Investor Update
June 2019
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Agenda

- Statkraft Overview
- New Strategy and Investment Ambition
- Funding and Liquidity
- Sustainability
- Financial Update
Statkraft at a glance

CONSOLIDATED CAPACITY
17 831 MW

POWER PRODUCTION
62 TWh
98% renewable

CREDIT RATING
A- / BBB+
S&P and Fitch

NORWEGIAN STATE OWNED
100%

EMPLOYEES
3 600

= Hydropower
= Wind power
= Gas power
= Bio power
= District heating
= Solar power
= Trading and Origination
Key credit strengths

- **Owned by the Norwegian state (AAA/Aaa)**: Historically strong support from owner
- **Stable cash flow**: Long-term industrial contracts stabilize cash flow
- **Strong market position**: A low-cost and flexible generator of renewable electricity
- **Balance sheet flexibility**: Investment program adapted to financial capacity
Key credit strengths

- **Owned by the Norwegian state (AAA/Aaa)**
  - Statkraft 100% owned by the Norwegian State
    - Norwegian State rated Aaa / AAA / AAA

- **Support through equity injections**
  - NOK 14 billion in 2010 and NOK 5 billion in 2014, after parliamentary approval

- **Ownership support Statkraft’s corporate credit ratings**
  - Uplift from both S&P and Fitch

- **Dividend policy**
  - Based on recommendation from Board of Statkraft
  - Reduced dividend pay-out ratio for non-Norwegian hydropower earnings (85% Norwegian Hydropower and 25% other activities)
Solid EBITDA over the last decade
Despite volatile Nordic and European power prices

**Quarterly average electricity prices**

**Underlying EBITDA**

Source: Prices from Nord Pool Spot, Nasdaq OMX and EEX as of March 2019

*N Items in underlying EBITDA changed in 2017
Statkraft segments and their EBITDA* contribution - 2018
Primarily a Nordic hydropower company

- **European Flex**
- **Market Operations**
- **International Power**
- **Wind Power**
- **District Heating**
- **Industrial Ownership**

*Underlying EBITDA and Excluding gain/loss from acquisitions/divestments of business activities*
European flexible generation: 

**Low-cost hydropower with high flexibility**

- Production assets with **low marginal cost, high flexibility**, high longevity and almost zero carbon emissions
- **Unique optimizations skills** leading to a premium price capture through an integrated business model
- Gas-fired power plants in Germany

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**European flexible generation**

- Europe’s largest producer of electricity from hydropower
- 242 hydropower plants with 13 200 MW capacity and 5 gas fired power plants (3 in operation) with 2 400 MW capacity
- ~25% of Europe’s reservoir capacity
European flexible generation:

Statkraft has a unique cost position

Full cost incl. depreciation: ~ 10.21 EUR/MWh

1 Annual Report 2018: Production cost 98 NOK/MWh. Production cost, incl. property tax and depreciation, excl. sales costs, net financial items and tax. This is divided by 7 years average output from power plants under own management.

2 Cash costs for coal and gas incl CO2. Estimates for modern plants. CO2 contributions are 14.3 €/MWh for coal and 5.9 €/MWh for gas.

3 Estimates for nuclear plants in Sweden / Finland is around 22 EUR/MWh. In Sweden nuclear tax adds to this, but Parliament has decided to phase-out nuclear tax.
European flexible generation:

Long-term contracts

- Statkraft performs **annual hedging assessment**
  - Statkraft’s global hedging level is assessed against certain pre-defined criteria, including long-term market prices and market prognosis.

- **Activity level on hedging has increased** due to higher market prices
  - Statkraft is currently negotiating with several other industrials.

- **Going forward:**
  - Statkraft expects **demand** for long-term contracts to somewhat **increase**. Particularly from new energy intensive **industries** such as datacentres.
European flexible generation: Securing long-term revenues in the Nordics

Nordic long term industrial contract

- Statkraft is actively evaluating additional hedging opportunities, balancing profit and risk.
- Yearly average production in Nordics approx. 56 TWh for the period.
Market Operations: Capitalize on market expertise

Main activities:
- Trading of energy-related products
- Origination – customized agreements for industry and commerce
- Dynamic asset management
- Market access
- Exploring and developing new business models

Presence in many European countries, as well as Brazil, Peru, USA and India
International Power: Renewable assets in emerging markets

- 28 hydropower plants, 4 wind farms and 2 solar parks in operation in Southeast Europe, South Asia and South America
- More than 1 100 MW in operations
- Established positions in several emerging markets
  - Long-term economic growth
  - Rising energy demand
  - Increased demand for renewables

