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# Statkraft AS

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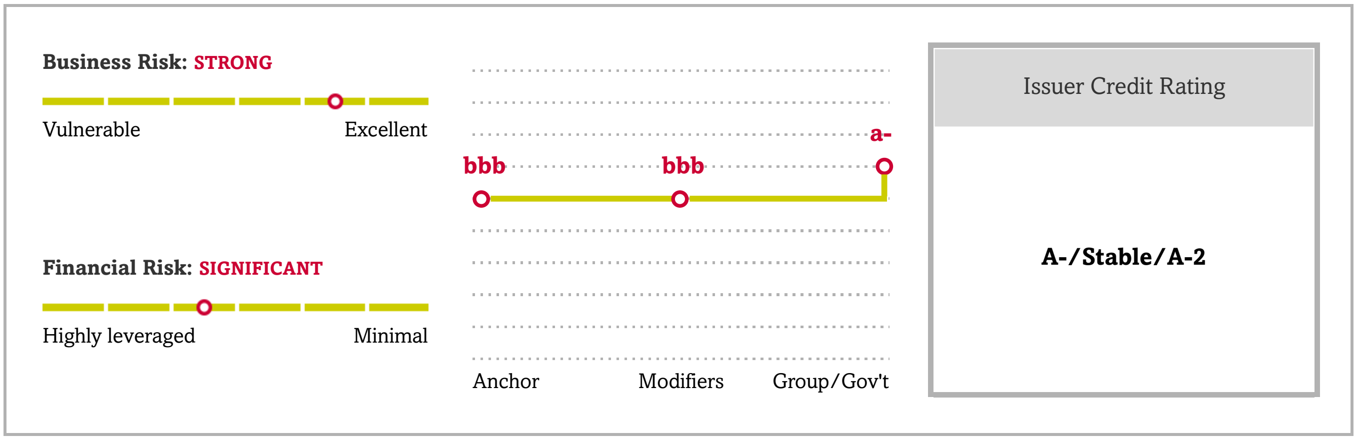
# Statkraft AS




## Credit Highlights

### Overview

| Key strengths | Key risks |
|---|---|
| Highly competitive, low-cost, and flexible hydropower production contributes about 90% of total EBITDA on average. | Because 65%-70% of Statkraft's Nordic generation is not fully hedged, it is highly exposed to the volatile Nord Pool power prices. |
| Statkraft is Europe's largest hydro generator and has large reservoirs and secured long-term revenue. About 35% of its generation is supported by long-term contracts with fixed electricity prices. | The recent and planned investments in Brazil, Peru, Chile, India, Turkey, and Albania have increased its exposure to emerging markets. |
| We expect ample headroom in credit metrics in 2021 and 2023 with FFO to debt temporarily at above 80% in 2021 and then declining toward 40% in 2022 and 2023. | The company has heavy exposure to the hydrological balance in the Nordic region, which has a strong influence on power prices. Abnormal high levels resulted in EBITDA falling 50% in 2020. |
| Two notches of uplift in the rating stem from supportive ownership by the government of Norway. | |

***S&P Global Ratings expects the material recovery in power prices in 2021 to continue beyond 2023.*** Given increasing commodity prices, continued recovery in demand in 2021, and no signs of solving Nordic transmission capacity, we believe prices will increase to or above 2019 levels at about €40 per megawatt-hour (/MWh) during 2021 and then prices close to €30-$40/MWh on average in 2022-2023. In our view, weather factors are the main factors in Nordic electricity prices, as demand volatility is to a large extent driven by temperature. Supply is mainly determined by precipitation and hydrological levels, but as wind power capacity increases, wind conditions are becoming a more relevant factor. We expect Statkraft AS to benefit from current prices, resulting in significant improved cash flow in 2021 with funds from operations (FFO) of Norwegian krone (NOK) 18 billion-NOK20 billion, up from NOK6 billion in 2020. As a result, Statkraft's metrics are likely to be exceptionally strong, with FFO to debt well above the rating threshold. By end of 2021, we expect FFO to debt to be 80%-90%, but to drop to 40% by end of 2022 because of high investments together with tax and dividends based on prior-year earnings, which have a cash flow effect the following year.

