

# STATKRAFT INVESTOR UPDATE

APRIL 2011



**Statkraft**  
PURE ENERGY

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# AGENDA

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1. Statkraft overview

2. Strategy and market dynamics

3. Financial update

4. Treasury

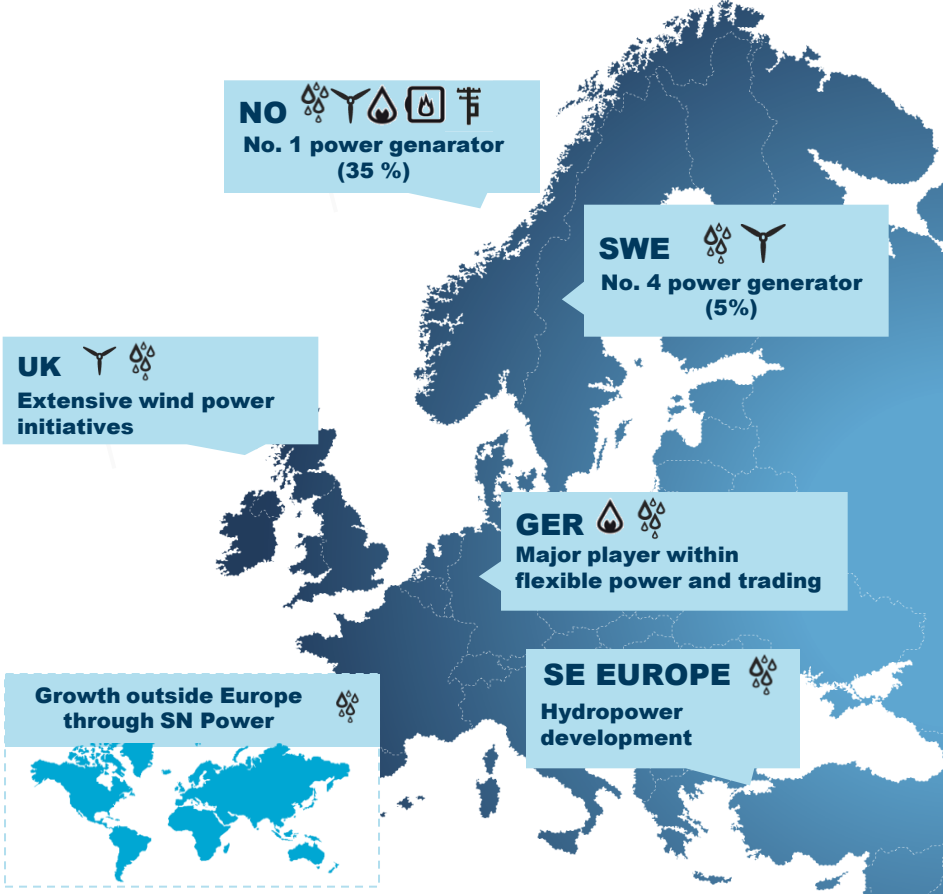
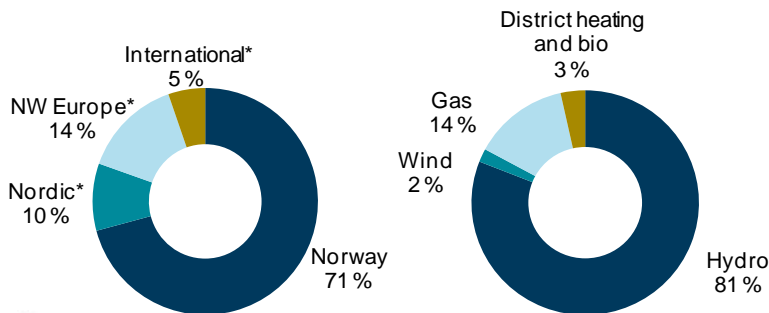
5. Outlook

Appendix

# STATKRAFT AT A GLANCE

<b>NO. 1</b>	IN RENEWABLES IN EUROPE
<b>NO. 3</b>	NORDIC POWER GENERATOR
<b>88%</b>	RENEWABLE ENERGY <sup>1</sup>
<b>95%</b>	FLEXIBLE POWER GENERATION <sup>2</sup>
<b>100%</b>	OWNED BY THE KINGDOM OF NORWAY
<b>4.17%</b>	STAKE IN E.ON AG <sup>3</sup>
<b>A-/Baa1</b>	S&P / MOODY'S CREDIT RATINGS

## Installed capacity (16.0 GW)



\*Nordic excl. Norway, NW Europe: Germany and UK, International: Turkey and outside Europe

<sup>1</sup> Share of actual power generation 2010  
<sup>2</sup> Share of installed capacity  
<sup>3</sup> EUR 2.0bn market value as of 28 Feb 2011

# COMPETITIVE ADVANTAGES

## Flexible power generation

### Flexible power generation

- ⇒ Peak supplier to Europe with high degree of flexibility (~56 TWh)
- ⇒ Europe's largest reservoir capacity (~40 TWh)
- ⇒ Unique information base following market share and experience

## Renewable energy

### Renewables

- ⇒ Europe's largest renewable energy producer<sup>1</sup>
- ⇒ 86 % of total installed capacity constituted by CO<sub>2</sub> – free energy sources
  - ⇒ Remaining capacity constitutes CO<sub>2</sub>-friendly power capacity
- ⇒ Current expansion within hydro and wind

## Flexible power generation



Gas

## Renewable energy



Hydro



Wind

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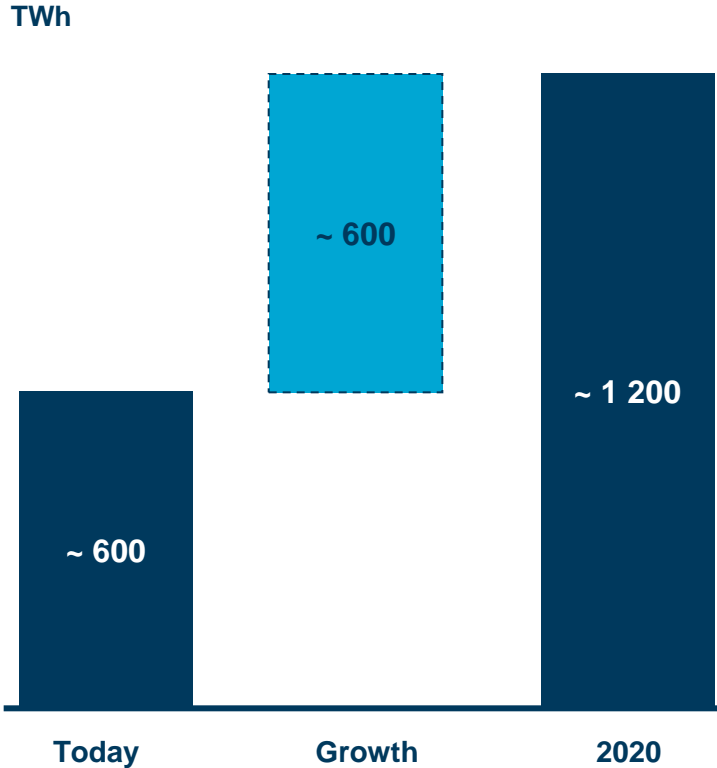
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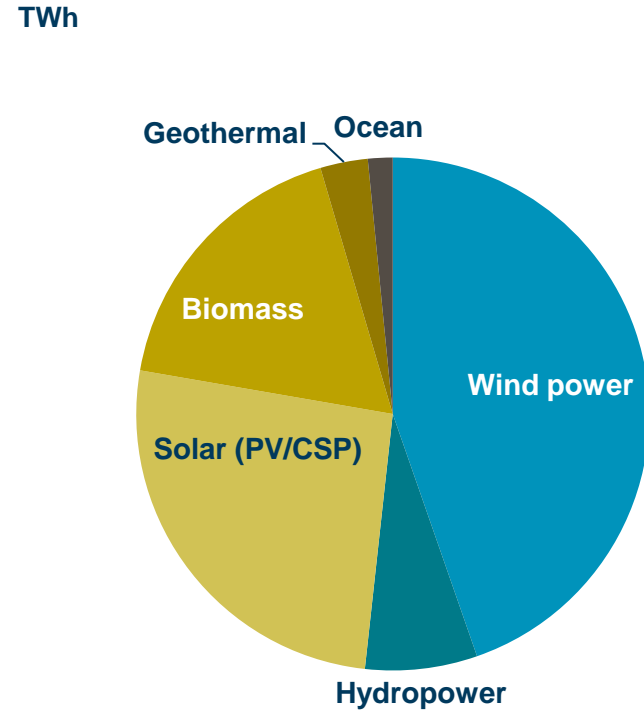
1. Statkraft overview
2. Strategy and market dynamics
3. Financial update
4. Treasury
5. Outlook
- Appendix

