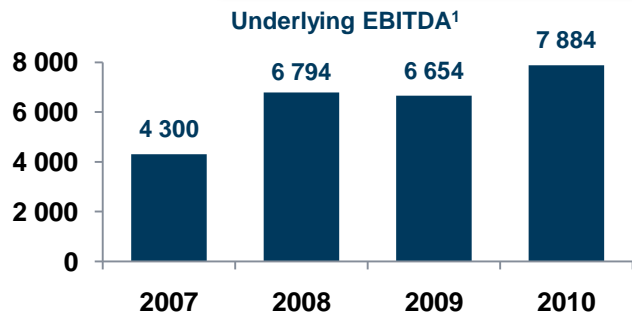
1: 43% owned by SN Power  
2: 20% owned by Statkraft SF

# FINANCIAL HIGHLIGHTS

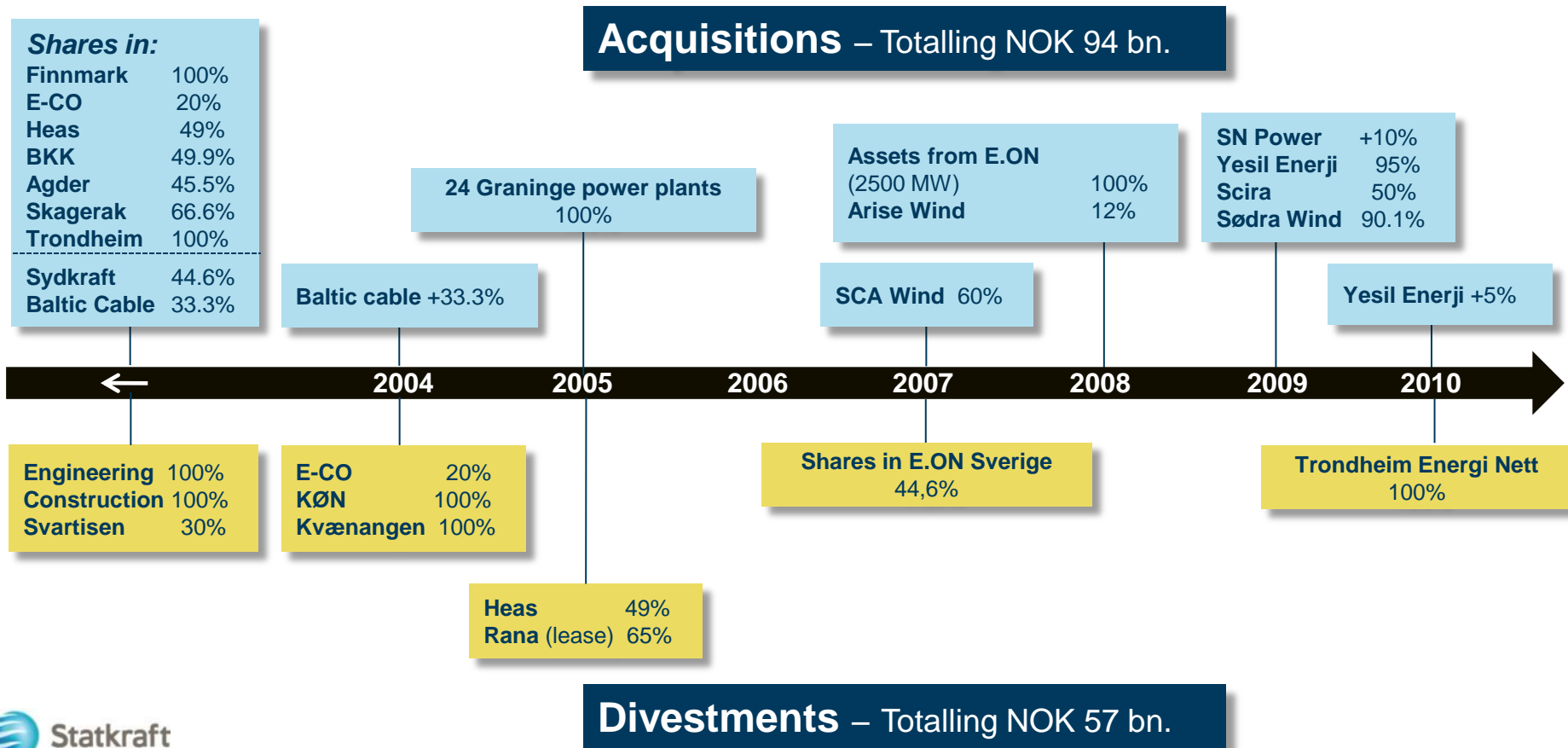
## SECOND QUARTER



## FIRST HALF

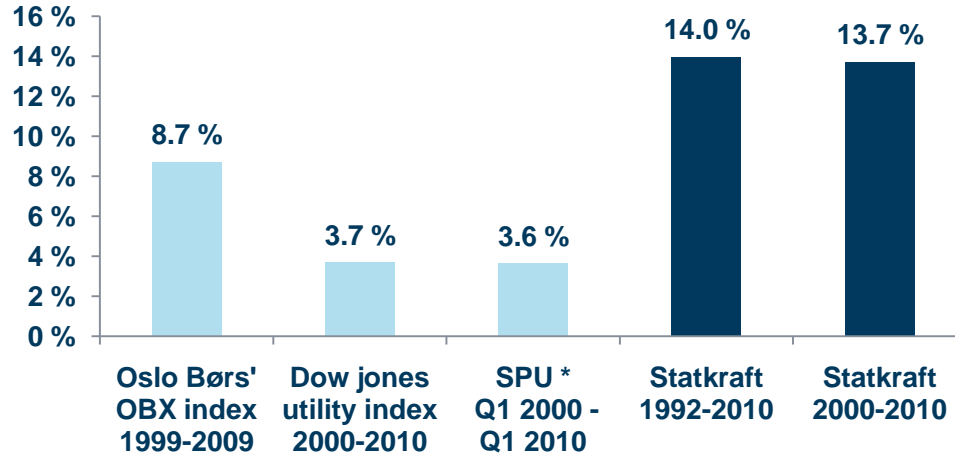


# STATKRAFT TRANSACTIONS 1992-2010



# STATKRAFT – FINANCIAL TRACK RECORD

## Average annual return (IRR)



## Increased internationalization

- > 37% of total asset outside Norway by end 2009
- > 29% of 2009 net profit outside Norway
- > More than 50% of net profit outside Norway last five years, incl. value added from transactions

- > Calculations re Statkraft are based on external valuations commissioned by the owner
  - Equity value in 1992: NOK 12.4 bn (opening balance)
  - Equity value in 2000: NOK 45-50 bn (Ernst & Young). NOK 47.5 bn used in present calculations.
  - Equity value in 2010: A conservative 2010-projection is assumed (NOK125 bn).
- > Comparables are based on public reports from the respective entity covering the last 10 years. The rates of return are adjusted for distributed dividend.