***Exposure to hydropower and low hedge levels fuel Statkraft's volatility.*** The company has hedged about 35% of its electricity generations, mainly via industrial long term contracts, which is less than peers such as Vattenfall and Fortum, whose hedge levels typically are at about 70% and 80%, respectively. This makes Statkraft more exposed to market prices, and earnings and cash flow become more volatile. For 2021, conditions are very favorable, with prices above €40/MWh on average, which we expect will result in a strong rebound of earnings in 2020 because the company's cash cost for its hydro production is close to €8/MWh. One of the main differences with peers is that Statkraft's generation portfolio mainly consists of low-cost hydro. Hydro represent about 75% of installed capacity, and 85% of total generation at 55.7 terawatt-hours (TWh) in 2020, out of the total 65.4 TWh. We understand that the company's low cost hydro production, in the Nordics are very flexible, meaning that it can produce more when prices are favorable, and less when it's not as long as critical levels are not reached in the reservoirs. Current market conditions have changed from the same period last year, when prices were very low. We expect the price volatility to continue, which will have a direct effect on Statkraft's cash flows and could temporarily have a negative effect. Nevertheless, we view positively its flexible low-cost hydro assets in the Nordics and assess the group's business risk as strong. This comes as the company has Europe's largest portfolio of flexible hydropower plants and reservoir capacity, and its Nordic low-cost hydro asset portfolio with only marginal operating costs and low maintenance costs are a key factor in our assessment. In addition, the generation asset portfolio mainly consists of renewable generation, and therefore has minimal exposure toward carbon dioxide emissions or other commodity prices. We also consider hydro production very stable and reliable in the Nordics, and very seldomly has its experienced droughts. All in all, about 95% of all electrical power in Norway is from hydro.

***Statkraft investment plans are ambitious, totaling up to NOK13 billion annually on average during 2021-2025 and resulting in a modest debt increase.*** The company's strategy includes a target to grow its production capacity by 9 gigawatts (GW) by 2025, from about 19 GW at end-2020. Statkraft is working to achieve this by growing its onshore wind (6 GW) wind and solar capacity (2 GW). We do not expect the company to invest in offshore wind during this period, and foresee that investments into hydrogen to be limited. We expect the company to reach its target in the coming years, and assume annual capital expenditure (capex) of NOK9 billion-NOK10 billion. Statkraft's capex program focuses on diversifying both its power generation mix and geographical base. About one-third of investment until 2023 is planned in the Nordics, and one-third each in the rest of Europe and South America and India. Of gross investments, the European share is even higher, because divesting developed wind and solar projects will recycle significant capital. The investment program will be financed through retained earnings from operations, external financing, and divestments of completed solar and wind projects to financial investors. We understand the investment program has a large degree of flexibility and will be adapted to the company's financial capacity, rating target and market opportunities. The higher capex will increase debt only moderately, to about NOK30 billion by end-2023 compared with NOK25 billion at end-2020, but are not likely to have any meaningful impact on credit ratios because we expect cash flow to increase with investment in new renewable generation.

***Our rating on Statkraft factors in two notches of uplift for extraordinary government support.*** The group is 100% owned by Norway (AAA/Stable/A-1+). We see the risk of privatization as remote, given that the government stipulates that, by law, its hydropower assets should remain at least two-thirds publicly owned.

**Outlook: Stable**

The stable outlook reflects our assumption that cash flow from Statkraft's hydropower segment will recover significantly in 2021 of electricity prices of about €40/MWh and about €30/MWh in 2022-2023. The outlook also signifies that we anticipate new investment will be close to NOK10 billion annually in the coming three years. Thanks to increasing electricity prices and the company's relatively low debt levels, We expect ample headroom against our FFO to debt threshold, with FFO to debt of 80%-90% during 2021, then dropping to 30%-40% in 2022-2023. We also expect the utility's relationship with the Norwegian government to be stable.

### Downside scenario

We could lower the ratings if Statkraft's FFO to debt deteriorates below 20% without signs of recovery. This could follow further electricity price decreases or debt-funded investments. We could also lower the rating if the business risk profile comes under strain--for example, if it makes significant investment in areas with higher risks. We could also lower the rating if our assessment of government support changes, although we view this as very unlikely.

### Upside scenario

Prospects for a higher rating are constrained by the company's capex program and lack of clarity regarding investments, including the long-term impact on Statkraft's financial ratios.