# RENEWABLE GROWTH OPPORTUNITIES

Renewables growth in Europe TWh (electricity)



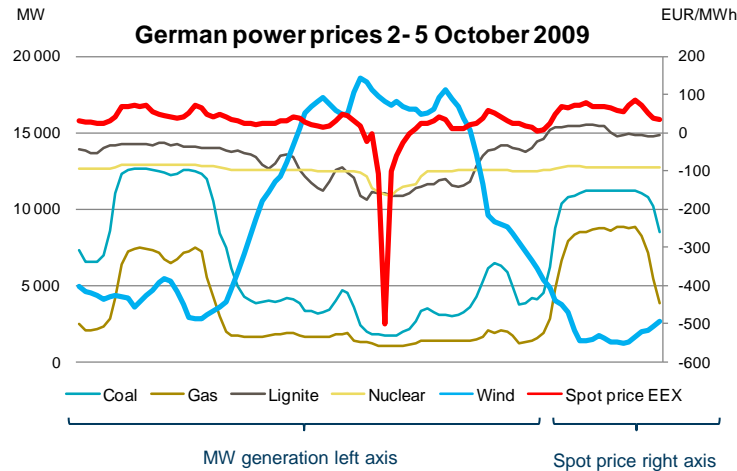
Growth in renewables in Europe towards 2020 (TWh)



# NEED FOR INCREASED FLEXIBILITY

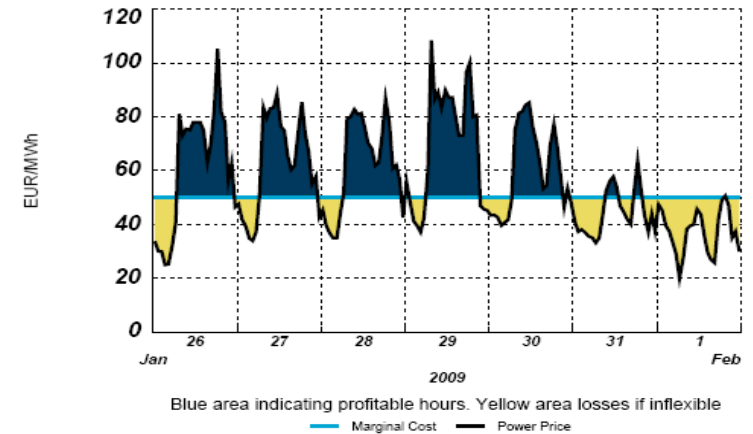
-> Inflexible renewable power requires flexible power sources to balance variable supply

## Need for increased flexibility



Example with negative prices on EEX due to high wind power output

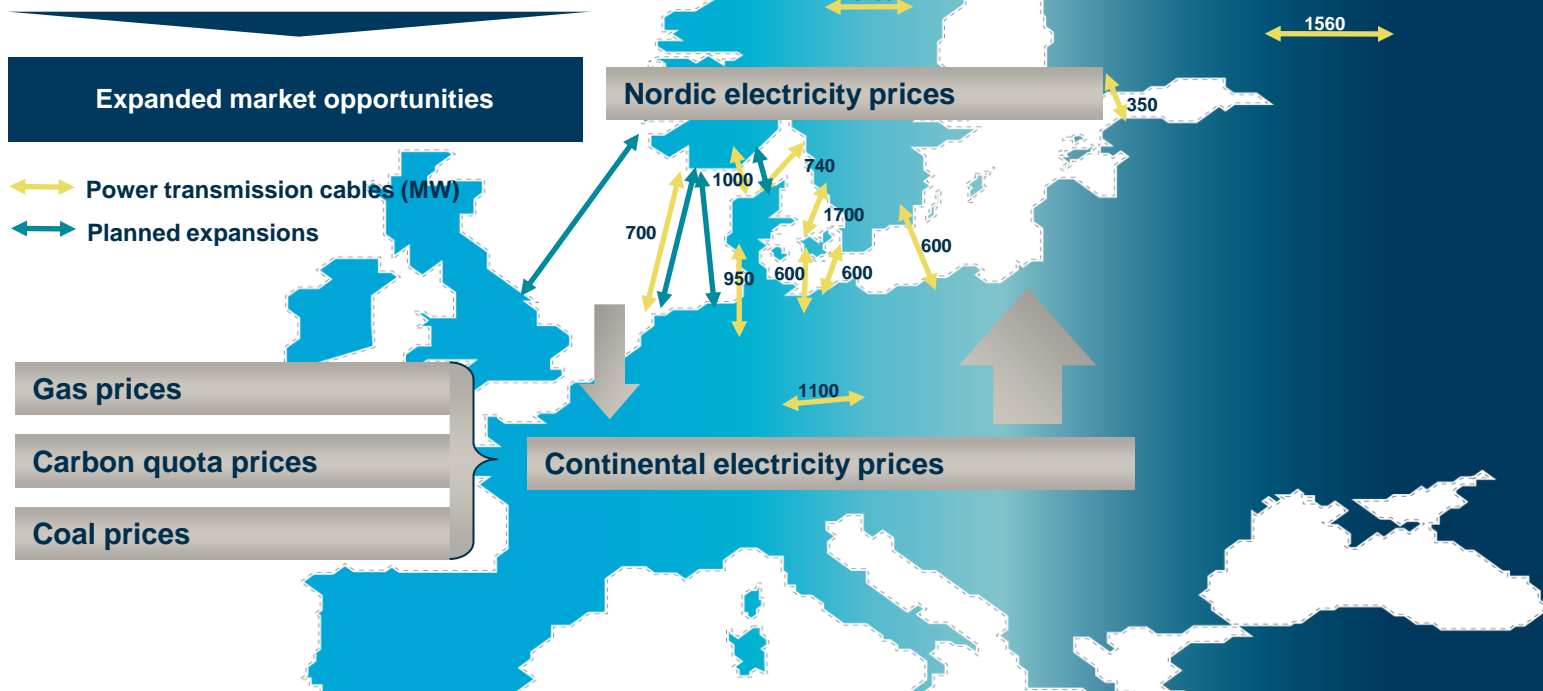
## Supplying variable demand



Illustrative cash flow pattern for CCGT plants

# INCREASED MARKET INTEGRATION

- > Expanding interconnection capacity
  - > 5400 MW planned within 2020
- > Increased market liberalization