# REVISED STRATEGY



## Flexible generation and energy markets

- Hydropower and gas-fired power in North West Europe (incl. France), 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

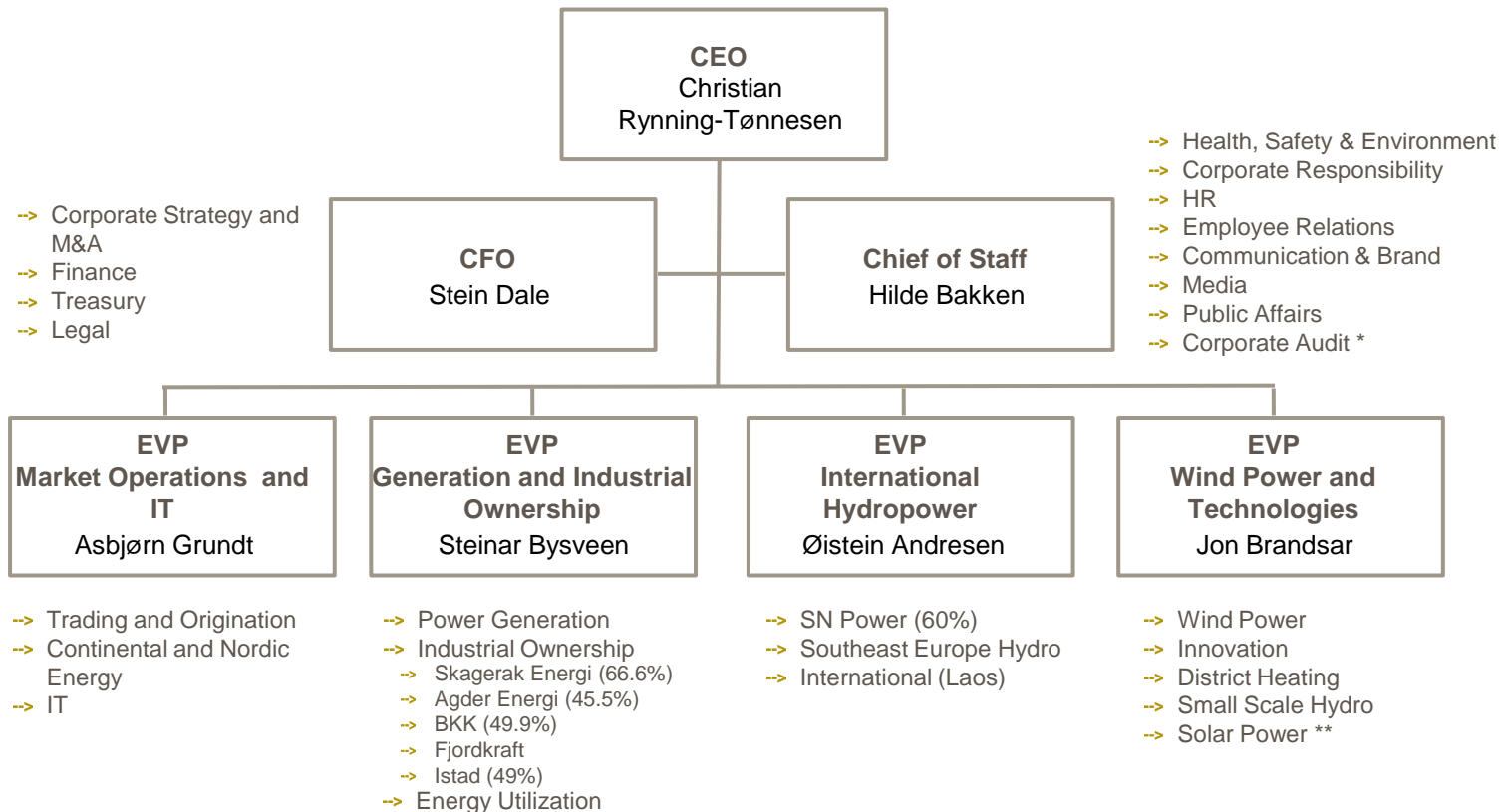


## District heating



## Regional companies

# NEW CORPORATE MANAGEMENT TEAM



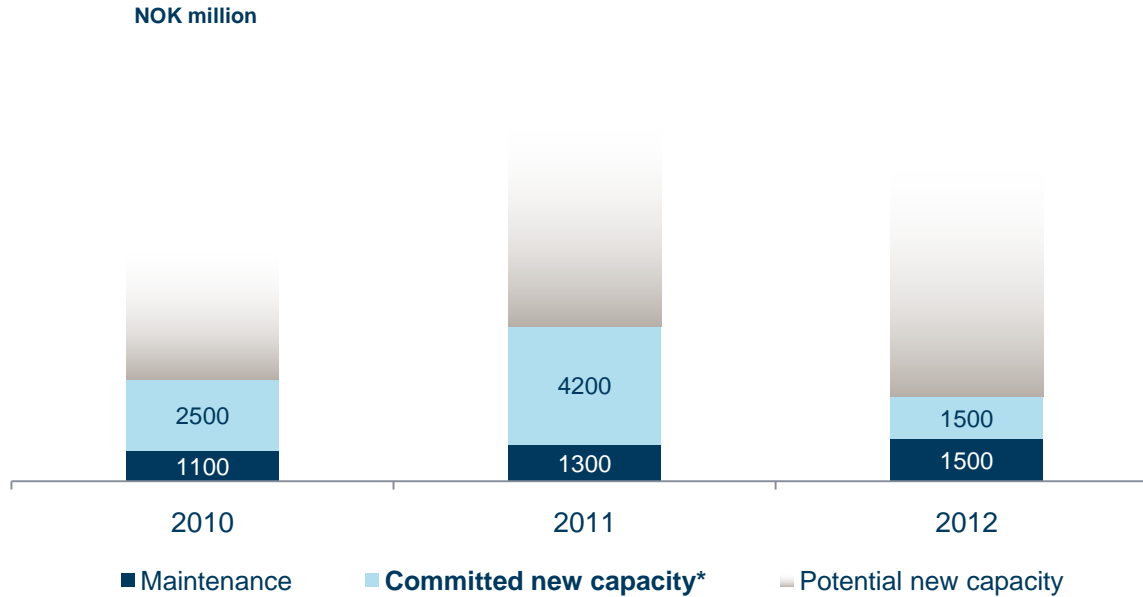


# MAIN PROJECTS UNDER CONSTRUCTION



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	
Flexible generation	Svartisen		NORWAY	NOK 80	NOK 380	250 MW	70%	2010
	Eiriksdal and Makkoren		NORWAY	NOK 700	NOK 750	84 MW	100%	2013
	Nedre Røssåga		NORWAY	NOK 385	NOK 400	-	100%	2018
International Hydropower (SN Power)	Allain Duhangan		INDIA	USD 10	USD 475	192 MW	43% <sup>3</sup>	2011
	Ambuklao & Binga		PHIL.	USD 110	USD 300	105 MW	50% <sup>3</sup>	2011