## Our Base-Case Scenario

### Assumptions

- The Norwegian economy to begin recovering in 2021, with real GDP growth of 3.2% in 2021, then averaging 2.5% over 2022-2024.
- Power prices in the Nordics to recover significantly from 2020's extremely low levels. We expect, on average, €35-€40/MWh in 2021 and €30-€35 in 2022-2023.
- EBITDA margins improve to 50%-55% for 2021-2023 from 38% in 2020 as power prices recover.
- Hydro generation tax in Norway are payed the following year.
- Expected generation hedged of about 35% in 2021-2022.
- European hydro activities to generate about 50 TWh during 2021, and close to 48 TWh in 2022 and 2023.
- Wind and solar power to generate 4.0-4.5 TWh annually from 2021-2023.
- Capex of NOK10 billion-NOK11 billion in 2021, and about NOK9 billion annually in 2022 and 2023.
- Dividends in line with policy, distributing 85% of profit from the Norwegian hydropower business and 25% of profit from other business activities . Dividends of NOK3.5 billion in 2021 and NOK6 billion-NOK7 billion in 2022

### Key metrics

| Statkraft AS--Key Metrics | 2019a | 2020a | 2021e | 2022e | 2023e |
|---|---|---|---|---|---|
| EBITDA (bil. NOK) | 20.0 | 13.1 | 21-24 | 15-18 | 14-17 |
| FFO (bil. NOK) | 12.1 | 6.4 | 17-19 | 7-9 | 8-10 |
| Debt (bil. NOK) | 17.4 | 24.9 | 18-20 | 23-26 | 27-30 |
| FFO to debt (%) | 69.5 | 25.6 | 80-90 | 30-40 | 30-40 |
| Debt to EBITDA (x) | 0.9 | 1.9 | 0.5-1.0 | 1.0-2.0 | 1.0-2.0 |

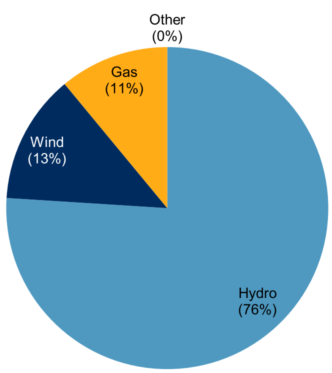
a--Actual. e--Estimate. FFO--Funds from operations. NOK--Norwegian krone.

## Company Description

Norwegian-based Statkraft is the largest renewable energy producer from hydro in Europe, with about 65.4 TWh of generation in 2020. Most of the company's generation stems from its hydro plants in Norway and Sweden, representing about 76% of installed capacity (see chart 1). Its total installed capacity at about 19 Gigawatt in 2020 generated about 65.4 TWh, with reporting EBITDA of about €1.1 billion. Its EBITDA stems from power generation, with the vast majority from its hydro production in Norway, but also to a large extent from market operations, including trading and risk optimization, origination, and market access for smaller generators. About 90% of EBITDA stems from its Nordic activities. Other generation sources are onshore wind, solar, and district heating (see chart 2). Statkraft is present in other markets: Nordic countries other than Norway, the rest of Europe, South America, India, and Nepal. The company's ambition is to expand its renewable portfolio in Europe, South America, and India by investing up to NOK13 billion a year until 2025. About two-thirds of planed investment is for Europe, with more than a third of the European investment expected in Norway.

**Chart 1**

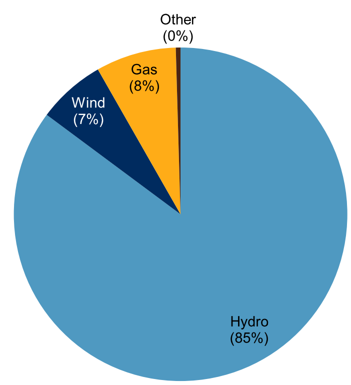
**Statkraft's Installed Capacity**
Production split in 2020




Source: S&P Global Ratings.


**Chart 2**

**Hydro Generation Dominates Output**
Production in 2020




Source: S&P Global Ratings.

