

# Statkraft AS

## 2007 Eurobond Issue Investor Presentation

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**Statkraft**

# Statkraft AS

## 2007 Eurobond Issue Investor Presentation

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**Statkraft**

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# Transaction summary

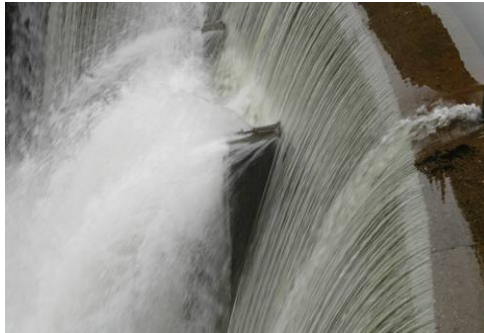
Issuer	Statkraft AS
Issuer Rating	BBB+ (Stable outlook) S&P Baa1 (Stable outlook) Moody's
Maturity	[7 to 10 years]
Issue Size	Benchmark size
Seniority	Senior Unsecured
Listing	London
Use of Proceeds	Debt Redemption
Structure	Fixed Rate Bullet
Documentation	Euro Medium Term Note Programme Incl. Change of Control clause
Joint Lead Managers	ABN AMRO Deutsche Bank Societe Generale

# 1. Statkraft today



**Statkraft**

# Statkraft at a glance



*Hydropower*



*Wind power*



*Gas power*

- > #2 producer of renewable energy in Europe (#1 in Nordic countries)
- > Nordic market's third largest power utility
- > Operations in 9 European countries
- > Ownership in several major Nordic power producers
- > Production: 42.2 TWh
- > Grid customers: 268,000
- > Retail customers: 390,000
- > Ratings: Moody's: Baa1 / S&P : BBB+
- > 100% owned by the Kingdom of Norway (Aaa/AAA) via Statkraft SF

Key Figures €million	31 Dec 2006	31 Dec 2005	31 Dec 2004
Gross operating revenue	2,016	1,875	1,295
EBITDA	1,423	1,277	824
<i>EBITDA Margin</i>	70.6%	68.1%	62.6%
Net profit after tax	781	701	527
Net debt	3,728	3,366	4,191
Total assets	11,720	11,378	10,742
FFO Interest Coverage	4.3x	3.6x	2.3x
Net Debt /EBITDA	2.6x	2.6x	5.2x

Source: Company data, average NOK/€ exchange rates for the financial year

# Flexible peak supplier to European markets

The most flexible generation capacity in Europe



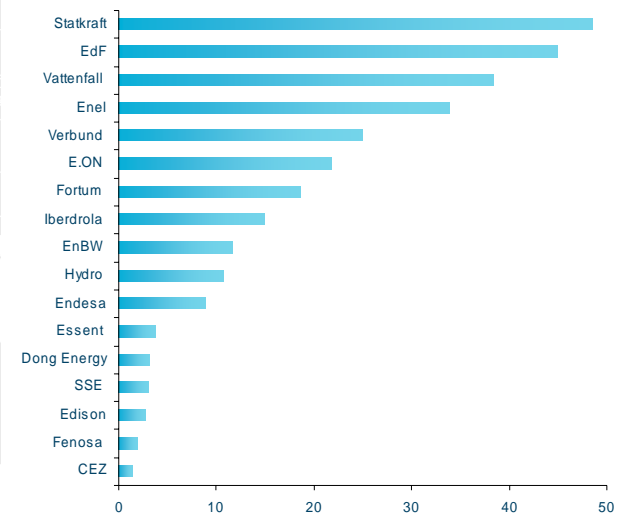
The largest reservoir capacity in Europe (38.1 TWh in 2006)



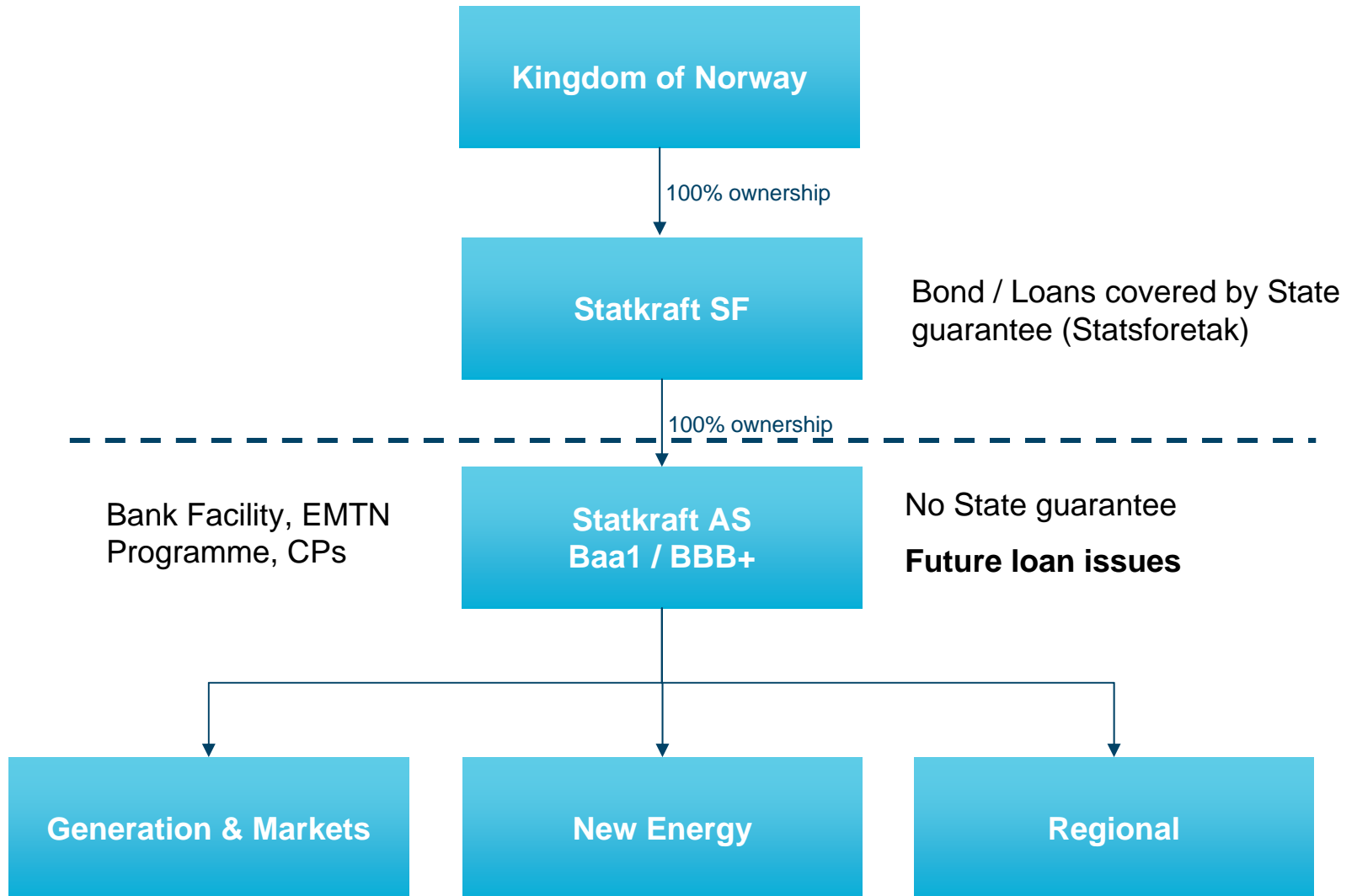
Europe's largest producer of renewable energy in 2005