	La Higuera		CHILE	USD 2	USD 400	155 MW	45% <sup>3</sup>	2010
	La Confluencia		CHILE	USD 115	USD 475	158 MW	50% <sup>3</sup>	2010/11
Wind power	Sheringham Shoal		UK	GBP 300	GBP 500	315 MW	50%	2012
<b>Total</b> (projects above NOKm 80)				NOK 6 500	NOK 18 000	1 200 MW		

# COMMITTED CAPEX 2010-2012



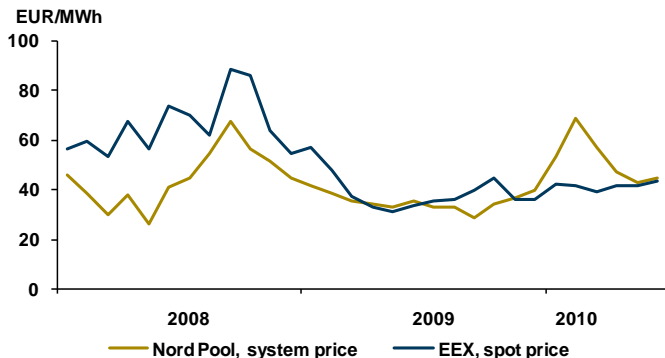
# FINANCIAL REVIEW



**Statkraft**  
PURE ENERGY

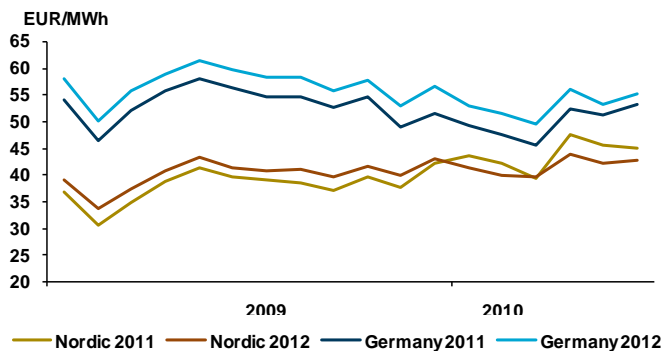
# ELECTRICITY MARKET

ELECTRICITY, AVERAGE MONTHLY PRICE

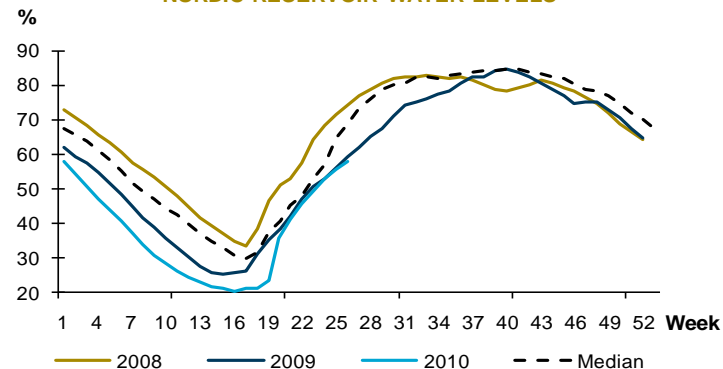


- > Average Nord Pool system price of 52.3 EUR/MWh (36.1)
- > Average EEX spot price of 41.5 EUR/MWh (39.9)
- > Forward prices reduced during Q1, partly recovered in Q2
- > Nordic reservoir levels 15.7% below of normal levels at the end of the period