## Peer Comparison

**Table 1**

**Statkraft AS--Peer Comparison**

**Industry sector: Infrastructure**

| | Statkraft AS | Fortum Oyj | Vattenfall AB | Orsted A/S |
|---|---|---|---|---|
| Ratings as of July 23, 2021 | A-/Stable/A-2 | BBB/Stable/A-2 | BBB+/Stable/A-2 | BBB+/Stable/A-2 |
| | **--Fiscal year ended Dec. 31, 2020--** | | | |
| **(Mil. NOK)** | | | | |
| Revenue | 34,560 | 513,918 | 165,780 | 74,094 |
| EBITDA | 13,148 | 30,983 | 43,444 | 24,319 |
| Funds from operations (FFO) | 6,377 | 26,003 | 37,985 | 18,816 |
| Interest expense | 325 | 2,894 | 3,792 | 4,948 |
| Cash interest paid | 509 | 2,181 | 2,621 | 3,929 |
| Cash flow from operations | 11,414 | 26,789 | 43,592 | 22,218 |
| Capital expenditure | 7,535 | 11,544 | 22,129 | 37,339 |
| Free operating cash flow (FOCF) | 3,879 | 15,245 | 21,462 | (15,121) |
| Discretionary cash flow (DCF) | (2,621) | 3,324 | 15,561 | (22,267) |
| Cash and short-term investments | 11,730 | 24,199 | 58,676 | 42,069 |
| Debt | 24,916 | 103,570 | 121,081 | 34,485 |
| Equity | 98,028 | 163,323 | 126,118 | 127,778 |
| **Adjusted ratios** | | | | |
| EBITDA margin (%) | 38.0 | 6.0 | 26.2 | 32.8 |
| Return on capital (%) | 7.9 | 11.1 | 9.9 | 8.8 |
| EBITDA interest coverage (x) | 40.5 | 10.7 | 11.5 | 4.9 |
| FFO cash interest coverage (x) | 13.5 | 12.9 | 15.5 | 5.8 |
| Debt/EBITDA (x) | 1.9 | 3.3 | 2.8 | 1.4 |
| FFO/debt (%) | 25.6 | 25.1 | 31.4 | 54.6 |
| Cash flow from operations/debt (%) | 45.8 | 25.9 | 36.0 | 64.4 |
| FOCF/debt (%) | 15.6 | 14.7 | 17.7 | (43.8) |
| DCF/debt (%) | (10.5) | 3.2 | 12.9 | (64.6) |

NOK--Norwegian krone.

In our view, Statkraft has a stronger business risk profile than Orsted and Fortum, and a similar one to Vattenfall. Orsted's business risk profile factors in the significant construction risk inherent to the offshore wind industry, despite its strong track record as a wind farm developer, with projects on time and within budget. Vattenfall offers regulated activities such as distribution and district heating. Statkraft has a competitive advantage over Fortum--its very low carbon dioxide emission and flexible Nordic hydropower assets put its production low on the merit order (meaning the electricity sold by Statkraft is competitive compared with that of other generators in the market, even when market prices are low).

## Business Risk: Strong

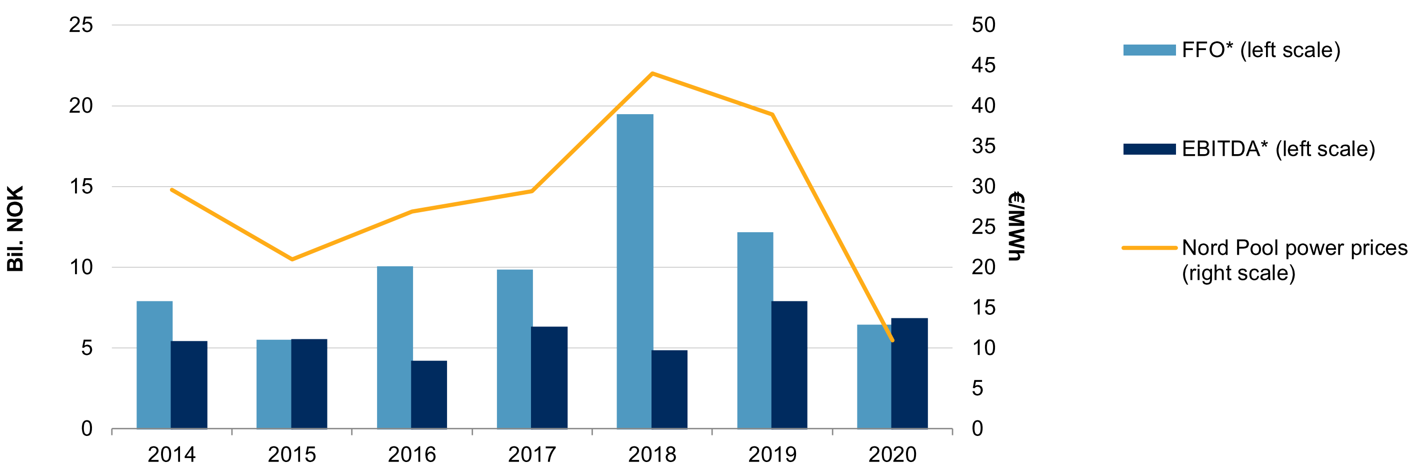
As the third-largest power generation company in the Nordic region and Europe's largest hydro generator, Statkraft's output is proven and stable, with a very high level of operational efficiency. Its flexible hydropower production is highly competitive and has a very low cash cost close to €8/MWh, with limited maintenance costs. This is a key credit strength, placing it far down on the merit order. This was demonstrated under 2020, when, despite record low prices of €11/MWh, Statkraft generated an underlying EBITDA at NOK10.7 billion. Other generators with large merchant exposure in the region and less favorable cost positions recorded EBITDA losses.

