FINANCIAL RESULTS
Q4 2018

CEO Christian Rynning-Tønnesen
Acting CFO Thomas Geiran
14 February 2019
Health, safety and environment

- Health and safety
  - Three serious injuries reported in the quarter

- Environment
  - No serious environmental incidents in the quarter

TRI-rate\(^1\)

\(^1\)TRI rate (12 months rolling): Total recordable injuries per million hours worked
Highlights in Q4

- Underlying EBIT of NOK 4884 million
- Net profit amounting to NOK 1572 million
- Performance Improvement Programme will realise around NOK 800 million in annual savings
- Acquisition of eight operational hydropower plants in Brazil and closing of acquisition in Ireland
- New long-term industry contracts
## Financial results

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Q4 2018</th>
<th>Q4 2017</th>
<th>The year 2018</th>
<th>The year 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit/loss (EBIT) underlying</td>
<td>4 884</td>
<td>3 348</td>
<td>14 953</td>
<td>10 824</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>3 897</td>
<td>6 774</td>
<td>20 649</td>
<td>15 668</td>
</tr>
<tr>
<td>Net profit</td>
<td>1 572</td>
<td>5 293</td>
<td>13 390</td>
<td>11 710</td>
</tr>
</tbody>
</table>

- Dividend of NOK 8.4 billion
**Performance Improvement Programme**

- The target of reducing annual operating costs with NOK 800 million will be met.
- Several cross-functional improvements made.
- The corporate-wide programme is now closed.

<table>
<thead>
<tr>
<th>Estimated cost savings (NOK million)</th>
<th>Realised in 2018</th>
<th>Realised in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>625</td>
<td>175</td>
</tr>
<tr>
<td></td>
<td>800</td>
<td></td>
</tr>
</tbody>
</table>
ROACE of 14.7%
- 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 through 2018

ROACE: Underlying EBIT last 12 months / Average capital employed
Acquisition in Brazil

- Acquired eight operational hydropower plants in Espírito Santo in Brazil
- Total installed capacity of 132 MW
- Increases installed capacity in Brazil to around 450 MW
- Positions Statkraft for further growth in this key market
Long-term industry contracts

- Two new industry power contracts with Norske Skog.
- Total volume of 14 TWh.
- Successfully renewed a volume of 42 TWh of industry contracts over the last two years.
- Additional opportunities are assessed.
Outlook

- Robust earnings
  - Europe's largest reservoir capacity and flexible power plants
  - Long-term revenue optimisation and entering into new long-term bilateral contracts

- Solid financial position to meet the new growth phase set out in the strategy
  - Corporate-wide performance improvement programme has strengthened competitiveness
  - Investments will be adapted to financial capacity and rating target

- Strong organisational culture
  - Strong competence base and highly motivated employees
  - Commitment to act in a sustainable, ethical and socially responsible manner as a foundation for all activities
### Key figures

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Q4 2018</th>
<th>Q4 2017</th>
<th>The year 2018</th>
<th>The year 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating revenues and other income underlying</td>
<td>8 108</td>
<td>6 699</td>
<td>26 925</td>
<td>23 350</td>
</tr>
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<td>Operating profit/loss (EBIT) underlying</td>
<td>4 884</td>
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- Nordic prices measured in EUR up 56% Q-on-Q
- Overall generation down 7% Q-on-Q
- Operating expenses down 4% Q-on-Q
- Net financial items down NOK 3.3 billion Q-on-Q
Price drivers and the German power market

Q4 2018 vs. Q4 2017

- CO₂ prices continued to surge
- Gas prices increased significantly
- German power prices at 52.6 EUR/MWh
  - Up by 58% Q-on-Q
  - Mainly due to higher gas and CO₂ prices
Nordic reservoir water level below normal throughout Q4
Weather drier than normal in Q4
Nordic reservoir water level (total market) at 89% of median at the end of the year
Nordic system prices, monthly average

- Nordic power prices 47.7 EUR/MWh, up 56% Q4 2018 vs. Q4 2017
Energy management

Q4 generation down 7% Q-on-Q

<table>
<thead>
<tr>
<th>Technology</th>
<th>2017</th>
<th>2018</th>
<th>Change in TWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydropower</td>
<td>14.5</td>
<td>-1.3</td>
<td></td>
</tr>
<tr>
<td>Wind power</td>
<td>0.9</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>Gas power</td>
<td>0.7</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Bio and solar power</td>
<td>0.1</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16.1</strong></td>
<td><strong>-1.2</strong></td>
<td></td>
</tr>
</tbody>
</table>
### Q4 net operating revenues and other income