Securing long term revenues
Wind Power:
Develop and operate onshore wind

- 9 wind farms in operation in Norway, Sweden and UK, in total 1080 MW
- Solid track record in delivering projects on cost and time
- Europe’s largest onshore wind power project under construction in Norway; Fosen 1057 MW
- 1550 MW development portfolio in Ireland and UK

Including equity share in wind farms
District Heating: Stable production

- 28 locations in Norway and Sweden with ~1.1 TWh annual production
- Distribute heating and cooling to 13,000 customers in Norway and Sweden
- The revenues are influenced by power prices, waste prices, grid tariffs and taxes
- Waste, biomass, bio oil, electricity and gas constitute the energy sources in the production
- Limited capex going forward
Industrial Ownership:
Management of Norwegian shareholdings

- Manage and develop Norwegian shareholdings within the Group’s core business
- Shareholdings in Skagerak Energi, BKK and Agder Energi
- Divestment of shares in Fjordkraft, Istad and BKK in 2018
Positioning for growth

- **PIP: Strengthening of:**
  - Competitiveness
  - Cost efficiency
  - Performance
- **Reduced investment level**
- **Restructured international power**
- **Divestments**
  - Offshore wind
  - SN Power
- **Revised dividend policy**

- **2016 - 2018**
  - Consolidation

- **2019 +**
  - Profitable growth

- Capitalize on our competitive advantages
- Maintain and reinvest in existing asset base
- Grow in renewable energy and market operations
- New business development
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

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**Estimated cost savings (NOK million)**

- Realised in 2018: 625
- Realised in 2019: 175
- Estimated cost: 800
Large proceeds and financial improvements from asset disposals

Proceeds from asset disposals

**NOK million**

- **SN Power**: 1,700
- **Triton Knoll**: 800
- **Scira\(^1\)**: 6,200
- **Dudgeon**: 5,950
- **Fjordkraft BKK / Istad**: 1475
- **Total Proceeds**: 16,125

**Net Interest bearing debt\(^2\)**

- **2017**: 24,845
- **2018**: 12,921

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\(^1\) Excluding proceeds related to sell down from 50% to 40% in Q4 2014

\(^2\) Net Interest bearing debt from Annual Report 2018
Summary of highlights in 2018

- New long-term industry contracts
- Performance Improvement Programme closed
- Acquisitions in Brazil, India and Ireland/UK
- Divestment of offshore wind, Istad and shares in BKK. Fjordkraft listed through IPO
- New strategy – *up next*
Agenda

- Statkraft Overview
- **Strategy and Investment Ambition**
- Funding and Liquidity
- Sustainability
- Financial Update
Statkraft’s new strategy

- Optimize Hydro-Power Portfolio
- Ramp up as Wind and Solar Developer
- Grow the Customer Business
- Develop New Business Initiatives
Statkraft’s new strategy:

Hydropower and other flexible generation

- New hydro is challenged on costs, but the need for flexibility increases and provides a good starting point for a flexible hydropower player with market expertise

Priorities:

1) Protect and improve value of Nordic hydropower
   - Focus on refurbishments, operational improvement, regulatory work, hedging

2) Opportunistic acquisitions or portfolio swaps
   - Restructuring Norwegian regional companies
   - Bid for French hydro auctions
   - Actively pursue acquiring hydropower in operation or in construction with particular competitive advantages

3) Operate gas-fired power in Germany
Statkraft’s new strategy:

Massive ramp up as wind and solar developer

- Solar and wind become the **cheapest way** to build new power generation - **huge growth** expected in all countries

**Priorities:**

1) **Taking on a developer role**
   - High value creation for Statkraft in the development phase
   - Develop and construct projects, and then partially sell down

2) **Ramp up in onshore wind (6 GW) and solar (2 GW)**
   - Wind: Substantial growth in Europe, South America and India
   - Solar: Utility scale solar and commercial size distributed installations.

3) **Hedge revenues of wind and solar to mitigate risk**

4) **Develop batteries and hybrid storage systems**
Statkraft’s new strategy:
Grow the customer business

- More **complex energy markets** and customers taking stronger interest in renewable energy. Statkraft well positioned with deep market expertise and renewable assets

**Priorities:**

1) **Significant ramp up of customer part of market operations**
   - Take a position as a leading provider of market solutions for renewable energy for large customers
   - Provide market access, hedging, distributed energy solutions and green power supply to large customers

2) **One of top three in District Heating in Norway and Sweden**

3) **Continue growth in EV charging**
   - Exploring opportunities in Central Europe and the Nordics
Statkraft’s new strategy:  
**New opportunities in the energy transition**

- Norway is an early mover in the energy transition, through **de-carbonization** and **electrification**

**Priorities:**

Develop new business arising from the green shift in Norway that has potential internationally:

1) **Data centers:** Develop, market and sell ready-to-build data centers site prospects