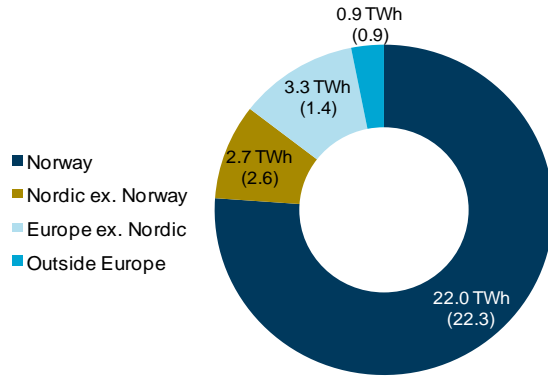
ELECTRICITY, FORWARD PRICE



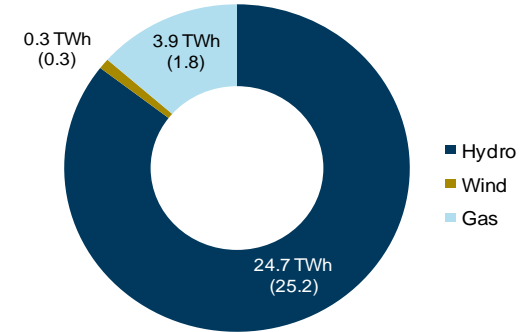
NORDIC RESERVOIR WATER LEVELS



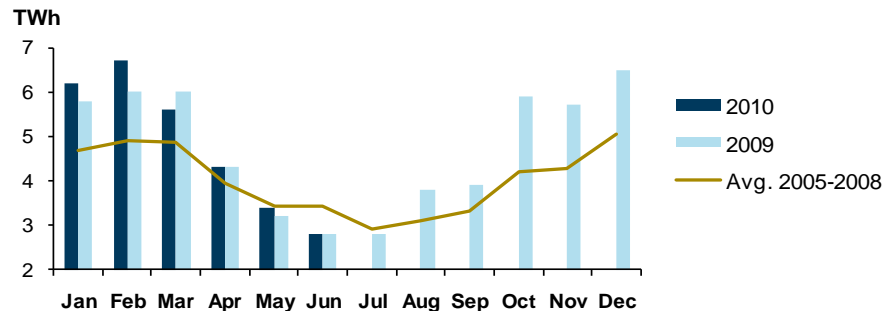
# STATKRAFT'S POWER GENERATION



**Total generation  
29.0 TWh (27.3)**



## Monthly power generation



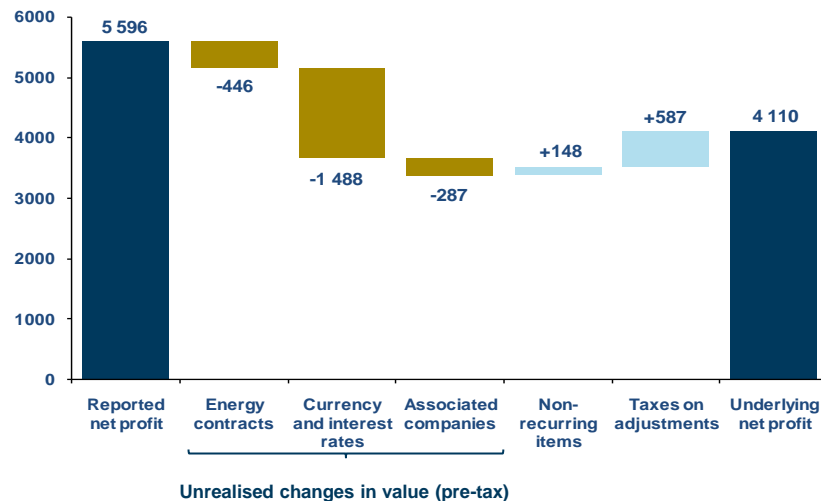
- > All-time high generation in January and February
- > Reduced power generation in Q2 due to higher temperatures, lower price levels and inflow below normal
- > Full year power generation expected to be lower than in 2009 due to a hydro resource situation below normal

# INCOME STATEMENT - ACTUAL

2nd quarter		NOK million	6m2010	6m2009	Year 2009
2010	2009				
5 443	4 898	<b>Gross operating revenues</b>	15 950	12 929	25 675
-1 572	-1 216	Energy purchase and transmission costs	-4 045	-3 015	-5 879
657	-633	Unrealised changes in value energy contracts	446	-1 146	-2 813
4 528	3 049	<b>Net operating revenues</b>	12 350	8 769	16 983
-1 727	-1 634	Operating expenses before depreciation	-3 628	-3 261	-7 214
2 801	1 415	<b>EBITDA</b>	8 723	5 509	9 769
-858	-628	Depreciations and write-downs	-1 498	-1 291	-2 743
1 943	787	<b>Operating profit (EBIT)</b>	7 225	4 217	7 027
-436	383	<b>Share of profit from associates and joint ventures</b>	207	652	1 179
1 196	-835	Net financial expenses	839	-1 363	-1 782
-436	611	Unrealised changes in financial items	1 488	1 788	5 977
760	-224	<b>Net financial items</b>	2 327	424	4 281
2 267	946	<b>Profit before tax</b>	9 759	5 294	12 487
-1 203	-376	Taxes	-4 163	-2 001	-4 771
1 064	570	<b>Net profit</b>	5 596	3 293	7 716

# ADJUSTMENTS TO INCOME STATEMENT

NOK million



## --> Energy contracts

- Changes are related to changes in commodity prices, currencies and indices linked to contracts and energy derivatives

## --> FX and interest rate contracts

- Agio on EUR and SEK debt (NOKm +59)
- Agio on currency derivatives (NOKm+ 542)
- Disagio on interest and inflation derivatives (NOKm 16)
- Agio on internal debt (NOKm +2161)
- Disagio on E.ON shareholding (NOKm -790)
- Other financial instruments (NOKm -500)

## --> Non-recurring items

- Gain on sale of Trondheim Energi Nett (NOKm +393)
- Write-down Emden IV (NOKm -199)
- Write-down SN Power assets (NOKm -341)

# UNDERLYING OPERATIONS

<b>NOK million</b>	<b>6m2010</b>	<b>6m 2009</b>	<b>+/-</b>
Gross operating revenues <sup>1</sup>	15 557	12 929	+20%
Adjusted EBITDA <sup>1</sup>	7 884	6 654	+18%
Adjusted EBIT <sup>1</sup>	6 612	5 363	+23%
Adjusted net profit <sup>1</sup>	4 110	3 326	+24%
Cash flow from operating activities	6 138	3 336	+84%
Gross investments	1 189	2 903	-71%
Interest-bearing debt	42 174	45 660 <sup>2</sup>	-9%
Adjusted ROACE before tax <sup>1</sup>	17.5% <sup>3</sup>	15.2% <sup>4</sup>	+2.3

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



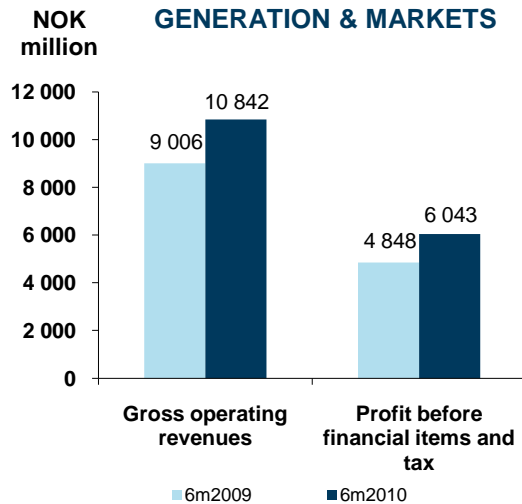
# REVENUE BREAKDOWN

NOK million	6m2010	6m2009	Year 2009
Net physical spot sales, incl. green certificates	8 572	6 043	10 464
Concessionary sales at statutory prices	188	208	384
Sales to industry at statutory prices	751	766	1 671
Long-term commercial contracts	1 354	1 195	2 820
Dynamic hedging	112	1 043	1 654
Trading and origination	485	386	1 618
Distribution grid	869	803	1 485
Retail sales	3 065	2 357	4 285
District heating	239	202	505
Other / eliminations	-581	-381	-169
<b>Sales revenues</b>	<b>15 054</b>	12 622	24 715
Other operating revenues	503	308	960
<b>Gross operating revenues</b>	<b>15 557</b>	12 929	25 675
Energy purchases	-3 225	-2 360	-4 825
Transmission costs	-820	-655	-1 054
<b>Net operating revenues</b>	<b>11 511</b>	9 915	19 796