Among the largest in Europe in the field of power trading and origination

Power generation from renewables (TWh, 2005)

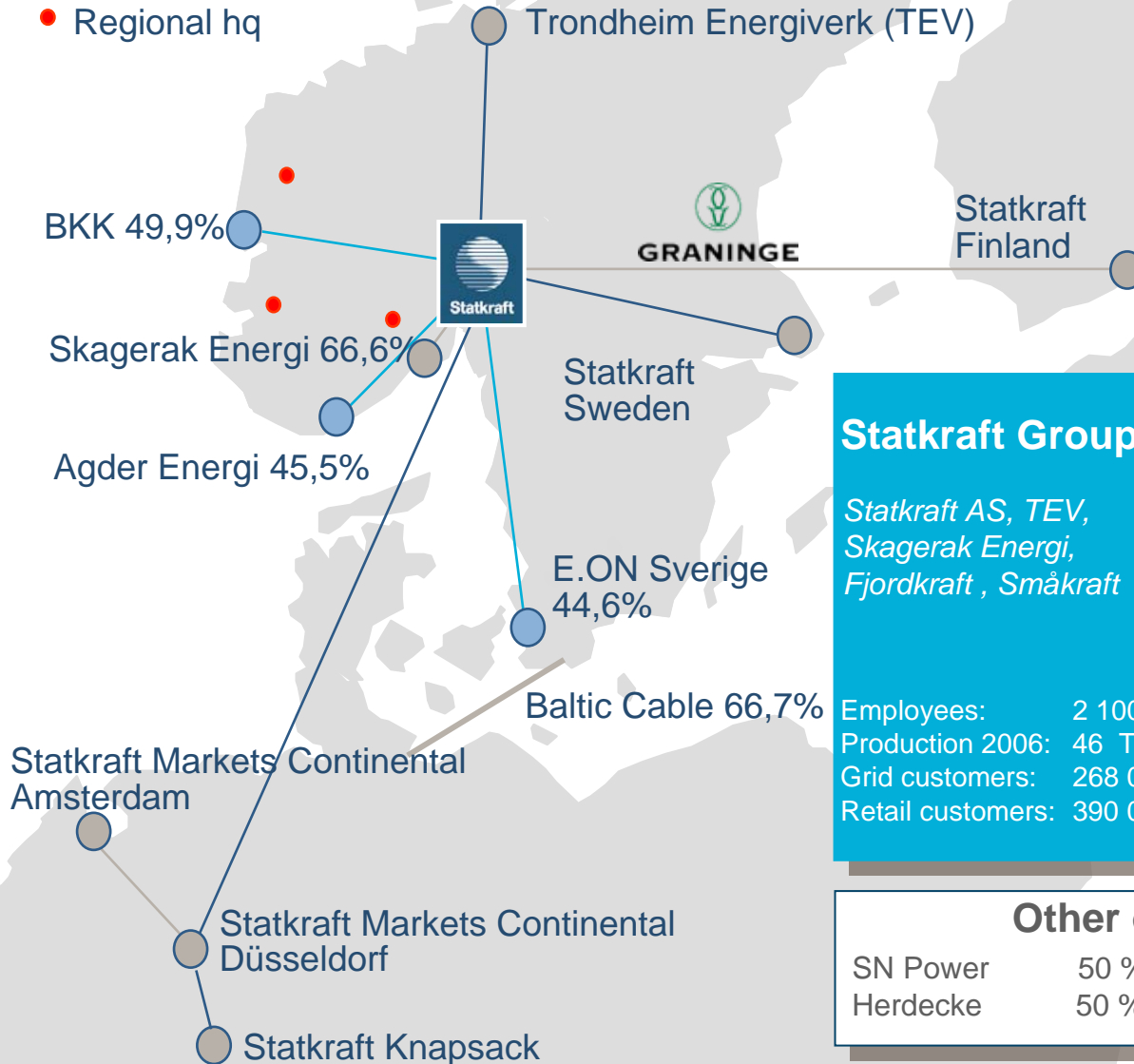


# Statkraft group today



# Statkraft structure

● Regional hq



## Statkraft Group

*Statkraft AS, TEV,  
Skagerak Energi,  
Fjordkraft, Småkraft*

Employees: 2 100  
Production 2006: 46 TWh  
Grid customers: 268 000  
Retail customers: 390 000

## Statkraft Alliance

*incl. minorities*

*Statkraft AS, TEV,  
Skagerak Energi,  
Fjordkraft, BKK,  
Agder Energi*

Employees: 4 000  
Production 2006: 58 TWh  
Grid customers: 607 000  
Retail customers: 540 000

## Other ownership shares

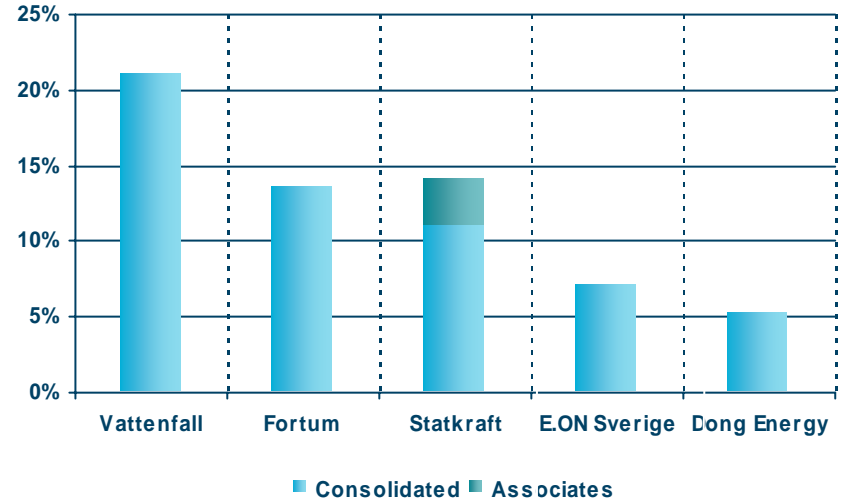
SN Power	50 %	Naturkraft	50 %
Herdecke	50 %		