# DELIVER GROWTH IN PURE ENERGY

## FOCUS AREAS



**Flexible European generation and market operations**



**International hydropower**



**Wind power**



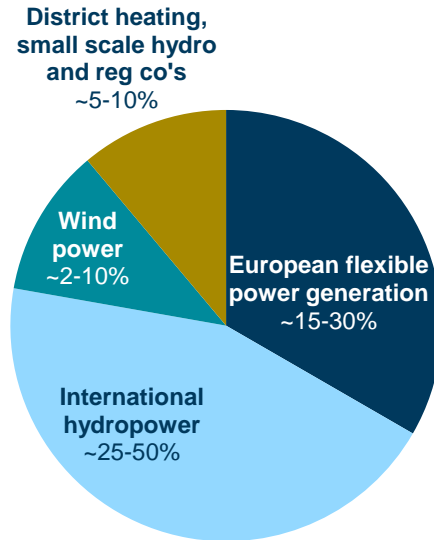
**District heating**



**Small scale hydro power**

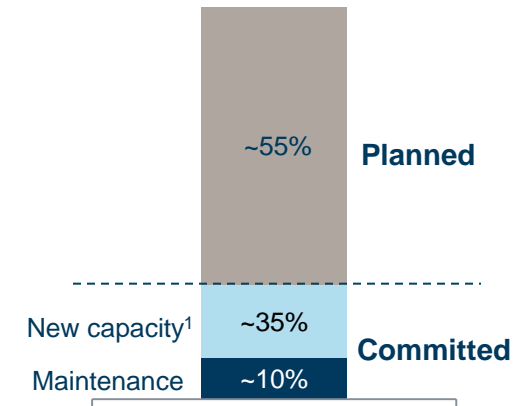
# CAPEX OVERVIEW

## Capex distribution



Lower range refers to committed share of total capex ambition, while upper range refers to planned share

## Capex flexibility



High capex flexibility to maintain credit strength

Capex ambition 2011-2015: NOK 70-80bn

<sup>1</sup> Investments approved by the board

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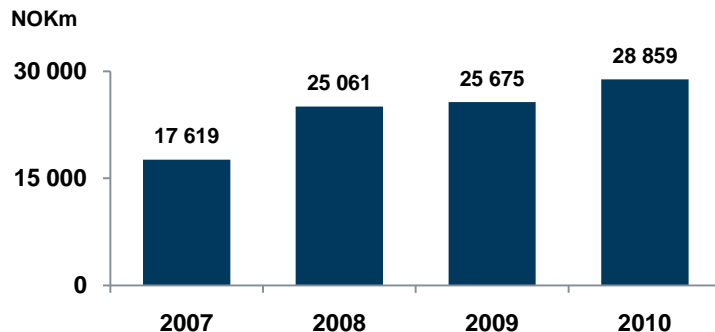
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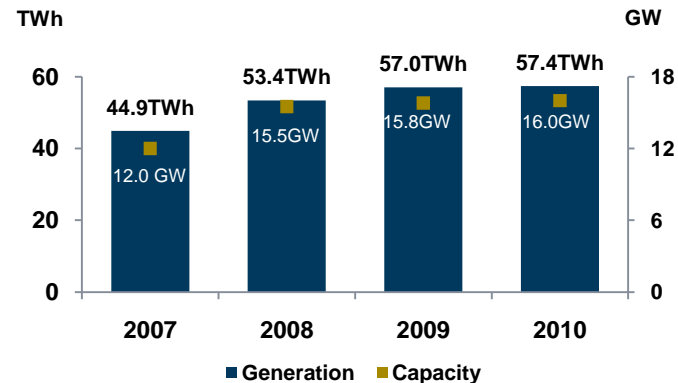
1. Statkraft overview
2. Strategy and market dynamics
3. Financial update
4. Treasury
5. Outlook
6. Appendix

# FINANCIAL DEVELOPMENT

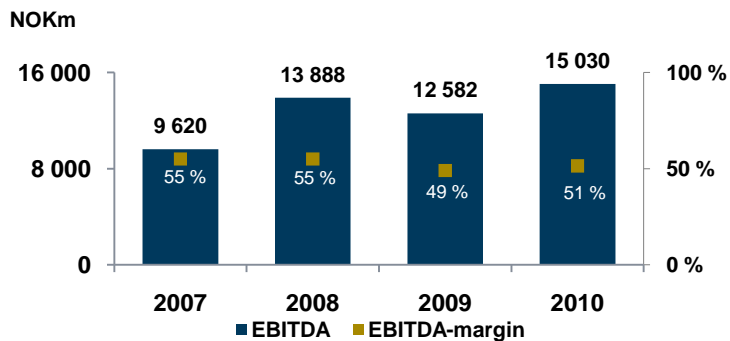
## Underlying gross revenues<sup>1</sup>



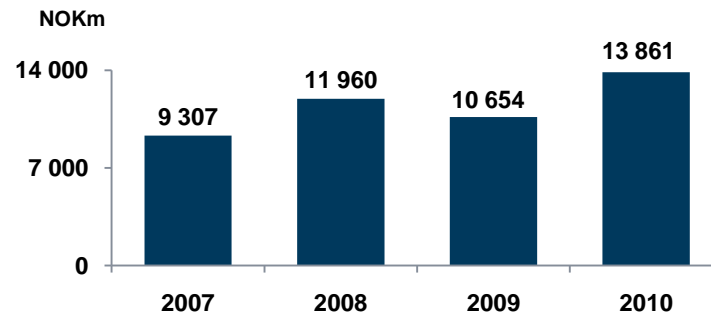
## Power generation and installed capacity