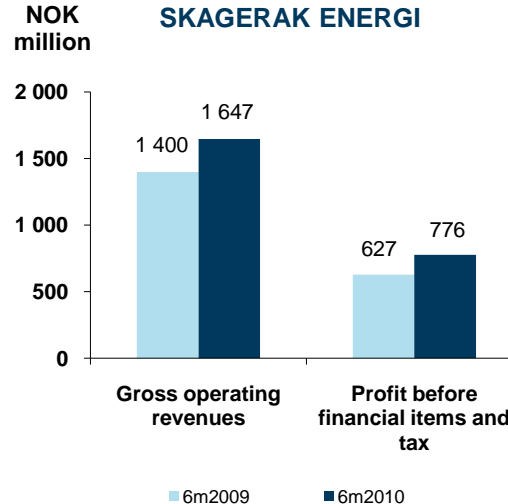
# OPERATING EXPENSES<sup>1</sup>

NOK million	6m 2010	6m 2009	Year 2009
Salaries and payroll costs	1 218	1 155	2 517
Property tax and licence fees	617	564	1 166
Other operating expenses	1 792	1 541	3 530
<b>Operating expenses before depreciation</b>	<b>3 627</b>	<b>3 260</b>	<b>7 213</b>
Depreciation, amortisation and impairment	1 271	1 291	2 634

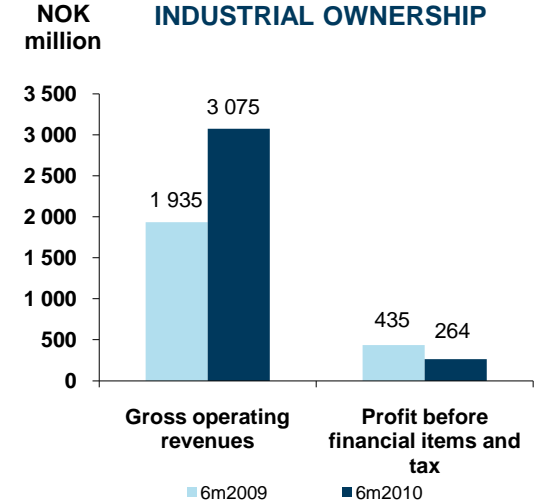
# SEGMENTS – BREAKDOWN (I)



- > Earnings driven by high Nordic power prices
- > Negative contribution from gas power plants due to low spark spread and take-or-pay gas-purchase agreements
- > Generation of 25.1 TWh (23.3)

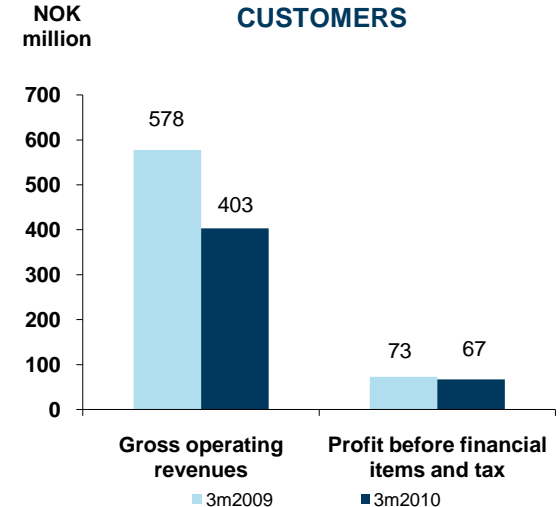
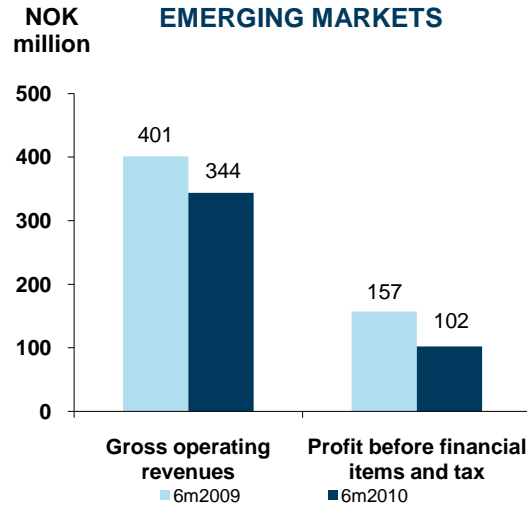
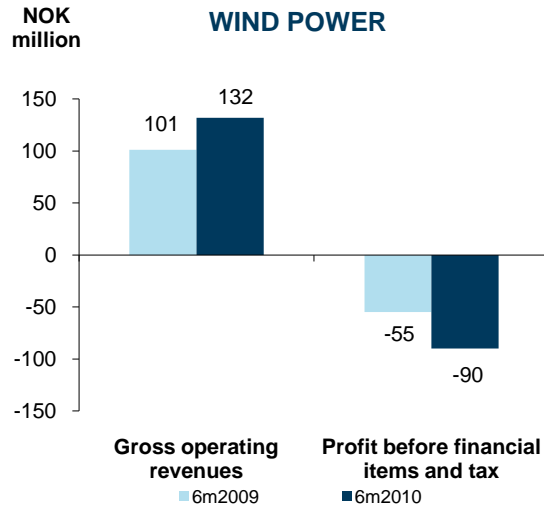


- > Profit positively affected by high power prices
- > Investment decision made on district heating plant in Tønsberg (NOK 300 million)
- > Generation of 2.6 TWh (2.6)



- > Higher revenues due to the take-over of Trondheim Energi's retail sales operations
- > Fjordkraft with high customer growth following cold winter
- > Lower generation and profit in BKK due to low precipitation

