FINANCIAL RESULTS
Q3 2018

CEO Christian Rynning-Tønnesen
CFO Irene Egset
25 October 2018
Health, safety and environment

- **Health and safety**
  - Two serious injuries in the quarter

- **Environment**
  - No serious environmental incidents in the quarter

\(^1\)TRI rate (12 months rolling): Total recordable injuries per million hours worked
Highlights in Q3

- Underlying EBIT of NOK 2679 million, up NOK 1243 million
- Net profit amounting to NOK 1265 million
- Performance improvement programme on track
- Acquisitions in India and Ireland/UK
- Planned investments: NOK 10 billion per year – subject to financial capacity
Cost reductions from the Performance Improvement Programme

Estimated cost savings 2016-2018

<table>
<thead>
<tr>
<th>Realised</th>
<th>Remaining</th>
<th>Target cost</th>
<th>Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>540</td>
<td>260</td>
<td>800</td>
<td></td>
</tr>
</tbody>
</table>
Financial performance

- 12 months rolling ROACE of 13.2%
  - Improvement compared with the year 2017 due to higher underlying operating profit (rolling 12 months), primarily driven by higher Nordic power prices
  - Average capital employed stable
Acquisition of Tidong hydropower project

- Acquired 100 per cent of the halted Tidong hydropower project in India (~60 per cent completed)
- Constructions works restarted with planned completion in 2021
- Special attention has been given to health and safety measures.
- Planned installed capacity of 100 MW
Acquisition of wind development business in Ireland and UK

- Acquired the Irish and UK wind development business of the Element Power Group
- Approx. 1300 MW onshore wind under development in Ireland and approx. 250 MW in UK
- Construction of the 23 MW Kilathmoy wind farm in south-west Ireland has been decided
Growth ambitions towards 2025

Maintain position as largest hydropower company in Europe and grow significantly in South America and India

Reach 6000 MW onshore wind and 2000 MW solar

Triple volume from market access activities

Among top three district heating players in Norway and Sweden

Develop 1-2 new businesses with international potential
Powering a green future: Investment plan 2018-25

**NOK billion**

- **NOK 10 billion/year, avg. 2011-17**
- **Approximately NOK 10 billion/year, 2018-25**

- **Growth investments (high flexibility)**
- **Maintenance investments**
Robust earnings
- Europe’s largest reservoir capacity and flexible power plants
- Long term revenue optimisation and bilateral contracts

Strong financial position
- Divestment programme completed
- Ongoing performance improvement programme strengthens competitiveness
### Key figures

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Q3 2018</th>
<th>Q3 2017</th>
<th>YTD 2018</th>
<th>YTD 2017</th>
<th>The year 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating revenues and other income</td>
<td>5 656</td>
<td>4 650</td>
<td>18 817</td>
<td>16 651</td>
<td>23 350</td>
</tr>
<tr>
<td>Operating profit/loss (EBIT) underlying</td>
<td>2 679</td>
<td>1 437</td>
<td>10 069</td>
<td>7 476</td>
<td>10 824</td>
</tr>
<tr>
<td>Net profit</td>
<td>1 265</td>
<td>1 783</td>
<td>11 818</td>
<td>6 417</td>
<td>11 710</td>
</tr>
</tbody>
</table>

- Nordic prices measured in EUR up 77% Q-on-Q
- Overall generation down 3% Q-on-Q
- Operating expenses down 7% Q-on-Q
Price drivers and the German power market

Q3 2018 vs. Q3 2017

- Coal, CO₂ and gas prices increased
- German power prices up by 63%
  - Mainly related to higher gas and CO₂ prices
Rapid increase mid-quarter due to high precipitation
Weather drier than normal in Q2
Nordic reservoir level (total market) at 87% of median at the end of September
Nordic system price, monthly average

Nordic power prices 50.5 EUR/MWh, up 77% Q3 2018 vs. Q3 2017
Energy management

Q3 generation down 3% Q-on-Q

<table>
<thead>
<tr>
<th>Technology</th>
<th>TWh</th>
<th>Change in TWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydropower</td>
<td>12.0</td>
<td>-0.2</td>
</tr>
<tr>
<td>Wind power</td>
<td>0.6</td>
<td>0.1</td>
</tr>
<tr>
<td>Gas power</td>
<td>0.5</td>
<td>-0.3</td>
</tr>
<tr>
<td>Bio and solar power</td>
<td>0.1</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13.1</td>
<td>-0.4</td>
</tr>
</tbody>
</table>

Stormyr dam, Nedre Røssåga hydropower plant
Q3 net operating revenues and other income