## Underlying EBITDA<sup>1</sup>



## Underlying Pre-tax Profit<sup>1</sup>

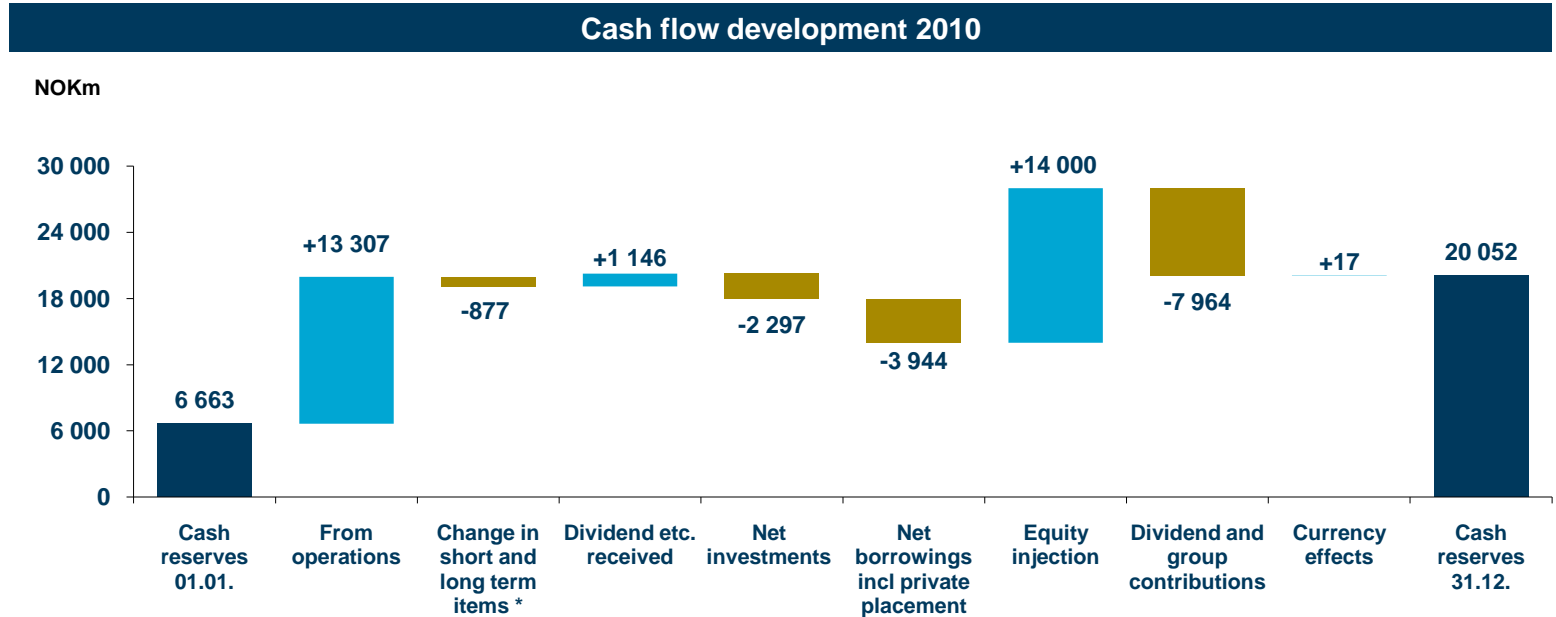


# UNDERLYING OPERATIONS

NOKm	FY2010	FY 2009	Change
Gross operating revenues <sup>1</sup>	28 859	25 675	+12%
Adjusted EBITDA <sup>1</sup>	15 030	12 582	+19%
Adjusted EBIT <sup>1</sup>	12 487	9 947	+26%
Adjusted pre-tax profit <sup>1</sup>	13 861	10 654	+30%
Net cash flow from operating activities	13 171	12 714	+4%
Gross investments	3 740	4 490	-17%
Interest-bearing debt	40 486	45 660	-11%
Adjusted ROACE before tax <sup>1</sup>	19.5%	15.2%	+4.3

<sup>1</sup> Adjusted for material non-recurring items and unrealised changes in value

# CASH FLOW 2010

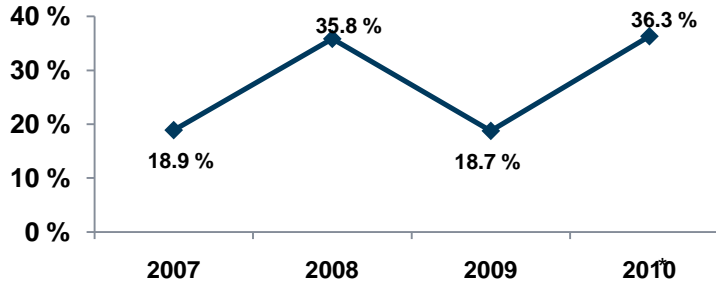


- > Cash flow from operations up 7% to NOK 13 577m (NOK 12 714m)
- > Gross investments of NOK 3 740m (NOK 4 490m)
- > Equity injection of NOK 14bn from owner

- Cash collateral: NOKm -448
- Working capital: NOKm -49
- Currency effects: NOKm -881

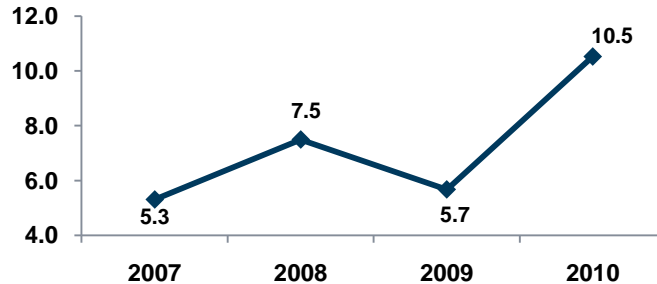
# FINANCIAL STRENGTH AND RATING

## FFO/Debt



FFO of NOK 14 705m in 2010 (NOK 8 559m)

## FFO interest coverage



## Current ratings



A-/Stable



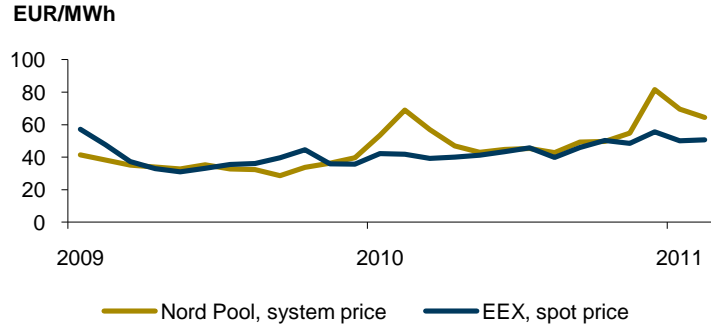
Moody's Investors Service

Baa1/Stable

Target to maintain current ratings

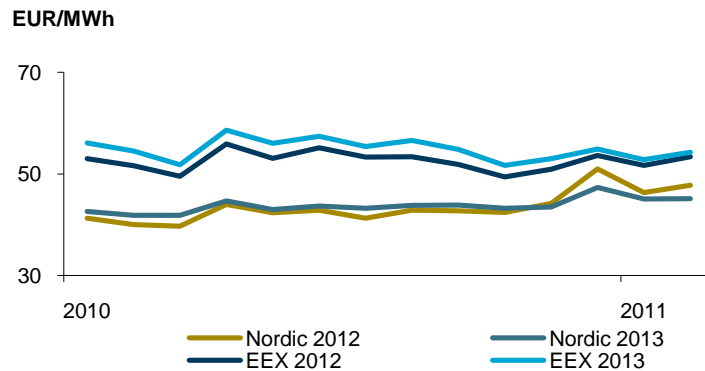
# ELECTRICITY MARKET

## Electricity, average monthly price

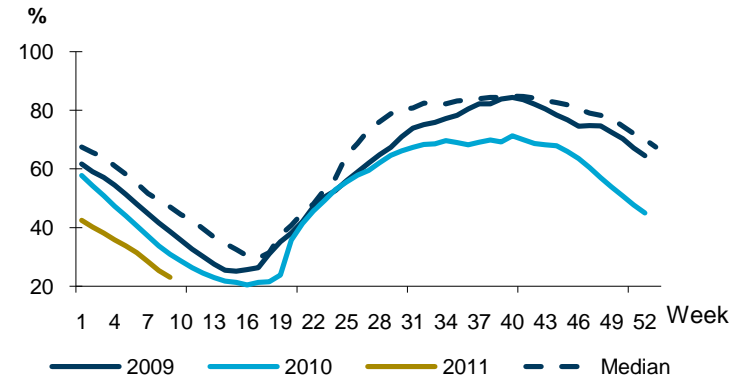


- > Average Nord Pool system price of 53.1 EUR/MWh (35.0) in 2010
- > Average EEX spot price of 44.5 EUR/MWh (38.9) in 2010
- > Nordic reservoir levels 24% below of median level at end of February 2011