Statkraft's large water reservoir capacity, which is also Europe's largest at about 55 TWh, gives the group comparatively high flexibility, although it can lead to volatility based on hydro levels being high or low. Statkraft's hydro generation contributed about 85% of total generation in 2020.

A material recovery is seen in Nord Pool power prices in 2021, from historical lows in early 2020 and affected cash flows in the power generation business (see chart 3). Nordic system spot prices have on average been at about €42/MWh this year, compared with an average of about €11/MWh during 2020, roughly 70% lower than the €39/MWh average in 2019. We expect power prices to remain volatile through 2023, as more intermittent wind capacity been added and nuclear power production closes in the region.

**Chart 3**

**Statkraft's Earnings Correlate With Nord Pool Power Prices**



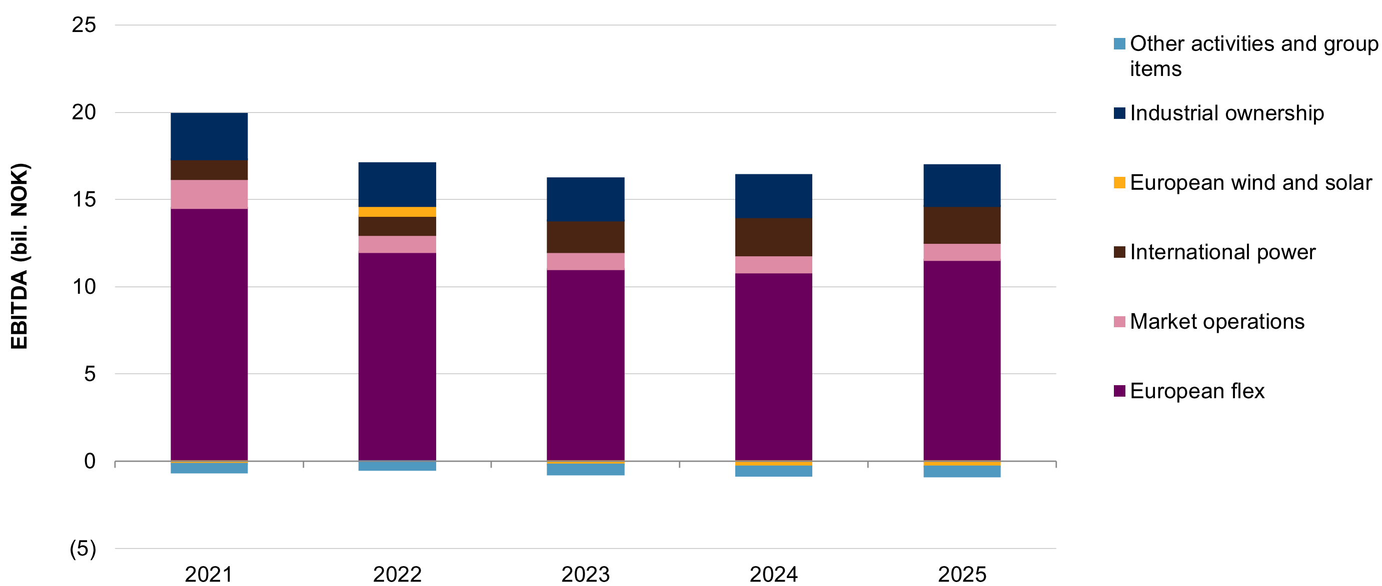

*S&P Global Ratings-adjusted. NOK--Norwegian krone. FFO--Funds from operations.
MWh--Megawatt-hour. Source: S&P Global Ratings.


Statkraft has communicated that it will invest heavily in onshore wind and solar in Europe, South America, and India. We expect it to take on a developer role in these areas. Most operational wind and solar are likely to be hedged, with long-term contracts at fixed prices. We don't foresee that the company would make significant investment in offshore wind projects or hydrogen before 2023.