# Nordic competitive environment

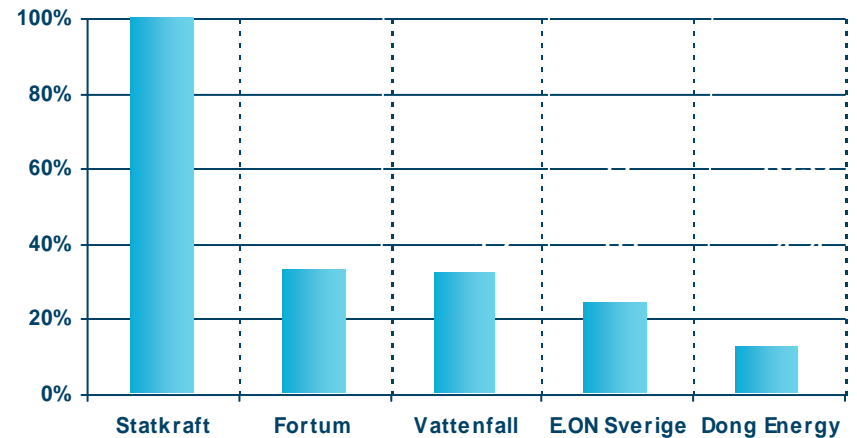
Total Nordic production 2005: 391 TWh



Nordic market share of TWh



Renewable Energy in % of Total Company Output



\*Statkraft owns 44.6% of E.ON Sverige

## 2. Strategy



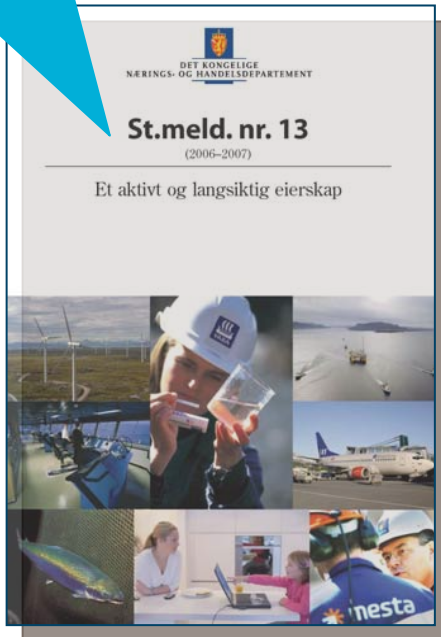
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# To be a European leader in environment friendly energy and prepared for further growth

- > Strong profit performance
  - Sound operations through enhancing existing generation and trading activities
  - Uniform business model for production and trading
  
- > Expansion in environment friendly generating capacity in Europe
  - Investments in hydro, wind, gas
  - Increased innovation and R&D
  
- > Consolidation of existing shareholdings in Norway
  - Improved efficiency and increased ownership
  
- > Increased downstream focus
  - Developing the group's positions within distribution, retail and district heating

# Statkraft's strategy is confirmed by its owner

White-paper published by the  
Ministry of Trade and  
industry: Dec 8th 2006  
"An active and long-term  
ownership"



*"Statkraft shall be operated on a commercial basis..."*

*"Statkraft shall be a leading supplier of environment-friendly energy in Europe and the company shall continue to take part in industrial development in Norway and Europe. This will contribute to strengthening Norway's position as an energy producer"*

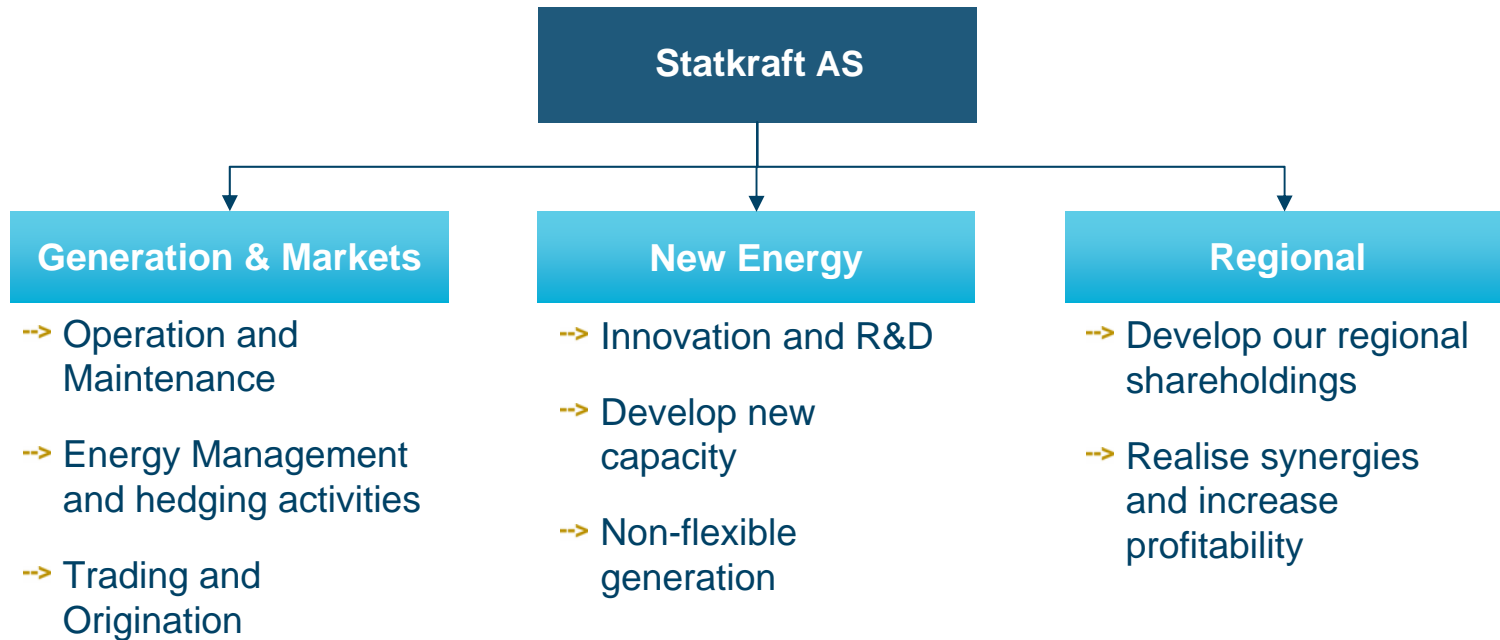
*"The Norwegian government expects the company to be at the forefront with regard to the increased development and upgrading of environment-friendly power generation in Norway and to be among the first companies to adopt new environment-friendly sources of energy, including new, renewable energy sources, when these are commercially viable."*