## Electricity, forward price



## Nordic reservoir water levels



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1. Statkraft overview
2. Strategy and market dynamics
3. Financial update
4. Treasury
5. Outlook
- Appendix

# TREASURY POLICY

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## Centralised treasury function

- > Funding, currency risk, interest rate risk, liquidity and cash management centralised on group level
  - > Subsidiaries are funded through equity and internal loan agreements
- 

## Focus on cash flow

- Focus on cash flows and economic exposure aiming at;
- > Minimizing risk of financial stress
  - > Reducing volatility in cash flows
- 

## Funding strategy

Secure financial flexibility through diversification of funding sources and maintaining sufficient back-stop facilities

# COVENANTS AND COUNTERPARTY EXPOSURE

## Limited number of covenants

- > Change of ownership/Change of control clause
  - Undrawn revolving credit facilities of NOK 12bn
  - Present Euro bond issues under EMTN Programme
- > Financial indebtedness in material subsidiaries limited to 7.5 per cent of total Group assets
  - Undrawn revolving credit facilities of NOK 12bn
  - Bonds issued using Norsk Tillitsmann documentation

## Counterparty exposure

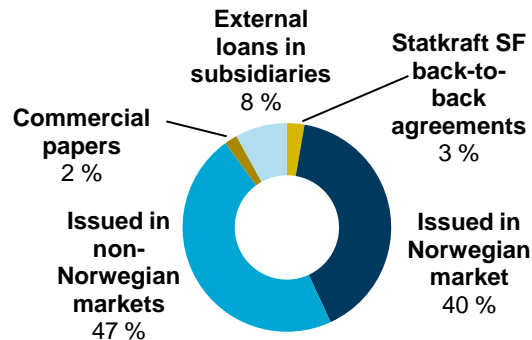
- > Interest rate and FX derivatives are subject to weekly collateral arrangements (ISDA agreements with Credit Support Annexes)
- > Excess liquidity is invested within established credit lines with high quality counterparties. The lines are approved by the CEO

# LIQUIDITY AND DEBT DISTRIBUTION

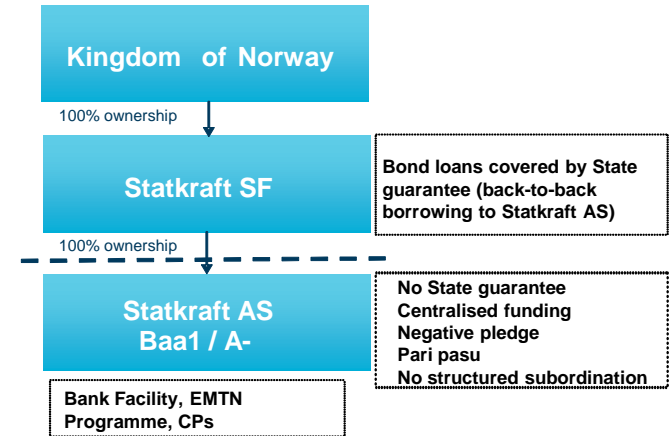
Liquidity position and target	
<b>NOKm</b>	<b>2010</b>
Cash and equivalents	20 052
RCF <sup>1</sup> (undrawn)	12 000
Overdraft (undrawn)	400
<b>Total</b>	<b>32 452</b>

Liquidity capacity target<sup>2</sup>: >1.5x projected payments over next six months

## Distribution of loans by source of financing



## Ownership/debt structure

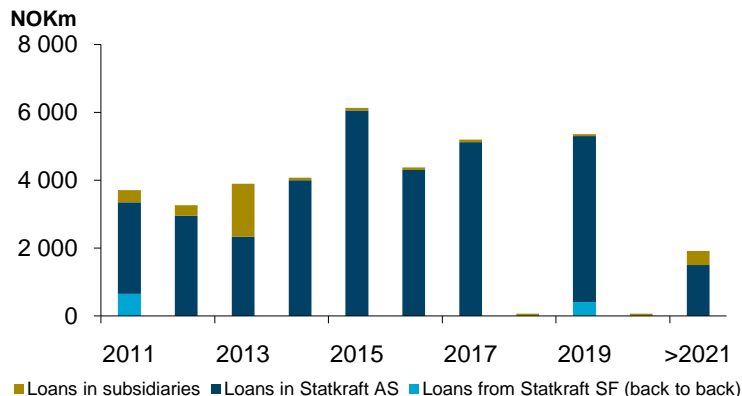


<sup>1</sup> 5+1+1 years maturity (signed 19 January 2011)

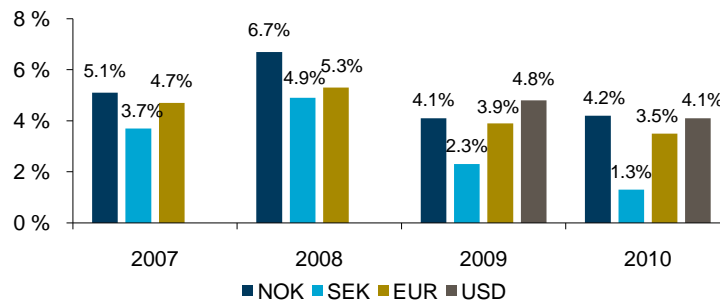
<sup>2</sup> Liquidity capacity defined as cash and cash equivalents, plus committed revolving credit facilities, plus projected receipts for the next six months

# DEBT AND INTEREST RATE OVERVIEW

## Long-term liabilities, debt redemption profile



## Average interest rates



## Funding overview

- > Funding 2010:
  - New loans NOK 4 431m
  - Repayment NOK 8 282m
- > New credit facilities of NOK 12bn signed 19 January 2011
- > Equity injection of NOK 14bn gives Statkraft a solid cash position (NOK 20 052m)
- > Interest-bearing liabilities NOK 40.5bn
  - > NOK 50%, EUR 39%, SEK 6%, USD 5%
- > 64% exposed to floating interest rates

# FUNDING PLAN

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## Funding strategy

Financial flexibility through diversification of funding sources and maintaining sufficient back-stop facilities

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## Funding needs

- > NOK 14bn equity injection approved and paid-in in December 2010
  - > Further funding needs in 2011 will depend on new project initiatives
- 

## Mixed funding sources

- > Norwegian bond and commercial paper market
- > Euro bond market
- > Swedish bond market

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# AGENDA

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1. Statkraft overview
2. Strategy and market dynamics
3. Financial update
4. Treasury
5. Outlook
- Appendix

# OUTLOOK

- > **Delivering pure growth within:**
  - > European flexible power generation
  - > International hydropower
  - > Wind power
  - > District heating and small-scale hydropower
- > **Solid support from the Norwegian government through its ownership to company**
  - > Support proven by equity injection of NOK 14bn
- > **High capex flexibility in order to maintain credit strength**
- > **Well positioned to benefit from green policy measures and European market integration**
  - > Generation portfolio with high degree of CO<sub>2</sub>-free capacity and flexibility
  - > Europe's largest hydropower reservoir capacity



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1. Statkraft overview
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3. Financial update
4. Treasury
5. Outlook












Appendix

# MAIN PROJECTS UNDER CONSTRUCTION

**European Flexible Power Generation**

**International Hydropower**

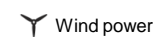
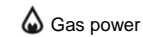
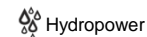
**Wind power**