We do not expect Statkraft's investment strategy to result in any major shift in contribution of revenue by geography or generation type, as the build-up of capacity outside Norway will be farmed down. At the end of 2020, Nordic operations contributed 85%-90% of total revenue. Although the contribution from other regions is likely to increase, we expect Nordic operations to constitute well over 70% of EBITDA at end-2021(see chart 4).

**Chart 4**

**Nordic Hydro Remains The Core Contributor To EBITDA**




NOK--Norwegian krone. Source: S&P Global Ratings.



## Financial Risk: Significant

In our base-case scenario, we assume credit metrics commensurate with a significant financial risk profile, including FFO to debt above 20% over our two-year outlook horizon. Nevertheless, we expect material swings in the ratio, as has been the case in recent years. This follows Statkraft's relative large merchant exposure, and volatile power prices combined with a lag in tax payments (current-year tax payments are based on the previous year's earnings).

We view the company as very committed to maintain FFO to debt above 20% on average, which it has done before, taking protective measures such as divesting assets to maintain the rating.

Statkraft's ambition is to ramp up its wind and solar development, planning to invest up to NOK13 billion a year until 2023. In our base-case scenario, we expect annual investments over the next three years to average about NOK9 billion-NOK10 billion. The company has substantial flexibility in capex and assets disposal.

Under Statkraft's dividend policy, Statkraft distributed about NOK3.5 billion in 2021, and it is likely to distribute NOK6.0 billion-NOK7.0 billion in 2022. Its policy is to pay dividends equivalent to 85% of its profit from Norwegian hydropower business and 25% from other business activities.

About 75% of external debt are denominated in euros, but we understand that majority of its debt is currency-hedged, so the currency risk low. The majority of its revenue is in euros and krone.

## Financial summary

**Table 2**

| Statkraft AS--Financial Summary | | | | | |
|---|---|---|---|---|---|
| **Industry sector: Infrastructure** | | | | | |
| | **--Fiscal year ended Dec. 31--** | | | | |
| | **2020** | **2019** | **2018** | **2017** | **2016** |
| **(Mil. NOK)** | | | | | |
| Revenue | 34,560 | 44,217 | 57,930 | 52,103 | 50,513 |
| EBITDA | 13,148 | 19,975 | 24,224 | 16,034 | 14,126 |
| Funds from operations (FFO) | 6,377 | 12,117 | 19,426 | 9,796 | 9,981 |
| Interest expense | 325 | 647 | 1,151 | 1,434 | 1,572 |
| Cash interest paid | 509 | 958 | 1,193 | 1,395 | 1,581 |
| Cash flow from operations | 11,414 | 11,443 | 14,642 | 7,954 | 8,291 |
| Capital expenditure | 7,535 | 5,781 | 4,703 | 3,496 | 5,192 |
| Free operating cash flow (FOCF) | 3,879 | 5,662 | 9,939 | 4,458 | 3,099 |
| Discretionary cash flow (DCF) | (2,621) | (2,887) | 3,846 | 2,406 | 2,873 |
| Cash and short-term investments | 11,730 | 16,637 | 23,718 | 15,065 | 7,791 |
| Gross available cash | 11,730 | 16,637 | 23,718 | 15,065 | 6,383 |
| Debt | 24,916 | 17,431 | 15,653 | 28,133 | 35,590 |
| Equity | 98,028 | 100,764 | 98,004 | 91,627 | 83,519 |
| **Adjusted ratios** | | | | | |
| EBITDA margin (%) | 38.0 | 45.2 | 41.8 | 30.8 | 28.0 |
| Return on capital (%) | 7.9 | 14.9 | 18.0 | 10.1 | 8.7 |
| EBITDA interest coverage (x) | 40.5 | 30.9 | 21.1 | 11.2 | 9.0 |
| FFO cash interest coverage (x) | 13.5 | 13.6 | 17.3 | 8.0 | 7.3 |
| Debt/EBITDA (x) | 1.9 | 0.9 | 0.6 | 1.8 | 2.5 |
| FFO/debt (%) | 25.6 | 69.5 | 124.1 | 34.8 | 28.0 |
| Cash flow from operations/debt (%) | 45.8 | 65.6 | 93.5 | 28.3 | 23.3 |
| FOCF/debt (%) | 15.6 | 32.5 | 63.5 | 15.8 | 8.7 |
| DCF/debt (%) | (10.5) | (16.6) | 24.6 | 8.6 | 8.1 |

NOK--Norwegian krone.

