FINANCIAL RESULTS
Q1 2020

CEO Christian Rynning-Tønnesen
CFO Anne Harris
7 May 2020
Covid-19 pandemic

- The main priority is to take care of people and safeguard operations:
  - Implemented actions to reduce spread of the virus while delivering a reliable supply of power and heat

- Most projects are continuing, but three construction projects temporarily halted:
  - Tidong hydropower project in India
  - Los Lagos hydropower project in Chile
  - Windy Rig wind power project in Scotland

- Reduced electricity demand has put pressure on power prices
Health, safety and environment

› Health and safety
  - One fatal work-related accident in the quarter
  - No other serious work-related injuries in the quarter

› Environment
  - No serious environmental incidents in the quarter

TRI-rate\(^1\)

TRI rate (12 months rolling): Total recordable injuries per million hours worked
Highlights in Q1

- Low power prices
- Extraordinary strong results from Market Operations
- Underlying EBIT of NOK 4.1 billion
- Net result of NOK -1.9 billion after impairments and negative currency effects
Long-term contracts portfolio

- New industry power contract with Glencore Nikkelverk
  - Runs from 2021-2029
  - Annual volume of 90 GWh

- Annual average generation in the Nordics is 57 TWh
  - Nordic hedging portfolio of 18 TWh through 2020

- Hedging portfolio of 4 TWh through 2020 in International power

- Hedging strategy supplemented with financial instruments
Impairments

- Low fuel prices, a large power surplus and reduced demand due to the pandemic in the Nordic region are driving lower power prices.

- Changes in the energy market outlook has led to impairments:
  - Wind assets in Fosen, Norway impaired by NOK 1263 million
  - Wind assets in Norrland, Sweden impaired by NOK 1288 million
Financial performance

- 12 months rolling ROACE of 12.8%
  - Lower underlying EBIT driven by lower Nordic power prices.
  - Average capital employed up 2% compared with year-end 2019.
## Outlook

### Changes in energy market
- Significant drop in energy demand and power prices
- Medium to long-term effects of Covid-19 pandemic uncertain

### Unique assets
- Europe's largest reservoir capacity and flexible power plants
- Long term revenue optimisation and replacing long-term bilateral contracts

### Solid competitive position
- Solid financial position
- Strong cost position in European hydropower
- Flexible investment programme

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

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Q1 2020</th>
<th>Q1 2019</th>
<th>The year 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating revenues and other income underlying</td>
<td>7 593</td>
<td>9 678</td>
<td>29 318</td>
</tr>
<tr>
<td>Operating profit (EBIT) underlying</td>
<td>4 090</td>
<td>6 762</td>
<td>16 744</td>
</tr>
<tr>
<td>Net profit/loss</td>
<td>-1 888</td>
<td>4 752</td>
<td>11 327</td>
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- Nordic prices measured in EUR down 67% Q-on-Q
- Overall generation up 10% Q-on-Q
- Negative currency effects and impairments affecting net profit
Price drivers and the German power market

Q1 2020 vs. Q1 2019

- Coal price significantly down
- Gas price significantly down
- CO₂ price fairly stable
- German power price (base) down 35%
Reservoir levels above normal throughout Q1

Nordic reservoir level (total market) at 120% of median at the end of March
Nordic system price, monthly average

- Nordic power prices 15.4 EUR/MWh, down 67% Q1 2020 vs. Q1 2019
Energy management

Q1 generation up 10% Q-on-Q

<table>
<thead>
<tr>
<th>Technology</th>
<th>TWh</th>
<th>Change in TWh</th>
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<tbody>
<tr>
<td>Hydropower</td>
<td>15.6</td>
<td>1.0</td>
</tr>
<tr>
<td>Wind power</td>
<td>1.4</td>
<td>0.5</td>
</tr>
<tr>
<td>Gas power</td>
<td>0.7</td>
<td>0.2</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><strong>17.7</strong></td>
<td><strong>1.7</strong></td>
</tr>
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Smøla wind farm, Norway
NOK 4.1 billion in underlying EBIT

- Underlying EBIT down NOK 2672 million Q-on-Q
  - Net operating revenues and other income down NOK 2085 million
  - Operating expenses up NOK 586 million
Financial items

Breakdown Net financial items Q1 2020

NOK million

- Interest income: 78
- Interest expenses: -145
- Currency gains and losses: -5,715
- Other financial items: -165
- Net financial items Q1 2020: -5,947
Q1 net profit breakdown

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<td>-1 048</td>
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- **Q1 2020 Operating profit (EBIT) underlying**: 4 090 million NOK
- **Unrealised value changes from energy derivatives**: 2 853 million NOK
- **Impairments**: -2 558 million NOK
- **Share of profit/loss in equity accounted investments**: 722 million NOK
- **Net financial items**: -5 947 million NOK
- **Tax**: -1 048 million NOK
- **Q1 2020 Net profit/loss**: -1 888 million NOK

**Net profit breakdown for Q1 2020**
Q1 segment EBIT underlying

NOK million

- European flexible generation: 4,428 (Q1 2019), 2,893 (Q1 2020)
- Market operations: 1,078 (Q1 2019), 1,313 (Q1 2020)
- International power: 198 (Q1 2019), 133 (Q1 2020)
- European wind and solar: 291 (Q1 2019), 53 (Q1 2020)
- District heating: 137 (Q1 2019), 53 (Q1 2020)
- Industrial ownership: 613 (Q1 2019), 219 (Q1 2020)
Q1 2020 capital expenditure

- Distribution of CAPEX in the quarter:
  - 49% new capacity investments
  - 46% maintenance/other investments
  - 5% shareholdings
- New hydropower capacity under construction in India, Albania and Chile
- Wind power in the UK and Norway
- Maintenance primarily related to Nordic hydropower

Excluding loans to equity accounted investments
Other includes District heating, Market operations and Other activities
Cash flow and financial position

- NOK 26 billion in net interest-bearing debt (NOK 16 billion end of 2019)
- Net interest-bearing debt-equity 20%
- Current ratings provide a framework for our investments going forward
Summary

- Strong performance from Market operations
- Satisfactory underlying operating profit in spite of low power prices
- Robust financial position
- Investment plan with large degree of flexibility that will be adapted to the market development
THANK YOU

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