Projects (Figures in million)			Remaining capex <sup>1</sup> (million)	Total capex <sup>1</sup> (million)	New capacity <sup>2</sup>	Statkraft's ownership share	Planned completion
Svartisen		NORWAY	NOK 10	NOK 375	250 MW	70%	2011
Eiriksdal and Makkoren		NORWAY	NOK 600	NOK 750	84 MW	100%	2013
Nedre Røssåga		NORWAY	NOK 400	NOK 425	-	100%	2017
Knapsack II		GERMANY	NOK 2800	NOK 2900	430 MW	100%	2013
Ambuklao & Binga		PHIL.	USD 70	USD 300	105 MW	50% <sup>3</sup>	2011 & 2014
Kargi		TURKEY	EUR 250	EUR 250	102 MW	100%	2013/2014
La Higuera		CHILE	0	USD 400	155 MW	45% <sup>3</sup>	2011
Allain Duhangan		INDIA	USD 15	USD 500	192 MW	43% <sup>3</sup>	2011
La Confluencia		CHILE	USD 80	USD 475	158 MW	50% <sup>3</sup>	2010/11
Cheves		PERU	USD 380	USD 400	168 MW	100% <sup>3</sup>	2013/2014
Sheringham Shoal		UK	GBP 300	GBP 500	315 MW	50%	2012
<b>Total</b>			NOK 13 000	NOK 25 000	1350 MW <sup>1</sup>		

<sup>1</sup> Statkraft's equity share

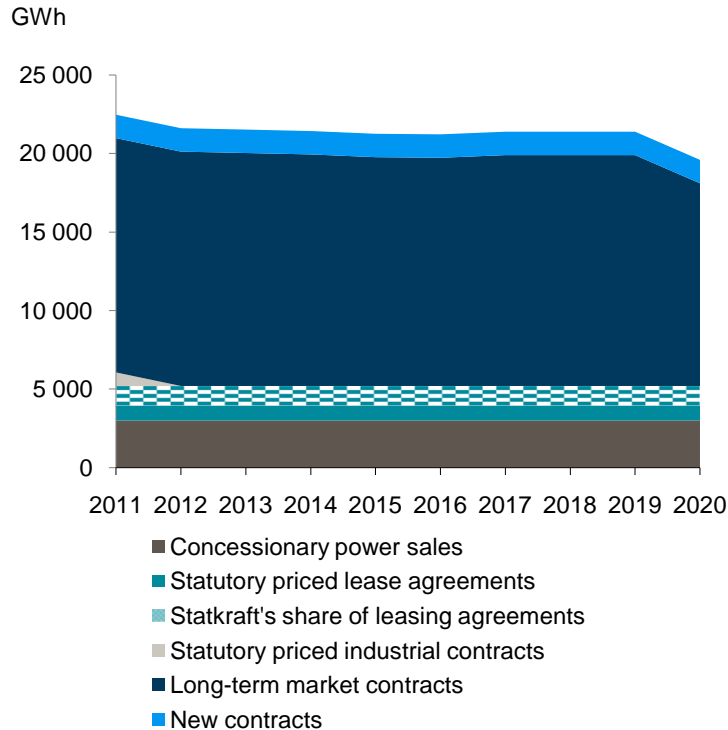
<sup>2</sup> Total for project, incl. partners' share

<sup>3</sup> SN Power's share (60 % owned by Statkraft)



# MAJOR SUPPLIER TO THE INDUSTRY

## Long-term contracted power sales

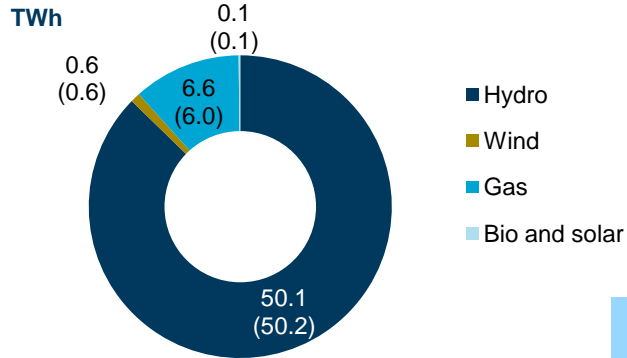


## Contract overview

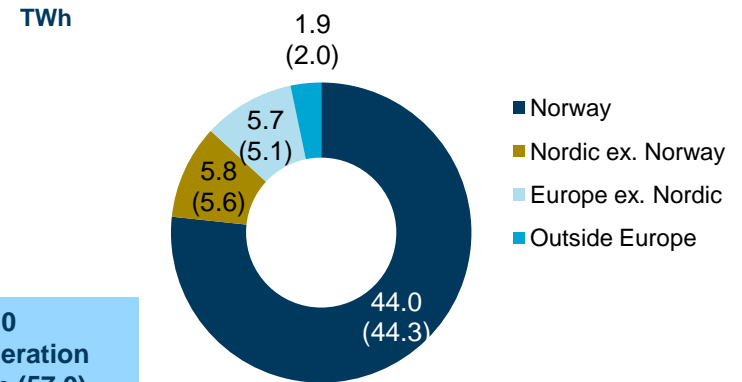
- > Long-term contracts provides hedging
  - > ~50% of 2010 Nordic normal output
- > Statkraft is the Norwegian industry's most important power supplier
- > Remaining volume sold spot and hedged dynamically
  - > No fixed hedging targets
- > Statutory-priced industrial contracts expire in 2011
  - > Replaced by market-priced contracts
- > New contracts signed with Norske Skog and Finnfjord in December 2010
  - > 0.8 and 0.7 TWh/year in the period of 2011-2022

# STATKRAFT'S POWER GENERATION

## Technology

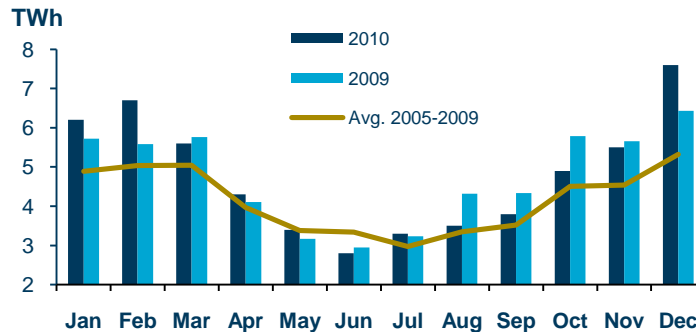


## Geography



2010  
Total generation  
57.4 TWh (57.0)

## Monthly power generation



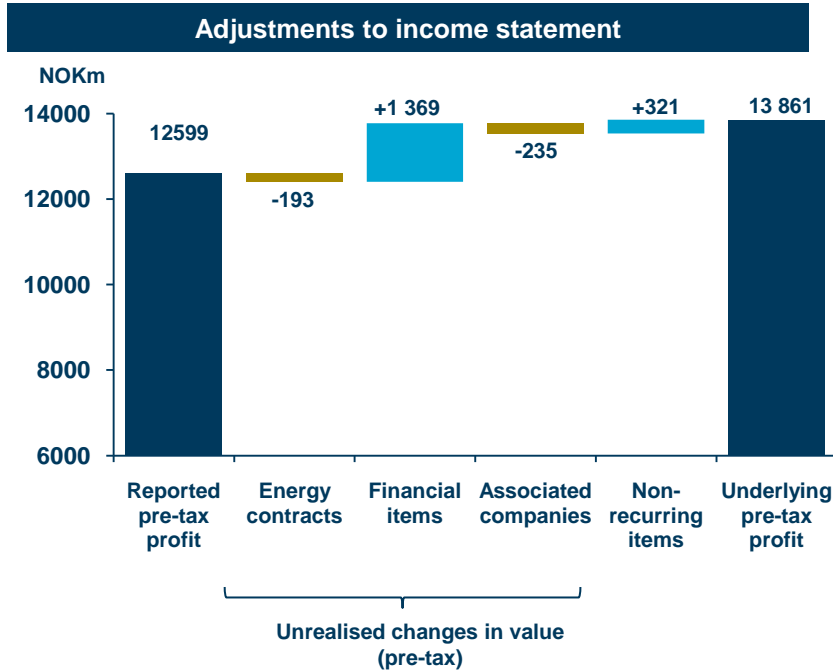
## Significant variations during 2010

-> Significant variations during 2010 due to extraordinary cold winter periods, and relatively low hydro reservoirs through the year