# SEGMENTS – BREAKDOWN (II)

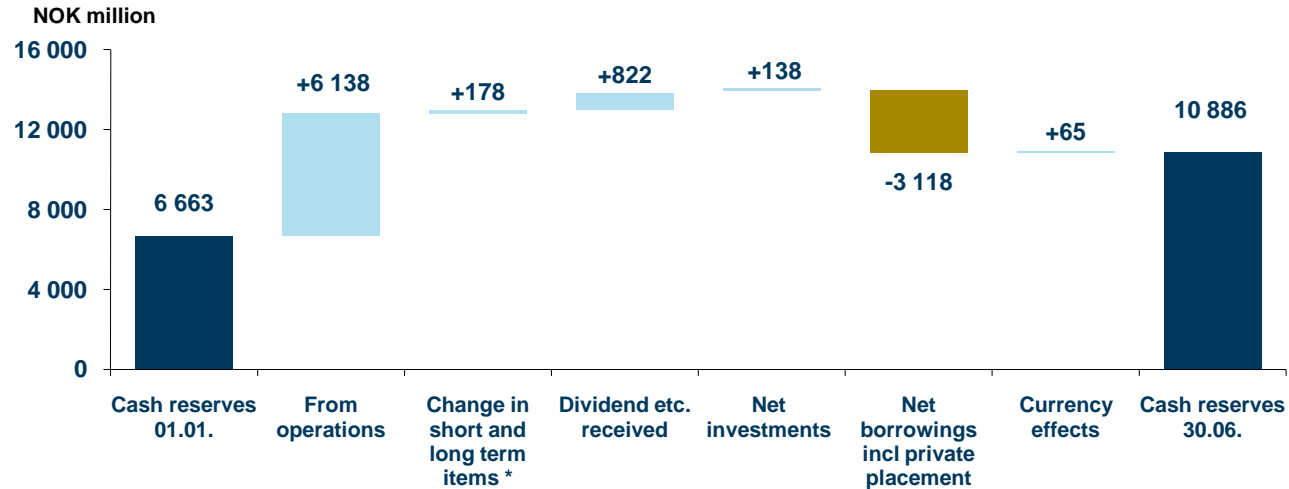


- > Several new licenses awarded
- > Investment decision for Swedish wind farm (9.2MW)
- > Project and development costs impact profits
- > Generation of 256 GWh (294)

- > Revenues affected by currency effects on USD and lower revenues in Peru
- > Profit down due to expensing project development costs
- > Delays and cost overrun on Allain Duhangan, India, and La Confluencia, Chile
- > Generation of 1.2 TWh (0.9)

- > Revenues down due to sale of retail sales activities to Fjordkraft at end 2009
- > Sale of Trondheim Energi Nett (grid operations) with effect end June
- > Generation of 513 GWh

# CASH FLOW

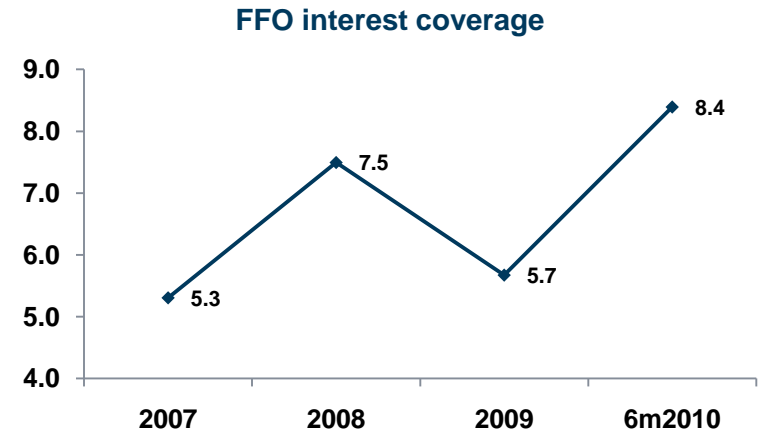
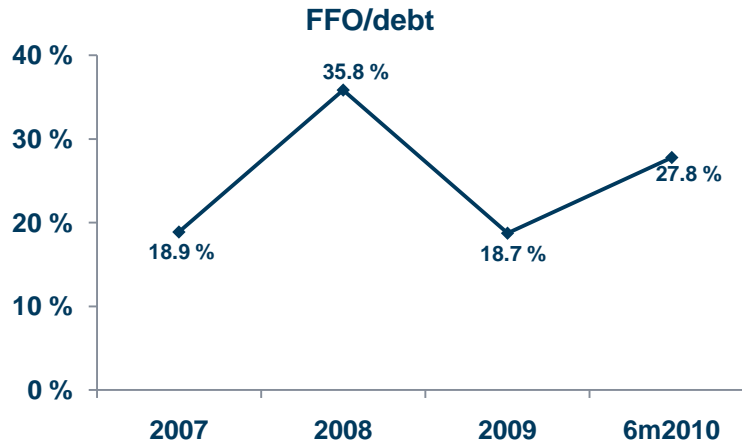


- > Cash flow from operations up 84% to NOKm 6 138 (3 336)
- > Gross investments of NOKm 1 189 (2 903)
  - New capacity (53%), shareholdings/loans (7%) and maintenance (40%)
- > Net investment reduced by proceeds from sales of assets of NOKm 1 327 (mainly Trondheim Energi Nett)

**\* Includes changes in short-term items of NOKm -303:**

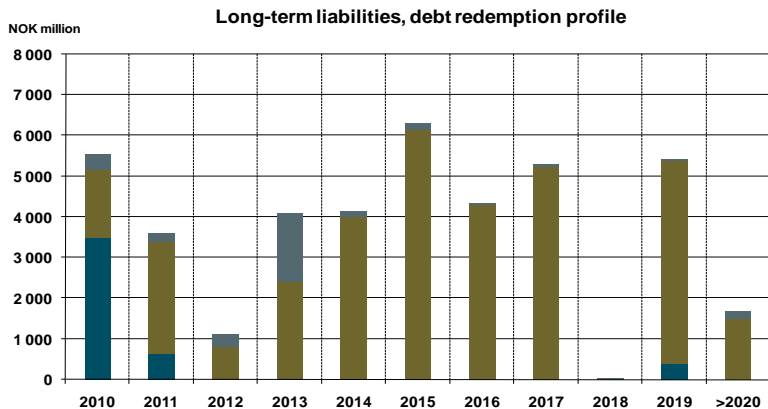
- Change in cash collateral: NOKm 368
- Other changes in working capital: NOKm 312
- Currency effects: NOKm -573
- Changes in financial instruments etc.: NOKm -410