## Reconciliation

**Table 3**

**Statkraft AS--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. NOK)**

| | --Fiscal year ended Dec. 31, 2020-- | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Statkraft AS reported amounts** | | | | | | | | |
| | **Debt** | **Shareholders' equity** | **EBITDA** | **Operating income** | **Interest expense** | **S&P Global Ratings' adjusted EBITDA** | **Cash flow from operations** | **Capital expenditure** |
| Reported | 37,313.0 | 93,840.0 | 11,194.0 | 5,749.0 | 182.0 | 13,148.0 | 12,045.0 | 7,537.0 |
| **S&P Global Ratings' adjustments** | | | | | | | | |
| Cash taxes paid | -- | -- | -- | -- | -- | (6,262.0) | -- | -- |
| Cash interest paid | -- | -- | -- | -- | -- | (509.0) | -- | -- |
| Reported lease liabilities | 1,810.0 | -- | -- | -- | -- | -- | -- | -- |
| Postemployment benefit obligations/deferred compensation | 1,602.0 | -- | 47.0 | 47.0 | 30.0 | -- | -- | -- |
| Accessible cash and liquid investments | (11,730.0) | -- | -- | -- | -- | -- | -- | -- |
| Capitalized interest | -- | -- | -- | -- | 113.0 | -- | -- | -- |
| Capitalized development costs | -- | -- | (2.0) | (2.0) | -- | -- | (2.0) | (2.0) |
| Dividends received from equity investments | -- | -- | 597.0 | -- | -- | -- | -- | -- |
| Asset-retirement obligations | 653.6 | -- | -- | -- | -- | -- | -- | -- |
| Nonoperating income (expense) | -- | -- | -- | 1,032.0 | -- | -- | -- | -- |
| Reclassification of interest and dividend cash flows | -- | -- | -- | -- | -- | -- | (629.0) | -- |
| Noncontrolling interest/minority interest | -- | 4,188.0 | -- | -- | -- | -- | -- | -- |
| Debt: Other | (4,733.0) | -- | -- | -- | -- | -- | -- | -- |
| EBITDA: Business divestments | -- | -- | (119.0) | (119.0) | -- | -- | -- | -- |
| EBITDA: Other | -- | -- | 1,431.0 | 1,431.0 | -- | -- | -- | -- |
| Depreciation and amortization: Impairment charges (reversals) | -- | -- | -- | 1,379.0 | -- | -- | -- | -- |
| Total adjustments | (12,397.4) | 4,188.0 | 1,954.0 | 3,768.0 | 143.0 | (6,771.0) | (631.0) | (2.0) |
| **S&P Global Ratings' adjusted amounts** | | | | | | | | |
| | **Debt** | **Equity** | **EBITDA** | **EBIT** | **Interest expense** | **Funds from operations** | **Cash flow from operations** | **Capital expenditure** |
| Adjusted | 24,915.6 | 98,028.0 | 13,148.0 | 9,517.0 | 325.0 | 6,377.0 | 11,414.0 | 7,535.0 |

NOK--Norwegian krone

## Liquidity: Adequate

We assess Statkraft's liquidity position as strong. We expect that the group will maintain liquidity sources that exceed uses by about 1.8x over the next 12 months and 1.0x in the subsequent 12. We also assume that liquidity sources will exceed uses even if EBITDA were to decrease by 30% and understand that Statkraft's credit facilities are free from onerous financial covenants. We view the utility as having solid relationships with its banks and a high standing in credit markets, despite the COVID-19-related market turmoil. We expect the state ownership to further increases access to bank financing. All in all, we view risk management as prudent.

| Principal Liquidity Sources | Principal Liquidity Uses |
| --- | --- |
| According to our calculations, Statkraft's liquidity sources for the 12 months as of June 30, 2021, included:<br>• Available cash and marketable securities of about NOK10.6 billion<br>• Access to committed credit lines of about NOK9.2 billion maturing in 2023<br>• Forecast cash FFO of about NOK18 billion | Principal liquidity uses for the same period include:<br>• Reported debt due within one year of NOK3.5 billion<br>• Capex of NOK10.0 billion-NOK10.5 billion in 2021 and NOK.9 billion in 2022<br>• Dividends of NOK3.5 billion in 2021 and NOK6 billion-NOK7 billion in 2022 |

### Debt maturities

- 2021: NOK2.0 billion
- 2022: NOK9.1 billion
- 2023: NOK5.4 billion
- 2024: NOK0.2 billion
- 2025: NOK5.5 billion

**Environmental, Social, And Governance**

Given Statkraft's almost 100% renewable asset base and renewable growth plans, we do not consider exposure to cost uncertainty stemming from carbon pricing a risk. Although extreme weather conditions, such as long periods of warm and dry weather, could lead to lower hydro capacity and constrain revenue, we have not included them in our base-case forecast.