# INCOME STATEMENT (UNADJUSTED)

Figures in NOK million	4th Quarter		The year	
	2010	2009	2010	2009
<b>Profit and loss</b>				
Sales revenues	8 612	7 682	27 780	24 715
Other operating revenues	327	475	1 473	960
<b>Gross operating revenues</b>	<b>8 939</b>	<b>8 157</b>	<b>29 252</b>	<b>25 675</b>
Energy purchase	-878	-1 350	-4 674	-4 825
Transmission costs	-509	-114	-1 595	-1 054
Unrealised changes in the value of energy contracts	-508	-644	193	-2 813
<b>Net operating revenues</b>	<b>7 044</b>	<b>6 049</b>	<b>23 176</b>	<b>16 983</b>
Salaries and payroll costs	-510	-727	-2 387	-2 517
Depreciation, amortisation and impairments	-1 070	-822	-3 205	-2 743
Property tax and licence fees	-307	-302	-1 236	-1 166
Other operating expenses	-995	-1 180	-3 598	-3 530
<b>Operating expenses</b>	<b>-2 882</b>	<b>-3 031</b>	<b>-10 426</b>	<b>-9 957</b>
<b>Operating profit</b>	<b>4 162</b>	<b>3 018</b>	<b>12 750</b>	<b>7 026</b>
<b>Share of profit from associates and joint ventures</b>	<b>261</b>	<b>-22</b>	<b>766</b>	<b>1 179</b>
Financial income	457	690	2 060	2 060
Financial expenses	-395	-681	-1 607	-3 756
Unrealised changes in the value of currency and interest contracts	-3 272	434	-1 369	5 977
<b>Net financial items</b>	<b>-3 211</b>	<b>442</b>	<b>-917</b>	<b>4 282</b>
<b>Profit before tax</b>	<b>1 213</b>	<b>3 438</b>	<b>12 599</b>	<b>12 487</b>
Tax expense	-522	-1 660	-5 148	-4 772
<b>Net profit</b>	<b>692</b>	<b>1 777</b>	<b>7 451</b>	<b>7 716</b>
Of which minority interest	194	8	357	184
Of which majority interest	498	1 769	7 094	7 532
<b>Other comprehensive income</b>				
Change in the fair value of financial instruments	866	11	-4 107	463
Reclassification adjustment related to financial instruments recorded as a financial loss	3 625	-	3 625	-
Estimate deviation pensions	-265	89	-274	81
Translation differences	-1 333	-1 323	-2 583	-8 304
<b>Total other comprehensive income</b>	<b>2 893</b>	<b>-1 223</b>	<b>-3 339</b>	<b>-7 760</b>
<b>Total comprehensive income</b>	<b>3 585</b>	<b>554</b>	<b>4 112</b>	<b>-44</b>
Of which minority interest	100	-723	243	-691
Of which majority interest	3 485	1 278	3 869	647

# ADJUSTMENTS TO INCOME STATEMENT



## --> Energy contracts

- Changes mainly related to stronger gas prices and USD appreciations

## --> Financial items

- Write-down on E.ON AG shares (NOK -3 625m)
- Unrealised agio on internal and external debt in SEK and EUR (NOK +3 640m)
- FX and currency contracts (NOK +290m)

## --> Non-recurring items

- Decreased pension liabilities following Norwegian pension reform (NOK +460m)
- Write-downs (NOK -1 173m)
- Gain on sale of Trondheim Energi Nett (NOK +393m)

# BALANCE SHEET

Figures in NOK million	31.12.10	31.12.09
<b>ASSETS</b>		
Intangible assets	2 981	2 277
Property, plant and equipment	77 791	78 239
Investments in associates and joint ventures	17 090	16 509
Other non-current financial assets	16 382	21 939
Derivatives	3 842	3 358
<b>Non-current assets</b>	<b>118 085</b>	<b>122 323</b>
Inventories	1 013	1 247
Receivables	10 748	8 707
Short-term financial investments	424	421
Derivatives	5 645	4 645
Cash and cash equivalents	20 052	6 663
<b>Current assets</b>	<b>37 882</b>	<b>21 683</b>
<b>Assets</b>	<b>155 967</b>	<b>144 005</b>
<b>EQUITY AND LIABILITIES</b>		
Paid-in capital	45 569	31 569
Retained earnings	22 449	26 065
Minority interests	7 284	7 267
<b>Equity</b>	<b>75 302</b>	<b>64 901</b>
Provisions	15 758	13 653
Long-term interest-bearing liabilities	34 251	36 342
Derivatives	2 494	4 016
<b>Long-term liabilities</b>	<b>52 502</b>	<b>54 011</b>
Short-term interest-bearing liabilities	6 235	9 318
Taxes payable	3 458	2 372
Other interest-free liabilities	11 609	9 336
Derivatives	6 861	4 067
<b>Current liabilities</b>	<b>28 163</b>	<b>25 093</b>
<b>Equity and liabilities</b>	<b>155 967</b>	<b>144 005</b>

# CASH FLOW STATEMENT

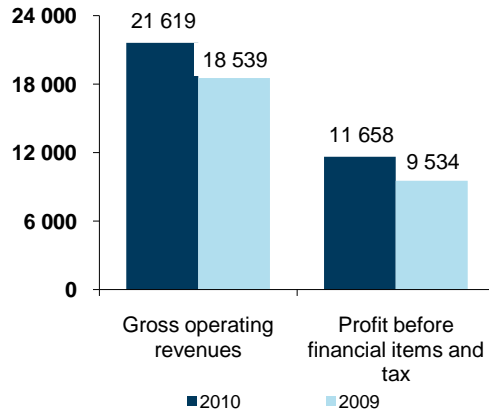
Figures in NOK million	The Year				
	2010	2009			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Profit before tax	12 599	12 487			
Profit/loss on sales of non-current assets	26	13			
Depreciation, amortisation and impairments	3 205	2 743			
Profit from sale of business	-371	-			
Share of profit from associates and joint ventures	-766	-1 179			
Unrealised changes in value	1 176	-3 164			
Taxes	-2 562	-3 119			
<b>Cash flow from operating activities</b>	<b>13 307</b>	<b>7 781</b>			
Changes in long-term items	252	-305			
Changes in short-term items *	-1 128	4 155			
Dividend from associates	1 146	1 083			
<b>Net cash flow from operating activities</b>	<b>13 577</b>	<b>12 714</b>			
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Investments in property, plant and equipment - maintenance	-1 000	-1 308			
Investments in property, plant and equipment - new capacity	-1 852	-2 447			
Proceeds from sales of non-current assets	67	158			
Capital reduction in associates and joint ventures	46	1 320			
Sale of business, net liquidity accruing to the group	1 358	-			
Business combinations, net liquidity accruing to the Group	-	-417			
Loans to third parties	-222	-1 410			
Repayment of loans	194	161			
Investments in other companies	-888	-735			
<b>Net cash flow from investing activities</b>	<b>-2 297</b>	<b>-4 678</b>			
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
New debt	4 431	15 377			
Repayment of debt	-8 282	-9 378			
Capital increase	14 000	-			
Capital reduction	-334	-			
Dividend and Group contribution paid	-7 964	-10 260			
Share issue to minority	241	928			
<b>Net cash flow from financing activities</b>	<b>2 092</b>	<b>-3 333</b>			
<b>Net change in cash and cash equivalents</b>	<b>13 372</b>	<b>4 703</b>			
			Currency effect on cash flows	17	-249
			Cash and cash equivalents 01.01	6 663	2 209
			Cash and cash equivalents 31.12	20 052	6 663
			Unused committed credit lines	8 000	8 054
			Unused overdraft facilities	1 074	731