# FINANCIAL STRENGTH AND RATING

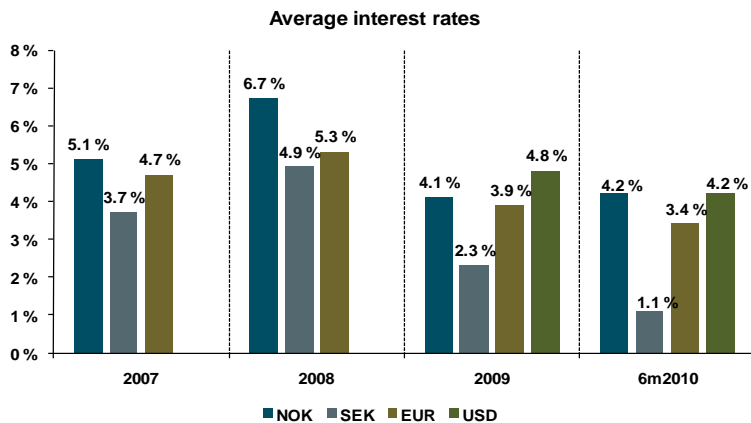


- > FFO<sup>1</sup> of NOKm 11 717
- > Increased cash flow from operations
- > Debt reduced by NOK 3.5 bn. from year-end 2009
- > Interest costs reduced
- > Short-term rating target of minimum BBB+/Baa1 maintained
  - > Long-term target to achieve single A ratings with both Moody's and S&P

# LIABILITIES AND INTEREST EXPENSES



- > Funding 6m 2010:
  - New loans NOKm 2 171
  - Repayment NOKm 5 530
- > Interest-bearing liabilities of NOK 42.2 bn
  - NOK 52%, EUR 37%, SEK 6%, USD 4%



- > Undrawn credit facilities of NOK 8 bn
- > 66% exposed to floating interest rates

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# OUTLOOK

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- > Lower hydro generation expected compared to 2009 following low hydro reservoir levels
- > Forward prices indicate increased price level compared to 2009
- > Uncertainty linked to the hydrological situation and industry demand
- > Improvement program in progress with focus on cost reductions within IT, procurements and staff & support functions
- > Focused growth strategy decided and investment plans reduced to maintain credit strength



**PURE**  
ENERGY

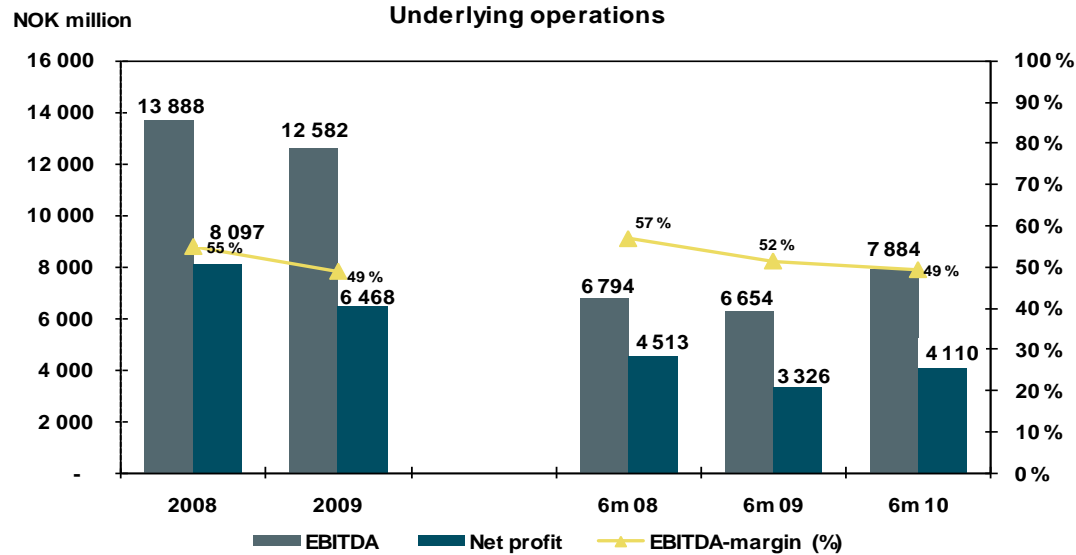


# APPENDIX



**Statkraft**  
PURE ENERGY

# FINANCIAL DEVELOPMENT



*Underlying operations: Adjusted for material non-recurring items and unrealised changes in value*

# FULL FINANCIAL STATEMENT (UNADJUSTED)

Figures in NOK million	2nd Quarter		Year to date		The year
	2010	2009	2010	2009	2009
Sales revenues	4 801	4 708	15 054	12 622	24 715
Other operating revenues	642	190	896	308	960
<b>Gross operating revenues</b>	<b>5 443</b>	<b>4 898</b>	<b>15 950</b>	<b>12 929</b>	<b>25 675</b>
Energy purchase	-1 271	-934	-3 225	-2 360	-4 825
Transmission costs	-301	-282	-820	-655	-1 054
Unrealised changes in the value of energy contracts	657	-633	446	-1 146	-2 813
<b>Net operating revenues</b>	<b>4 528</b>	<b>3 049</b>	<b>12 350</b>	<b>8 769</b>	<b>16 983</b>
Salaries and payroll costs	-540	-519	-1 218	-1 155	-2 517
Depreciation, amortisation and impairments	-858	-628	-1 498	-1 291	-2 743
Property tax and licence fees	-295	-301	-617	-564	-1 166
Other operating expenses	-892	-814	-1 792	-1 541	-3 530
<b>Operating expenses</b>	<b>-2 585</b>	<b>-2 262</b>	<b>-5 126</b>	<b>-4 552</b>	<b>-9 956</b>
<b>Operating profit</b>	<b>1 943</b>	<b>787</b>	<b>7 225</b>	<b>4 217</b>	<b>7 027</b>
<b>Share of profit from associates and joint ventures</b>	<b>-436</b>	<b>383</b>	<b>207</b>	<b>652</b>	<b>1 179</b>
Financial income	1 595	1 014	1 672	1 465	2 060
Financial expenses	-399	-1 849	-833	-2 828	-3 756
Unrealised changes in the value of currency and interest contracts	-436	611	1 488	1 788	5 977
<b>Net financial items</b>	<b>760</b>	<b>-224</b>	<b>2 327</b>	<b>424</b>	<b>4 281</b>
<b>Profit before tax</b>	<b>2 267</b>	<b>946</b>	<b>9 759</b>	<b>5 294</b>	<b>12 487</b>
Tax expense	-1 203	-376	-4 163	-2 001	-4 771
<b>Net profit</b>	<b>1 064</b>	<b>570</b>	<b>5 596</b>	<b>3 293</b>	<b>7 716</b>
Of which minority interest	-112	4	94	124	184
Of which majority interest	1 176	566	5 502	3 169	7 532