# 3. Business segments review

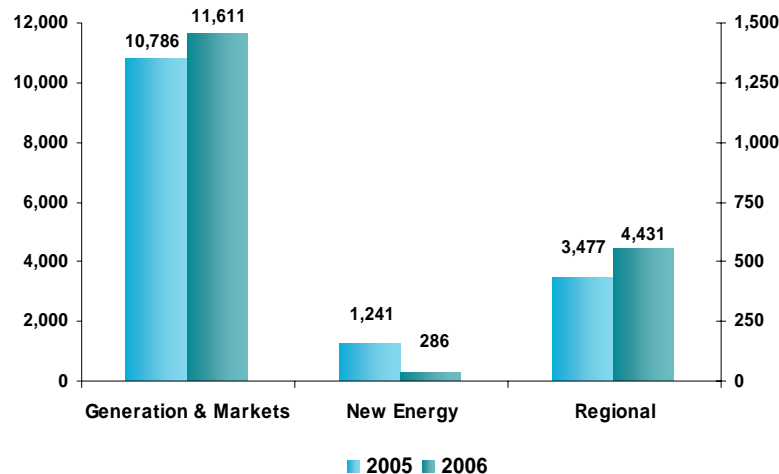


**Statkraft**

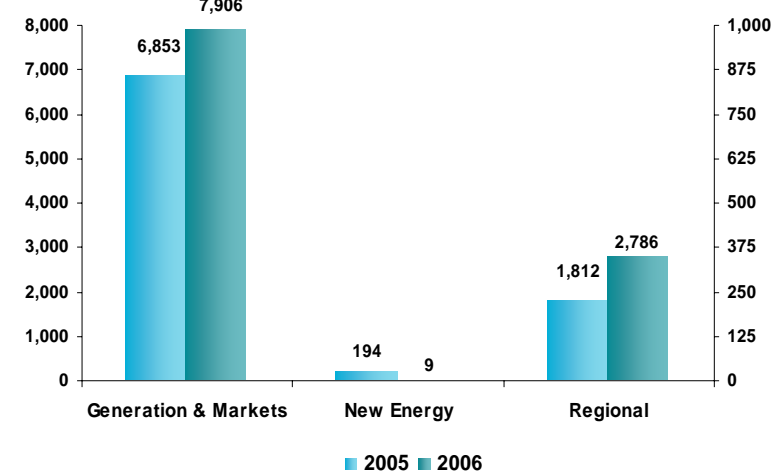
# Business segments overview



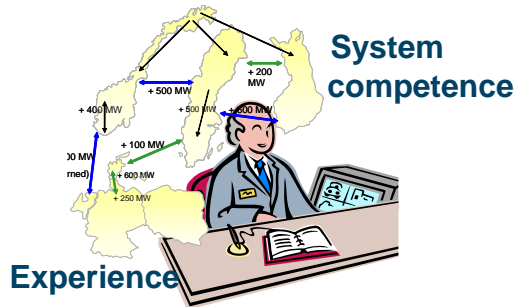
NOK million **Gross operating revenues**



EUR million **Profit before financial items and tax**

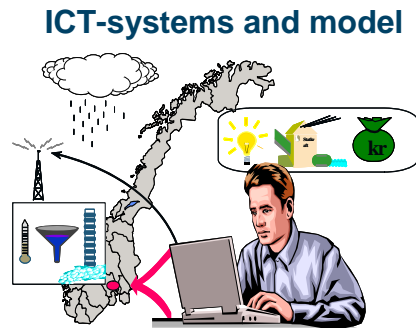


# Business area: Generation & markets

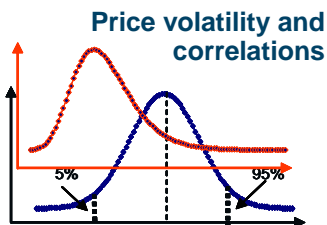


## Statkraft's competitive edge in the power market comprises :

- Unique hydrological information base
- Flexible production assets
- Competence in operations and production optimisation
- Financial power trade experience
- ICT-systems and models
- Focus on risk management