2) **Biofuels:** Aim to produce 2nd generation biofuel from wood feedstock

3) **Hydrogen:** Investigate business opportunities in production of renewable hydrogen
Investment ambition 2019 - 2025

- Investment ambition 2019 – 2025 subject to financial capacity:
  - Average NOK 10 bn per year
  - Total committed investments 2019 – 2025 of NOK 24 bn

- Committed to maintain current ratings
Post investment ambition
- Predominantly a Nordic hydropower producer

**GENERATION***

**BY GEOGRAPHY**

- 2019:
  - Norway: 78%
  - Nordic region excl. Norway: 11%
  - Europe excl. Nordic region: 9%
  - The rest of the world: 2%

- 2025:
  - Norway: 60%
  - Nordic region excl. Norway: 16%
  - Europe excl. Nordic region: 15%
  - The rest of the world: 9%

**BY TECHNOLOGY**

- 2019:
  - Hydro: 92%
  - Wind: 5%
  - District heating: 2%
  - Gas: 1%

- 2025:
  - Hydro: 76%
  - Wind: 21%
  - District heating: 2%
  - Gas: 1%

**EBITDA**

- 2019:
  - Norway: 77%
  - Nordic region excl. Norway: 13%
  - Europe excl. Nordic region: 8%
  - The rest of the world: 2%

- 2025:
  - Norway: 58%
  - Nordic region excl. Norway: 17%
  - Europe excl. Nordic region: 16%
  - The rest of the world: 10%

*Share based on total consolidated generation.

**Generation in Skagerak Energi allocated to Hydro as the vast majority of production in Skagerak is hydropower.
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Credit Ratings

Key Priority:

Maintain current ratings

S&P/Fitch
A- / BBB+
Stable

100% state-owned

CAPEX
adapted to financial capacity

Strong support from owner

Close monitoring of methodology
Rating impact assessment of investments
Liquidity position

Available liquidity and target

Liquidity and market access

- NOK 9.2 bn [0.95] Revolving Credit Facility with 10 core banks
  - Matures 2023
- NOK 1bn [0.10] in committed credit line renewed on a yearly basis
- EMTN Programme EUR 6bn
  - EUR 3.2 bn available under current Programme
  - Recently updated
- No commercial papers outstanding

- Liquidity capacity target\(^1\): >1.5x projected payments over next six months

\(^1\) Liquidity capacity defined as cash and cash equivalents, plus committed revolving credit facilities, plus projected receipts for the next six months
Balanced debt maturity and mixed funding sources

Debt maturity profile 31.12.2018

- NOK Bond Issues: 21%
- EUR Bond Issues: 71%
- External loans subsidiaries: 8%
- Loans in subsidiaries
- Loans in Statkraft AS
- Loans from Statkraft SF (back to back)

Distribution of funding sources
Funding Strategy

Centralized Diversification
Back-stop facilities

Funding Sources

Capital Markets

- NOK
- EUR
- GBP
- SEK
- CHF

Funding need

- **Limited**, near term. Dependent on new investments decisions
- Need to utilize capital markets to support investment ambition
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- **Sustainability**
- Financial Update
POWERING A GREEN FUTURE

We are committed to develop and manage green, smart and profitable energy solutions

competent   innovative   responsible

Create values, whilst showing respect for employees, customers, the environment and society
Global Initiatives and standards

To fulfil our corporate responsibility commitments

- Statkraft takes guidance from globally recognised initiatives and standards, including
  - OECD’s Guidelines for Multinational Enterprises
  - UN’s Guiding Principles on Business and Human Rights
- Statkraft is a member of the UN Global Compact and adheres to its ten principles.
- Statkraft’s external reporting on corporate responsibility is based on the Global Reporting Initiative Standards.
- Statkraft contributes to the implementation of several of the 17 UN Sustainable Development Goals (SDGs)…
Statkraft’s contribution to UN Sustainable Development Goals in 2018

Core SDGs for Statkraft

1. CLIMATE ACTION
Take urgent action to combat climate change and its impacts

7. AFFORDABLE AND CLEAN ENERGY
Ensure access to affordable, reliable, sustainable and modern energy for all

Achievements in 2018

61.7 Twh power production and 1.1 Twh district heating. 98% of power generation in 2018 was renewable. Additional 865 MW renewable energy is under development.

Initiative of extending access to affordable and clean energy to communities in disadvantaged regions. 8500 households have been given access to electricity as a result.