\*Changes in short term items are mainly related to change in working capital (NOK -49 million), changes in receivables and liabilities regarding cash collateral (NOK -448 million), changes related to derivatives (NOK 213 million), in addition to currency effects (NOK -881million).

# SEGMENTS – BREAKDOWN (I)

## Generation & Markets

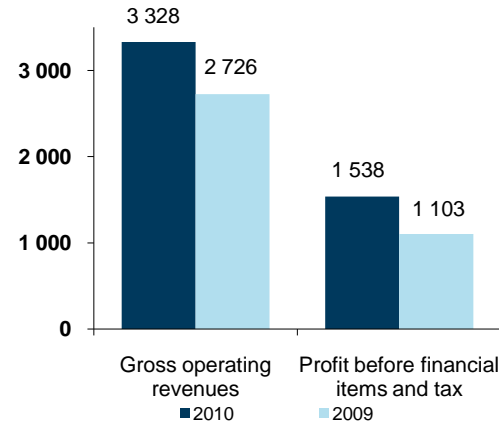
NOKm



→ Earnings driven by higher Nordic power prices

## Skagerak Energi

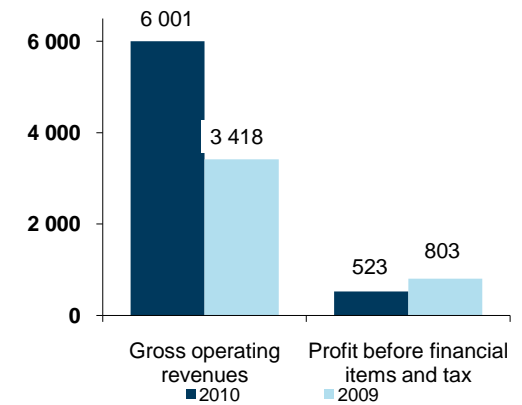
NOKm



→ Profit positively affected by higher power prices

## Industrial ownership

NOKm



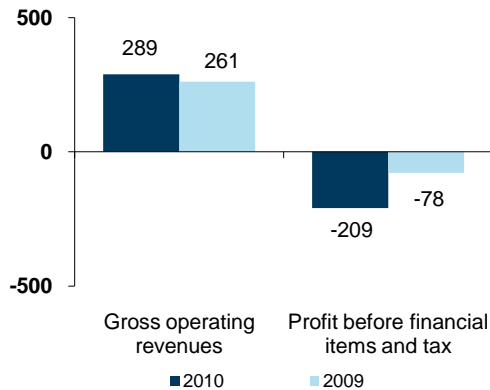
→ Increased profits due to higher power prices and acquisition of retail sales operations from Trondheim Energi at YE 2009

→ Higher contributions from associated companies

# SEGMENTS – BREAKDOWN (II)

## Wind power

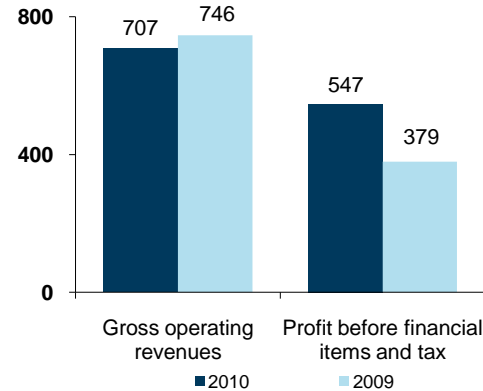
NOKm



- > Increased revenues due to higher power prices
- > Project and development activities impact profits

## Emerging markets

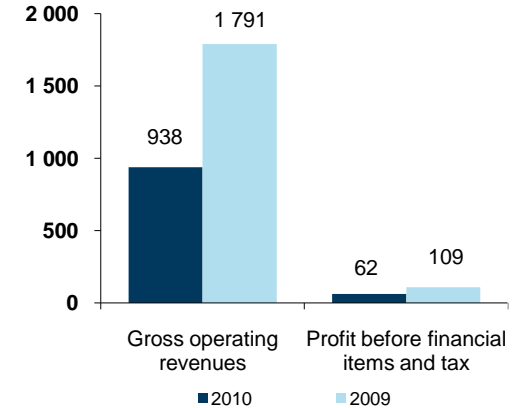
NOKm



- > Increased profit due to increased generation at higher prices in associates
- > Inauguration of La Higuera and La Confluencia hydropower plants in Chile in October (313 MW)

## Customers

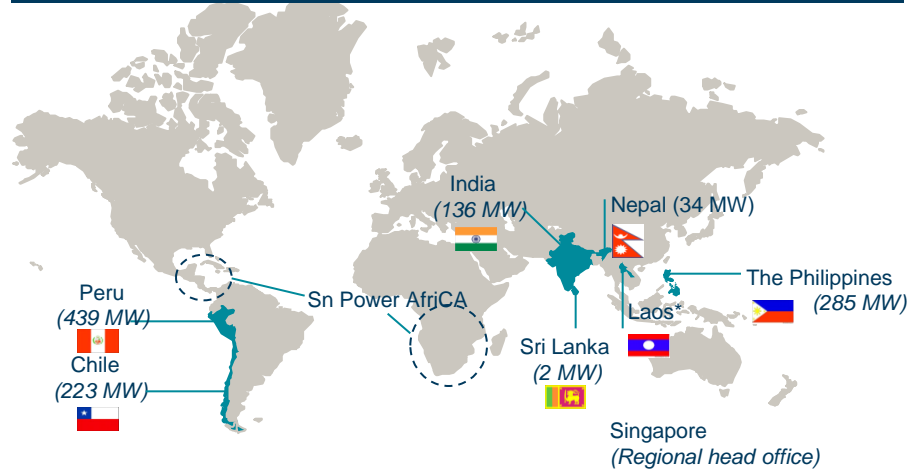
NOKm



- > Revenues down due to sale of Trondheim Energi Nett and retail sale activities
- > Increased contribution from district heating following higher prices and generation

# SN POWER – GROWTH OUTSIDE EUROPE

## Overview of SN Power presence



*Including capacities under construction*

- > Jointly owned by Statkraft AS (60%) and Norfund (40%)
- > Capacity; Installed and under development ~1,000MW

## SN Power

- > Statkraft majority owner in SN Power (60%)
  - Option to further increase ownership
- > Objective to invest, own and operate renewable capacity in emerging markets outside Europe
- > Positioned as a global hydro niche player