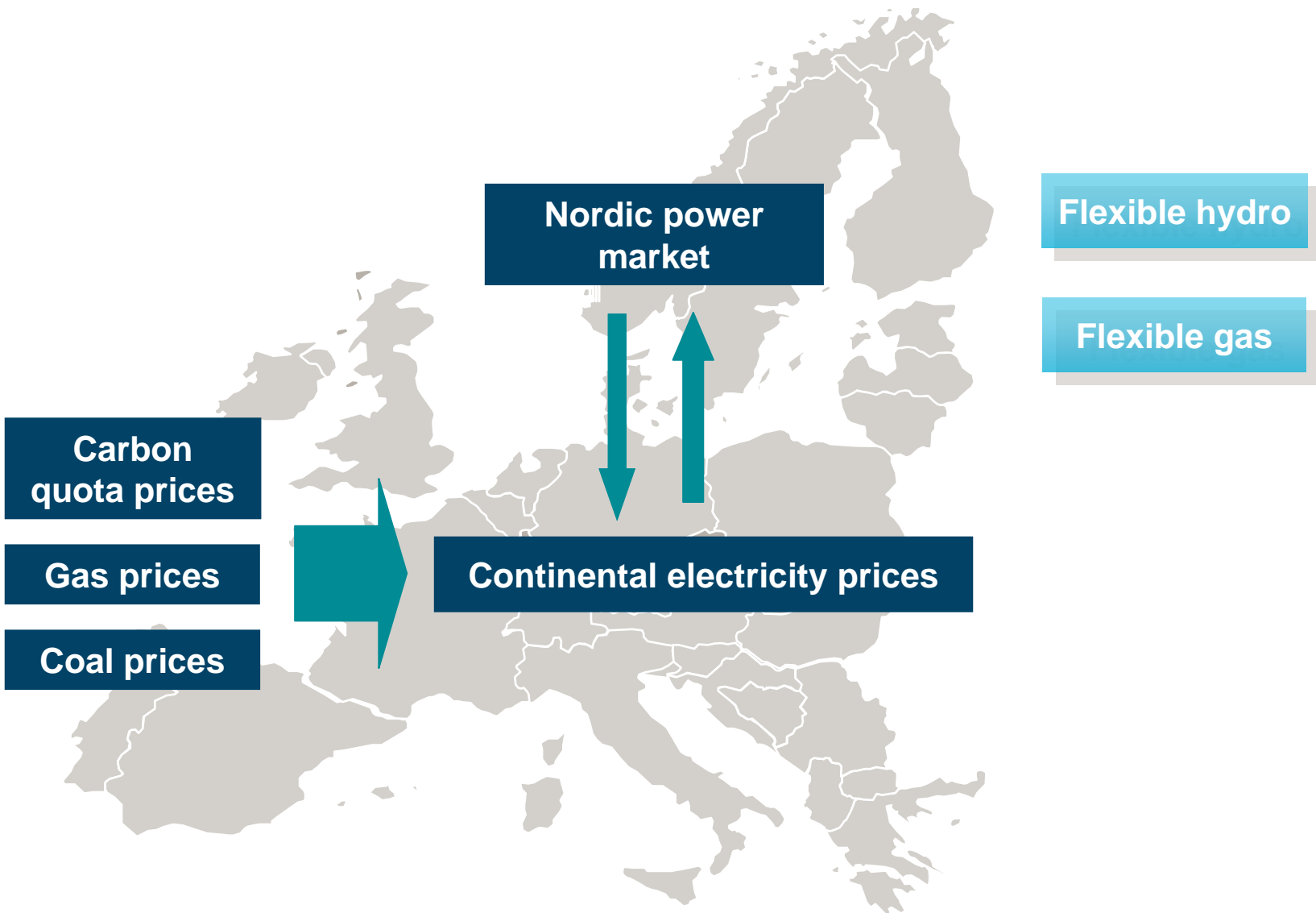


## Risk management

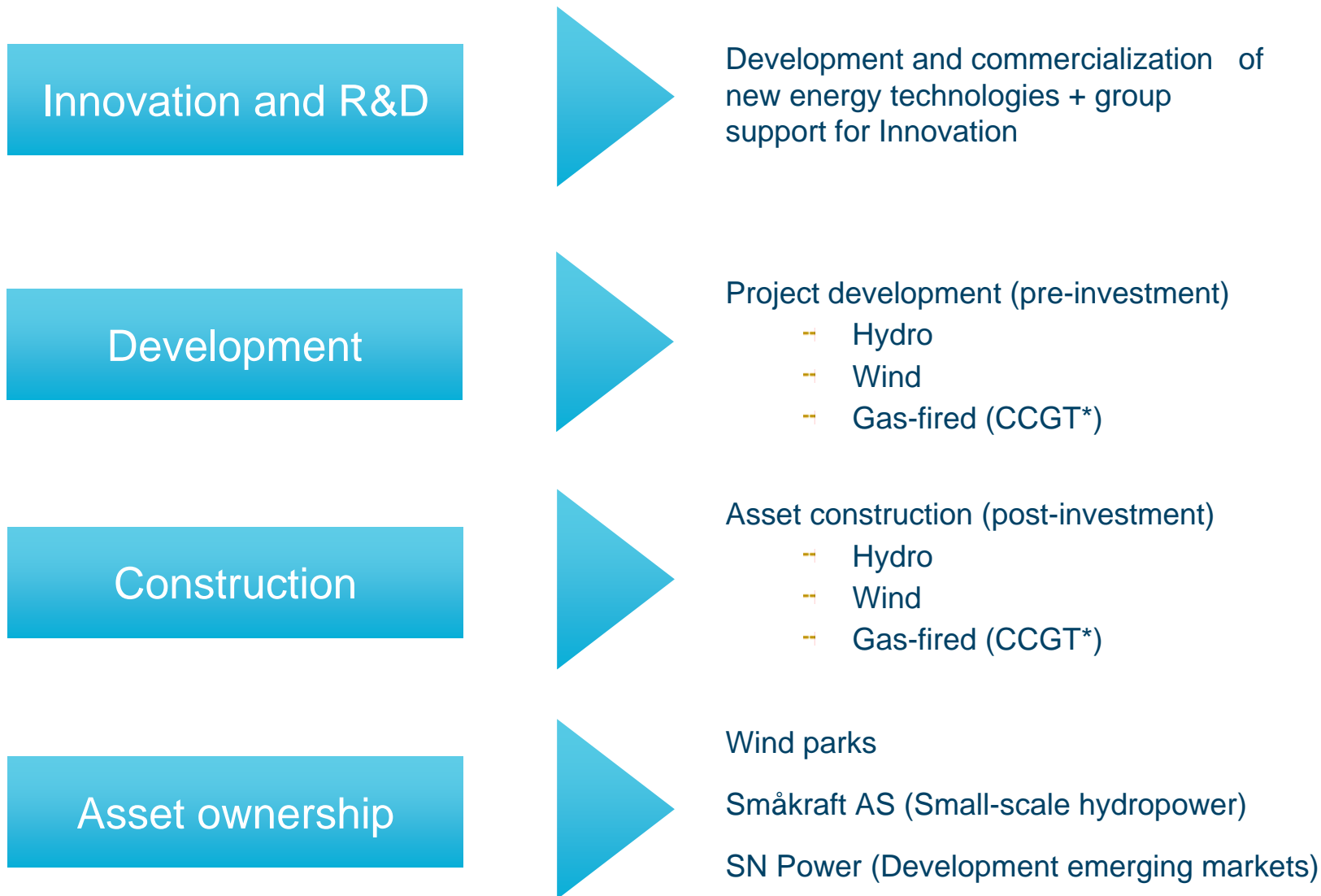


# Business area: Generation & markets

## Flexibility as competitive advantage

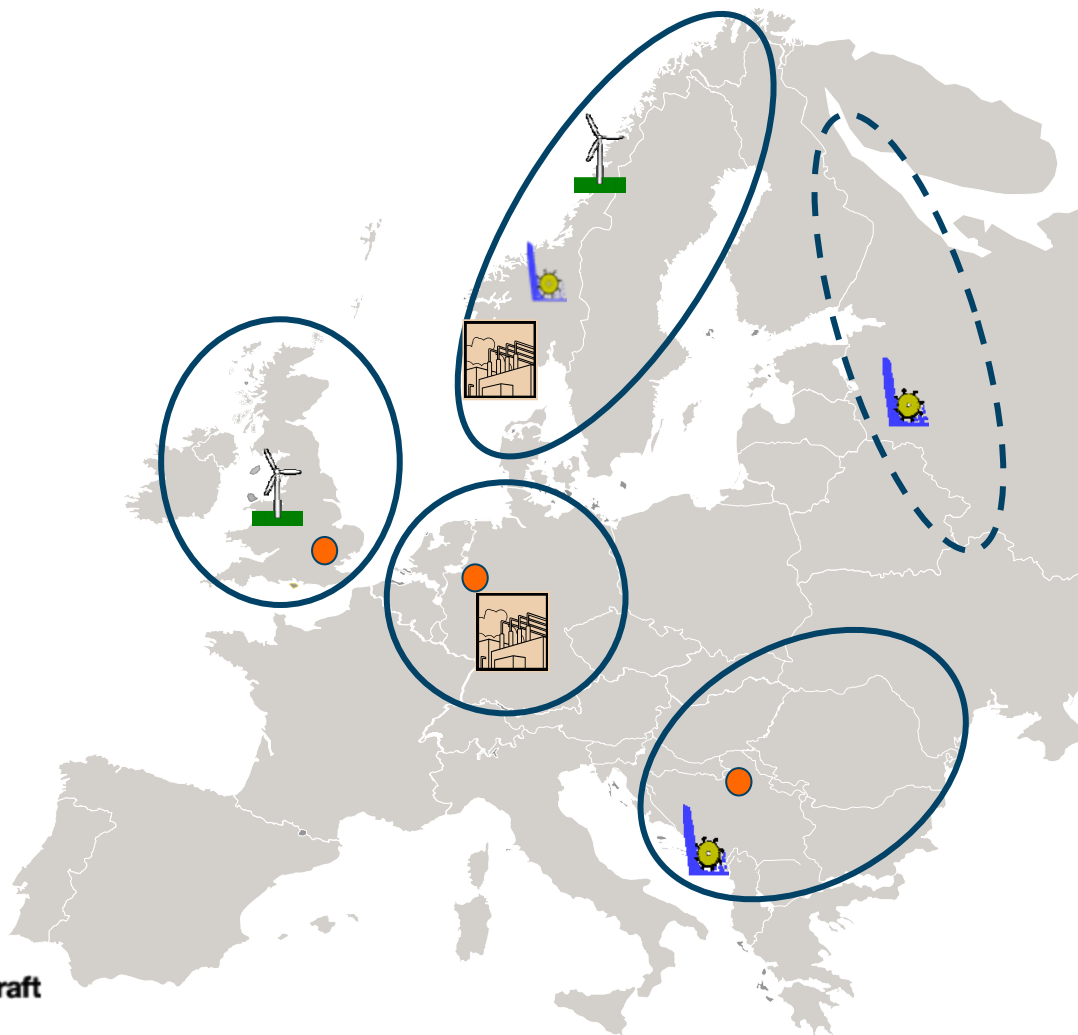


# Business area: New energy



\*CCGT: Combined Cycle Gas Turbines

# Business area: New energy - The European ambition



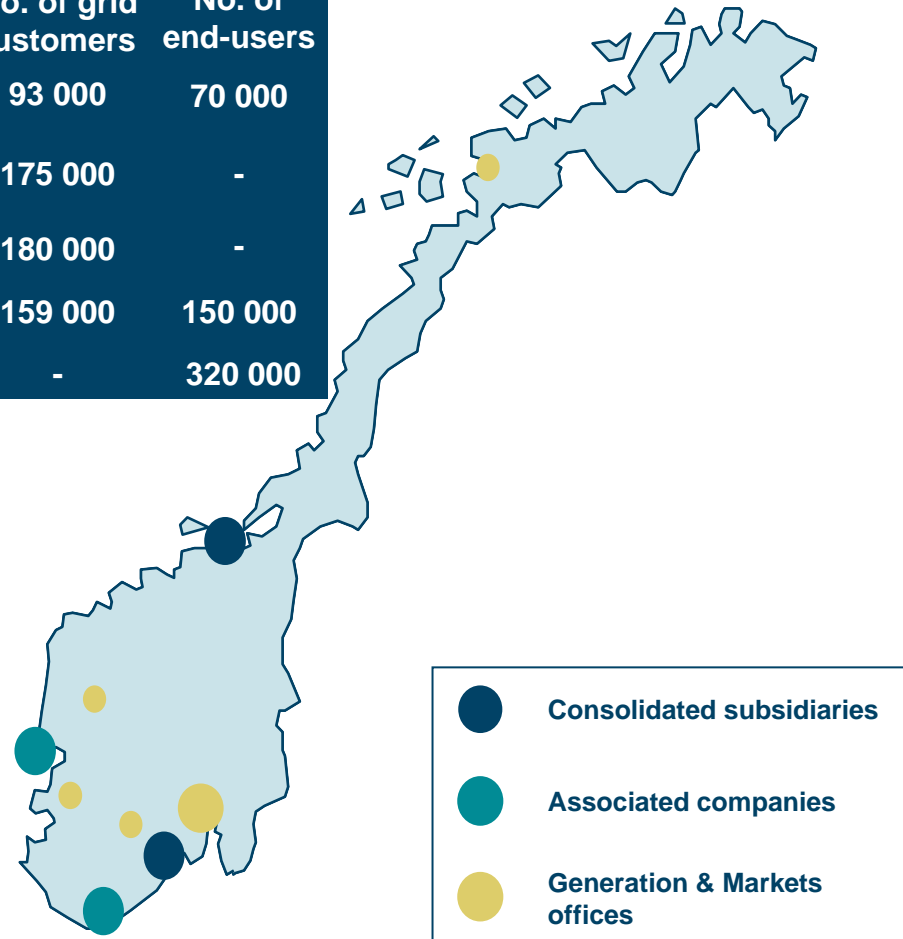
- > Norway
  - Wind, hydro, CCGT
- > Nordic area
  - Exploring opportunities within hydro and wind
- > Northern Europe
  - Exploring opportunities within CCGT
- > UK
  - Exploring opportunities within wind
  - Representation est. 2006
- > Southeast-Europe
  - Exploring opportunities within hydro
  - Representation est. 2007
- > Russia
  - Screening

# Business area: Regional

	Statkraft's stake (%)	Av. Production (TWh)	No. of grid customers	No. of end-users
TEV	100.0	3.2	93 000	70 000
Skagerak Energi	66.6	5.1	175 000	-
BKK	49.9	6.7	180 000	-
Agder Energi	45.5	7.2	159 000	150 000
Fjordkraft	3.2	-	-	320 000

## Strategic priorities

- Further develop our ownership position and obtain corporate control
- Increase profitability throughout the value chain
  - Internal improvements
  - Synergies between companies