NOK million

<table>
<thead>
<tr>
<th>Category</th>
<th>Q3 2017</th>
<th>Q3 2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation</td>
<td>4,106</td>
<td>5,915</td>
<td>+22%</td>
</tr>
<tr>
<td>Customers</td>
<td>247</td>
<td>223</td>
<td>-39</td>
</tr>
<tr>
<td>Grid, sale of gas and other revenues</td>
<td>223</td>
<td>284</td>
<td>+39</td>
</tr>
<tr>
<td>Trading &amp; Origination</td>
<td>172</td>
<td>212</td>
<td>+22%</td>
</tr>
<tr>
<td>Other operating income</td>
<td>277</td>
<td>277</td>
<td>0%</td>
</tr>
<tr>
<td>Transmission costs</td>
<td>-308</td>
<td>-441</td>
<td>+33%</td>
</tr>
<tr>
<td>Total net operating revenues and other income</td>
<td>4,650</td>
<td>5,656</td>
<td>+22%</td>
</tr>
</tbody>
</table>

Sales revenues less energy purchase
NOK 2.7 billion in underlying EBIT

- Underlying EBIT up NOK 1243 million Q-on-Q
- Primarily driven by higher Nordic power prices. This was partly offset by lower contribution from Nordic origination, value reduction of long-term contracts in Brazil and negative effects from market access activities.
- NOK 237 million in reduced opex Q-on-Q
Financial items

Breakdown Net financial items Q3 2018

<table>
<thead>
<tr>
<th>Item</th>
<th>NOK million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>105</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>199</td>
</tr>
<tr>
<td>Currency gains and losses</td>
<td>214</td>
</tr>
<tr>
<td>Other financial items</td>
<td>282</td>
</tr>
<tr>
<td>Net financial items Q3 2018</td>
<td>402</td>
</tr>
</tbody>
</table>
### Q3 net profit breakdown

#### Underlying EBIT Q3 2017 → Q3 2018

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Q3 2017 Operating profit/loss (EBIT) underlying</th>
<th>Q3 2018 Operating profit/loss (EBIT) underlying</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,437</td>
<td>2,679</td>
</tr>
<tr>
<td></td>
<td>1,006</td>
<td>237</td>
</tr>
</tbody>
</table>

**Underlying EBIT △ +86% Q-on-Q**

#### Underlying EBIT Q3 2018 → Net Profit Q3 2018

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Unrealised value changes from energy derivatives</th>
<th>Gain/loss from acquisitions/divestments of business activities</th>
<th>Impairments</th>
<th>Share of profit/loss in equity accounted investments</th>
<th>Net financial items</th>
<th>Tax</th>
<th>Q3 2018 Net profit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>518</td>
<td>17</td>
<td>139</td>
<td>352</td>
<td>402</td>
<td>1,528</td>
<td>1,265</td>
</tr>
</tbody>
</table>

Booked net profit affected by unrealised value changes from energy derivatives.
Q3 segment EBIT underlying

<table>
<thead>
<tr>
<th>Segment</th>
<th>Q3 2017</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>European flexible generation</td>
<td>1,442</td>
<td>2,939</td>
</tr>
<tr>
<td>Market operations</td>
<td>39</td>
<td>-671</td>
</tr>
<tr>
<td>International power</td>
<td>63</td>
<td>190</td>
</tr>
<tr>
<td>Wind power</td>
<td></td>
<td>-101</td>
</tr>
<tr>
<td>District heating</td>
<td></td>
<td>-26</td>
</tr>
<tr>
<td>Industrial ownership</td>
<td></td>
<td>147</td>
</tr>
<tr>
<td></td>
<td></td>
<td>301</td>
</tr>
</tbody>
</table>
Q3 2018 capital expenditure

- Distribution of CAPEX in the quarter:
  - 60% new capacity investments
  - 39% maintenance/other investments
  - 1% shareholdings
- New hydropower capacity under construction in Albania
- Wind power developments in Norway
- Maintenance primarily within Nordic hydropower and Norwegian grid
- Shareholding investments mainly related to Silva Green Fuel

1 Excluding loans to equity accounted investments
Other includes District heating, Market operations and Other activities
Cash flow in Q3

NOK million

- Cash reserves 30.06: 19,899
- From operations: 6,182
- Investing activities: 869
- Financing activities: 6,045
- Currency exchange rate effects: 121
- Cash reserves 30.09: 19,046
Long-term debt repayment profile

- NOK 15.5 billion in net interest-bearing debt
- Net interest-bearing debt-equity 14.2%
- Weighted average maturity: 5.1 years
Strong credit ratings

- Maintaining current ratings with S&P and Moody’s
- Strong support from owner
- Rating impact assessment completed prior to new investment decisions
- Solid financial foundation for new investments
Summary

- Strong underlying performance in the quarter
- Robust financial position
- Solid foundation for growth phase
- Investment plan with large degree of flexibility
THANK YOU

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