Example: Khimti Rural Electricity Cooperative in Nepal in connecting to the national grid.
<table>
<thead>
<tr>
<th>Other SDGs</th>
<th>Achievements in 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2. Zero hunger</strong>&lt;br&gt;End hunger, achieve food security and improved nutrition and promote sustainable agriculture</td>
<td><strong>Initiatives</strong> in place to collaborate with local communities to improve <strong>food security</strong> and ongoing programmes to <strong>restore livelihoods</strong> impacted by the company’s projects</td>
</tr>
<tr>
<td><strong>5. Gender equality</strong>&lt;br&gt;Achieve gender equality and empower all women and girls</td>
<td><strong>Statkraft invests</strong> specifically in <strong>gender empowerment activities</strong> in communities affected by the company’s projects. Examples in Peru, Chile, Nepal and India aiming at promoting women’s economic activities, education and institutional capacity building.</td>
</tr>
<tr>
<td><strong>8. Decent work and economic growth</strong>&lt;br&gt;Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</td>
<td>In 2018 <strong>social development programmes</strong> were <strong>implemented</strong> in project communities in Peru, Brazil and India. The programmes are primarily focused on <strong>agriculture</strong>, improved <strong>market access</strong> and <strong>skills training</strong>.</td>
</tr>
</tbody>
</table>
Extensive information in Annual Reporting

2018
Report from Board of Directors

- Strategy
- Financial performance
- Segments
- Risk Management

2018
Corporate responsibility

- Management of Corporate responsibility
- Statkraft’s contribution
- Social, Environmental and Economic disclosures
- Independent auditor’s report

2018
Corporate Governance

- Distribution of roles between owner, board and management
- Risk management and control
Health and safety

- **Caring for people** is at the core of Statkraft’s culture
- A **safe, secure** and **healthy** working environment is paramount and this applies wherever we are
- We work continuously to improve our performance towards our **vision of zero injuries**
- Implementation of an **HSSE improvement programme**
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Financial results

<table>
<thead>
<tr>
<th>NOK million</th>
<th>The year 2018</th>
<th>The year 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit/loss (EBIT) underlying</td>
<td>14 953</td>
<td>10 824</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>20 649</td>
<td>15 668</td>
</tr>
<tr>
<td>Net profit</td>
<td>13 390</td>
<td>11 710</td>
</tr>
</tbody>
</table>

- Record high underlying EBIT of NOK 15 billion
- Solid net profit of NOK 13.4 billion
- Dividend of NOK 8.4 billion
Financial performance (ROACE)

- Improvement in underlying EBIT primarily driven by higher Nordic power prices
- Average capital employed stable through 2018
- ROACE significantly higher than target of >7%
Nordic reservoir water level below normal at year-end

Weather drier than normal

Nordic reservoir water level (total market) at 89% of median at the end of the year
Average Nordic system price 44 EUR/MWh, up 49% year-on-year

Main drivers was weaker hydrological balance and higher Continental prices
<table>
<thead>
<tr>
<th>Segment</th>
<th>2017 (NOK million)</th>
<th>2018 (NOK million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Flex</td>
<td>14,635</td>
<td>10,151</td>
</tr>
<tr>
<td>Market Operations</td>
<td>1,068</td>
<td>-303</td>
</tr>
<tr>
<td>International Power</td>
<td>1,162</td>
<td>1,382</td>
</tr>
<tr>
<td>Wind Power</td>
<td>234</td>
<td>738</td>
</tr>
<tr>
<td>District Heating</td>
<td>326</td>
<td>371</td>
</tr>
<tr>
<td>Industrial Ownership</td>
<td>1,944</td>
<td>2,041</td>
</tr>
</tbody>
</table>

Segments and underlying EBITDA

*Excluding gain/loss from acquisitions/divestments of business activities*
Capital expenditure in 2018

- Distribution of CAPEX:
  - 44% new capacity investments
  - 30% maintenance/other investments
  - 27% shareholdings

- New hydropower capacity under construction in Albania and wind power developments in Norway

- Maintenance primarily related to Nordic hydropower

- Shareholding investments mainly related to acquisitions in Brazil and Ireland/UK

- Ramping up investments after scale down last couple of years

Capex is excluding loans to equity accounted investments
Other includes District Heating, Market Operations and Other activities
Cash flow in 2018

- Strong cash flow driven by high Nordic power prices and divestments
- Dividend of NOK 6 billion and repaid debt of NOK 5.5 billion
- Solid cash position
Summary of financial results 2018

- Solid underlying performance in 2018
- Robust financial position
- Solid foundation for growth phase
- Investment plan with large degree of flexibility
Statkraft in 2025

Leading renewables company – enabling and managing own and customer’s production and consumption of renewable energy

- **Largest hydro power company in Europe** and **significant** player in **South America** and **India**
- **Major wind and solar developer** in Europe, **South America** and **India**
- Leading provider of **market solutions** for renewable energy for large customers in Europe, South America and India
- Top 3 player in **district heating** in Norway and Sweden
- Developed 1-2 sizable **new businesses** from the green transition with international footprint
THANK YOU

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