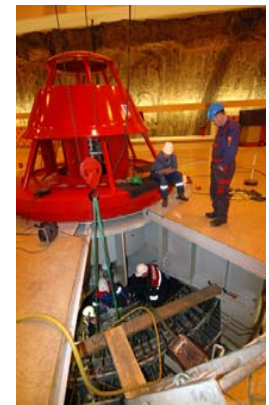
# 4. Financial overview



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# 2006 – Financial highlights

- > EBITDA NOK 11,453 m (€ 1,423m)
  - Revenues from power sales up NOK 1,686 m (€210m)
  - Power generation 45.7 TWh (- 2.8 TWh)
  - Average spot price NOK 391/MWh (€ 49/MWh)
  
- > Profit after tax NOK 6,285 m (€ 781m)
  - Associated companies up NOK 112 m(€ 14m)
  - Net financial expenses increased by NOK 312 m (€ 39 m)
  
- > Investments of NOK 4.4 bn (€ 547m)
  - Gas power NOK 2.2 bn (€ 273m)
  - Hydropower NOK 1.5 bn (€ 186m)
  - District heating NOK 0.4 bn (€ 50m)
  - Wind power NOK 0.3 bn (€ 37m)

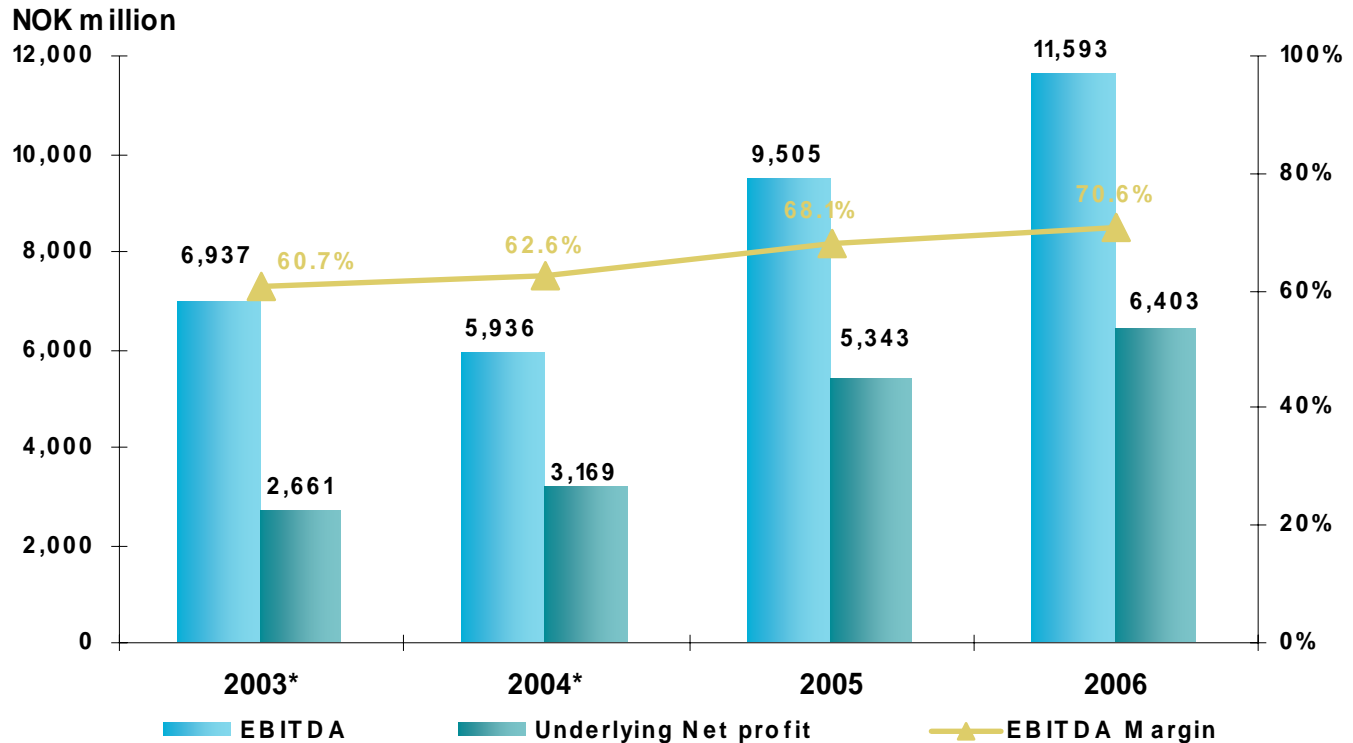


# Income statement for the group

Figures in millions	NOK		EUR	
	2006	2005	2006	2005
Power sales revenues	13,072	11,386	1,624	1,415
Other operating revenues	3,153	3,635	392	452
<b>Gross operating revenues</b>	<b>16,225</b>	15,021	<b>2,016</b>	1,867
<b>Net operating revenues</b>	<b>15,256</b>	14,275	<b>1,896</b>	1,774
Operating expenses before depreciation and write-downs	3,803	4,041	473	502
<b>EBITDA</b>	<b>11,453</b>	10,233	<b>1,423</b>	1,272
Depreciation and write-downs	1,501	1,858	187	231
<b>Operating profit (EBIT)</b>	<b>9,952</b>	8,375	<b>1,237</b>	1,041
Share of profit from associated companies	1,689	1,577	210	196
Net financial items	-1,816	-1,504	-226	-187
<b>Profit before tax</b>	<b>9,826</b>	8,449	<b>1,221</b>	1,050
Taxes	-3,541	-2,829	-440	-352
<b>Net profit</b>	<b>6,285</b>	5,620	<b>781</b>	698