The company reported four serious injuries and three fatalities in 2020. We expect Statkraft will improve its safety precautions, making potential social risks a neutral factor. The company is exposed to potential governance risks related to its international expansion. Emerging markets represent less than 10% of Statkraft's EBITDA.

## Group Influence

We view Statkraft SF and Statkraft Energi AS as core entities within the Statkraft group. Statkraft SF is the parent company of Statkraft AS and has virtually no other assets outside of it. Therefore, we use Statkraft AS' consolidated numbers when assessing the group's financial risk profile. Statkraft Energi carries the group's core Nordic hydropower assets and is operationally and financially integrated with Statkraft AS. We also believe all three Statkraft entities would receive extraordinary government support in a financial stress scenario. We therefore assess the supported group credit profile at 'a-', two notches above Statkraft's SACP. We do not assign an SACP to either Statkraft SF or Statkraft Energi.

## Government Influence

Statkraft is 100% owned by Norway (AAA/Stable/A-1+). We assess that there is a moderately high likelihood that the Norwegian government would provide timely and sufficient extraordinary support to the company in the event of financial distress. The ratings benefit from two notches of uplift from the SACP, based on our assessment of Statkraft's:

- Important role for the government, in light of its vast domestic hydropower resources, which we view as highly strategic to Norway's power supply. Another strategic objective for Statkraft is to secure and develop the country's renewable energy sector; and
- Strong link with the government, based on full ownership and our belief that the risk of privatization is remote because the government stipulates that, by law, its hydropower assets should remain at least two-thirds publicly owned. Although the company's board of directors is formally independent, and management is relatively autonomous, we believe the government retains a strong influence on high-level strategic decision-making.

## Issue Ratings - Subordination Risk Analysis

### Capital structure

Statkraft's reported debt stood at NOK37.3 billion in December 2020. Essentially, all the debt is issued by the parent company, Statkraft AS.

### Analytical conclusions

The issue rating on Statkraft's senior unsecured debt is 'A-', in line with the issuer credit rating, because no significant elements of subordination risk are present in the capital structure.

## Ratings Score Snapshot

### Issuer Credit Rating

A-/Stable/A-2

### Business risk: Strong

- **Country risk:** Very low
- **Industry risk:** Moderately high
- **Competitive position:** Excellent

### Financial risk: Significant

- **Cash flow/leverage:** Significant

### Anchor: bbb

### Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

### Stand-alone credit profile : bbb

- **Related government rating:** AAA
- **Likelihood of government support:** Moderately high (+2 notches from SACP)

## Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019

- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
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## Business And Financial Risk Matrix

| | Financial Risk Profile | | | | | |
|---|---|---|---|---|---|---|
| **Business Risk Profile** | Minimal | Modest | Intermediate | **Significant** | Aggressive | Highly leveraged |
| Excellent | aaa/aa+ | aa | a+/a | a- | bbb | bbb-/bb+ |
| **Strong** | aa/aa- | a+/a | a-/bbb+ | **bbb** | bb+ | bb |
| Satisfactory | a/a- | bbb+ | bbb/bbb- | bbb-/bb+ | bb | b+ |
| Fair | bbb/bbb- | bbb- | bb+ | bb | bb- | b |
| Weak | bb+ | bb+ | bb | bb- | b+ | b/b- |
| Vulnerable | bb- | bb- | bb-/b+ | b+ | b | b- |

## Ratings Detail (As Of July 27, 2021)*

| | |
|---|---|
| **Statkraft AS** | |
| Issuer Credit Rating | A-/Stable/A-2 |
| Senior Unsecured | A- |
| **Issuer Credit Ratings History** | |
| 03-Jul-2017 | A-/Stable/A-2 |
| 26-Feb-2016 | A-/Negative/A-2 |
| 30-Nov-2010 | A-/Stable/A-2 |
| **Related Entities** | |
| **Statkraft Energi AS** | |
| Issuer Credit Rating | A-/Stable/A-2 |
| **Statkraft SF** | |
| Issuer Credit Rating | A-/Stable/A-2 |

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and

## Ratings Detail (As Of July 27, 2021)*(cont.)

debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.