# BALANCE SHEET

Figures in NOK million	30.06.10	30.06.09	31.12.09
<b>ASSETS</b>			
Intangible assets	1 925	3 467	2 277
Property, plant and equipment	77 998	80 667	78 239
Investments in associates and joint ventures	16 455	13 921	16 509
Other non-current financial assets	16 574	20 744	21 939
Derivatives	4 076	3 670	3 358
<b>Non-current assets</b>	<b>117 028</b>	<b>122 469</b>	<b>122 322</b>
Inventories	690	676	1 247
Receivables	7 818	6 303	8 707
Short-term financial investments	429	362	421
Derivatives	4 667	7 564	4 645
Cash and cash equivalents	10 886	19 262	6 663
<b>Current assets</b>	<b>24 490</b>	<b>34 167</b>	<b>21 683</b>
<b>Assets</b>	<b>141 518</b>	<b>156 636</b>	<b>144 005</b>
<b>EQUITY AND LIABILITIES</b>			
Paid-in capital	31 569	31 569	31 569
Retained earnings	18 656	22 439	26 065
Minority interests	7 827	7 161	7 267
<b>Equity</b>	<b>58 052</b>	<b>61 169</b>	<b>64 901</b>
Provisions	13 974	16 526	13 653
Long-term interest-bearing liabilities	35 769	40 249	36 342
Derivatives	2 884	3 110	4 016
<b>Long-term liabilities</b>	<b>52 627</b>	<b>59 885</b>	<b>54 011</b>
Short-term interest-bearing liabilities	6 406	10 354	9 318
Taxes payable	3 120	3 331	2 372
Other interest-free liabilities	16 320	15 306	9 336
Derivatives	4 994	6 591	4 067
<b>Current liabilities</b>	<b>30 840</b>	<b>35 582</b>	<b>25 093</b>
<b>Equity and liabilities</b>	<b>141 518</b>	<b>156 636</b>	<b>144 005</b>

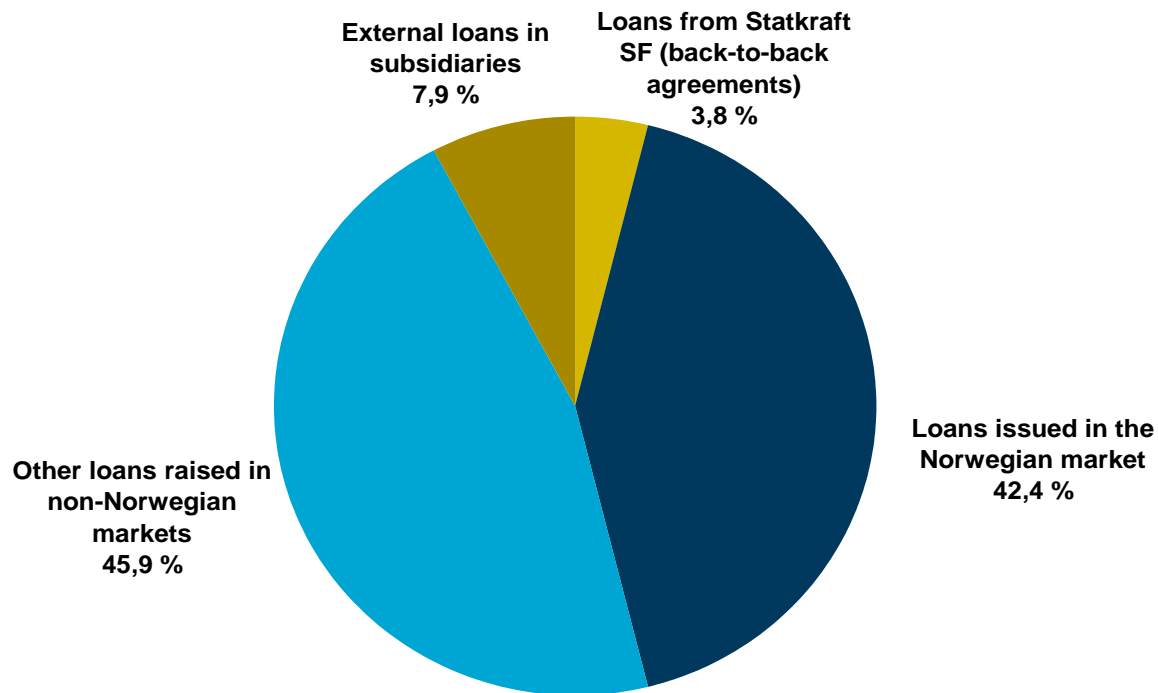
# CASH FLOW STATEMENT

Figures in NOK million	Year to date		The Year
	2010	2009	2009
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before tax	9 759	5 295	12 487
Profit/loss on sales of non-current assets	12	13	13
Depreciation, amortisation and impairments	1 498	1 291	2 743
Profit from sale of business	-393	-	-
Share of profit from associates and joint ventures	-207	-652	-1 179
Unrealised changes in value	-1 934	-642	-3 164
Taxes	-2 597	-1 969	-3 119
<b>Cash flow from operating activities</b>	<b>6 138</b>	<b>3 336</b>	<b>7 781</b>
Changes in long-term items	481	21	-305
Changes in short-term items *	-303	6 354	4 155
Dividend from associates	822	926	1 083
<b>Net cash flow from operating activities</b>	<b>7 138</b>	<b>10 637</b>	<b>12 714</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investments in property, plant and equipment - maintenance	-475	-432	-1 308
Investments in property, plant and equipment - new capacity	-625	-1 153	-2 447
Proceeds from sales of non-current assets	66	7	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	-	211	-417
Loans to third parties	-55	-152	-1 410
Repayment of loans	32	-	161
Investments in other companies	-66	-1 166	-735
<b>Net cash flow from investing activities</b>	<b>138</b>	<b>-2 685</b>	<b>-4 678</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New debt	2 171	15 038	15 377
Repayment of debt	-5 530	-6 319	-9 378
Dividend and Group contribution paid	-	-226	-10 260
Share issue to minority	241	800	928
<b>Net cash flow from financing activities</b>	<b>-3 118</b>	<b>9 293</b>	<b>-3 333</b>

<b>Net change in cash and cash equivalents</b>	<b>4 158</b>	17 246	4 703
Currency effect on cash flows	65	-194	-249
Cash and cash equivalents 01.01	6 663	2 209	2 209
Cash and cash equivalents 30.06 / 31.12	10 886	19 262	6 663
Unused committed credit lines	8 027	8 000	8 054
Unused overdraft facilities	1 460	400	731

\*Changes in short term items are mainly related to changes in working capital (NOK 312 million), changes in receivables and liabilities regarding cash collateral (NOK 368 million) in addition to currency effects (NOK - 573 million).

# DISTRIBUTION OF LOANS



Per 30 June 2010

**PURE**  
ENERGY