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<thead>
<tr>
<th></th>
<th>Q4 2017</th>
<th>Q4 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation</td>
<td>5478</td>
<td>7039</td>
</tr>
<tr>
<td>Customers</td>
<td>364</td>
<td>761</td>
</tr>
<tr>
<td>Grid and other</td>
<td>450</td>
<td>555</td>
</tr>
<tr>
<td>revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gains/losses from</td>
<td>149</td>
<td>327</td>
</tr>
<tr>
<td>market activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other operating</td>
<td>264</td>
<td>361</td>
</tr>
<tr>
<td>income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transmission costs</td>
<td>-402</td>
<td>-538</td>
</tr>
<tr>
<td>Total net operating</td>
<td>6699</td>
<td>8108</td>
</tr>
<tr>
<td>revenues and other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>income underlying</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Sales revenues less energy purchase*
NOK 4.9 billion in underlying EBIT

- Underlying EBIT up 1488 million Q-on-Q
- Primarily driven by higher Nordic power prices. There was also higher contribution from market activities, mainly from Nordic trading and Dynamic asset management portfolios.
Financial items

Currency losses were mainly related to external debt denominated in EUR due to a weaker NOK.

Breakdown Net financial items Q4 2018

- Interest income: NOK 240 million
- Interest expenses: NOK 112 million
- Currency gains and losses: NOK 1,753 million
- Other financial items: NOK 5 million
- Net financial items Q4 2018: NOK 1,885 million
## Q4 net profit breakdown

### Underlying EBIT Q4 2017  ➔  Q4 2018

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Q4 2017</th>
<th>Q4 2018</th>
</tr>
</thead>
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<tr>
<td>Underlying EBIT</td>
<td>3,348</td>
<td>4,884</td>
</tr>
<tr>
<td>Operating profit/loss (EBIT) underlying</td>
<td>1,409</td>
<td>1,008</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>127</td>
<td>0</td>
</tr>
</tbody>
</table>

### Underlying EBIT Q4 2018  ➔  Net Profit Q4 2018

<table>
<thead>
<tr>
<th></th>
<th>Unrealised value changes from energy derivatives</th>
<th>Gain/loss from 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>Q4 2018 Net profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating revenues and other income</td>
<td>-102</td>
<td></td>
<td></td>
<td></td>
<td>1,885</td>
<td>2,325</td>
<td>1,572</td>
</tr>
</tbody>
</table>

**Underlying EBIT Δ +46% Q-on-Q**

*Booked net profit affected by unrealised value changes from energy derivatives*
Q4 segment EBIT underlying

<table>
<thead>
<tr>
<th>Segment</th>
<th>Q4 2017</th>
<th>Q4 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>European flexible</td>
<td>2,378</td>
<td>3,403</td>
</tr>
<tr>
<td>generation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market operations</td>
<td>391</td>
<td>623</td>
</tr>
<tr>
<td>International power</td>
<td>90</td>
<td>96</td>
</tr>
<tr>
<td>Wind power</td>
<td>32</td>
<td>201</td>
</tr>
<tr>
<td>District heating</td>
<td>76</td>
<td>91</td>
</tr>
<tr>
<td>Industrial ownership</td>
<td>453</td>
<td>487</td>
</tr>
</tbody>
</table>
Q4 2018 capital expenditure

- Distribution of CAPEX in the quarter:
  - 26% new capacity investments
  - 18% maintenance/other investments
  - 55% shareholdings

- New hydropower capacity under construction in Albania and India
- Wind power developments in Norway
- Maintenance primarily related to Nordic hydropower
- Shareholding investments mainly related to acquisition in Brazil and Ireland/UK

Capex is excluding loans to equity accounted investments
Other includes District heating, Market operations and Other activities
Cash flow in Q4

NOK million

Cash reserves 30.09. 19 046
Operating activities 3 680
Investing activities 666
Financing activities 527
Currency exchange rate effects 311
Cash reserves 31.12. 23 176
NOK 12.9 billion in net interest-bearing debt
Net interest-bearing debt-equity 11.6%
Weighted average maturity: 4.7 years
Strong credit ratings

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

- Solid 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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