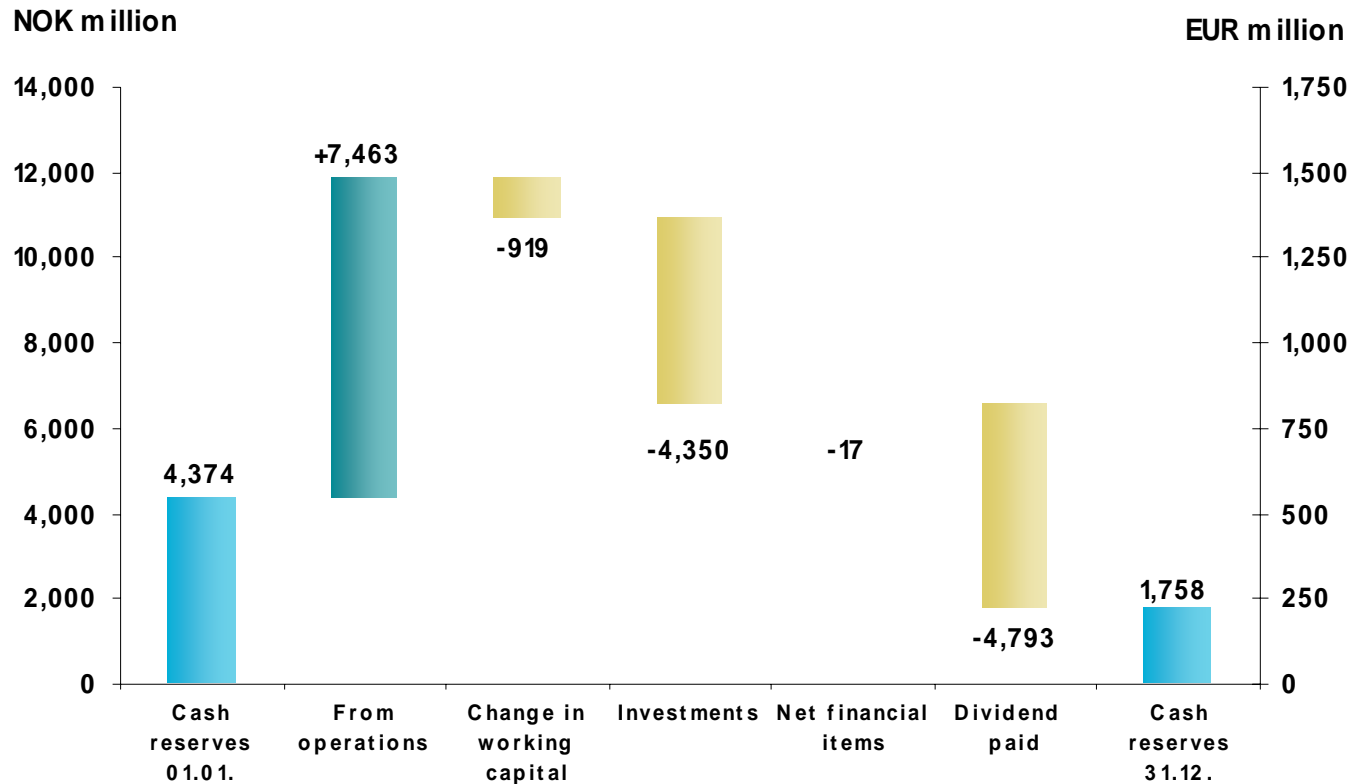
- > Gross revenues NOK 16 bn (€ 2,016m), up 8 per cent
- > EBITDA NOK 11.5 bn (€ 1,423m), up 12 per cent
- > EBIT NOK 10 bn (€ 1,237m), up 19 per cent
- > Profit before tax NOK 9.8 bn (€ 1,221m), up 16 per cent
- > Net profit NOK 6.3 bn (€ 781m), up 12 per cent

# Positive financial trend



- Strong improvement over the last four years
  - EBITDA up 67 per cent
  - Profit after tax up 141 per cent

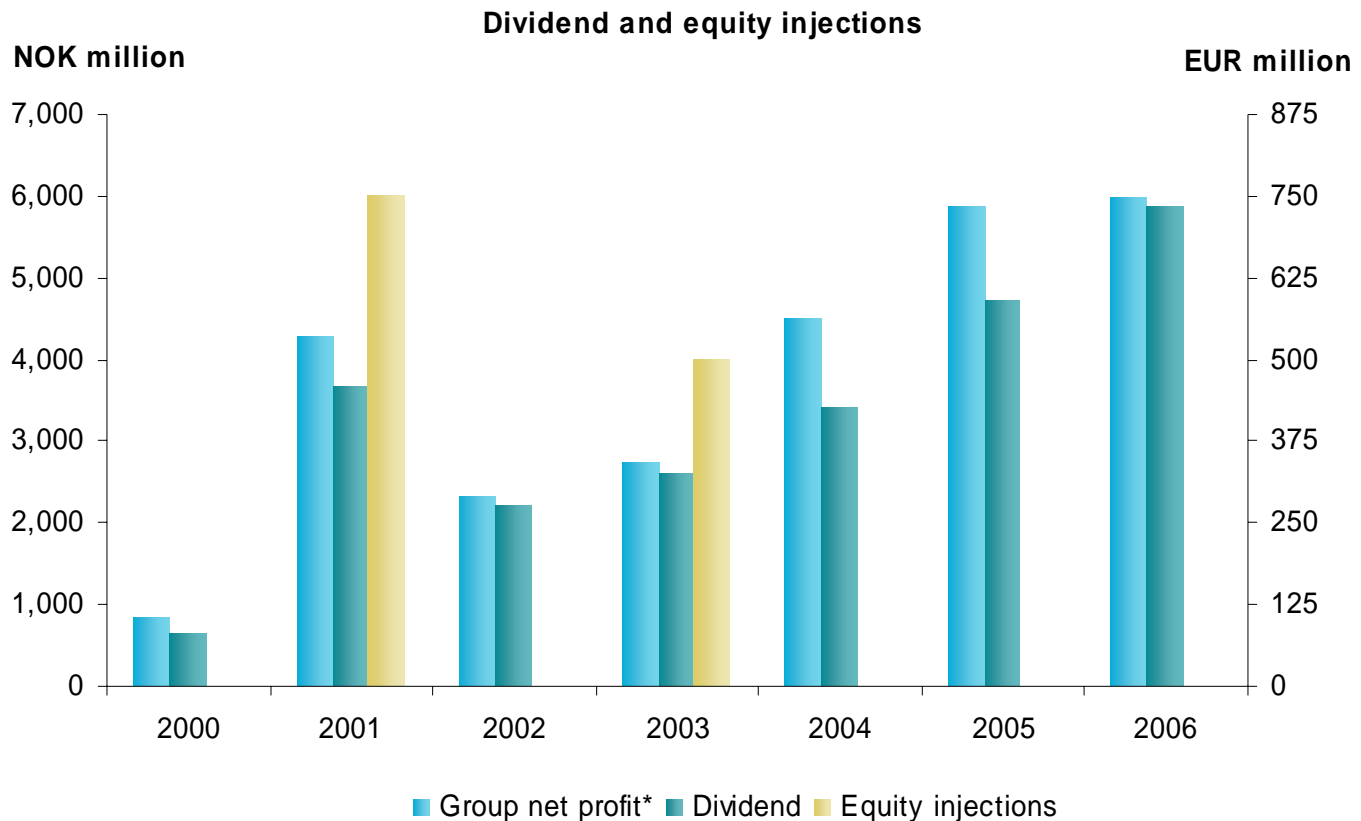
# Strong cash flow from operations 2006



## --> Investments break-down

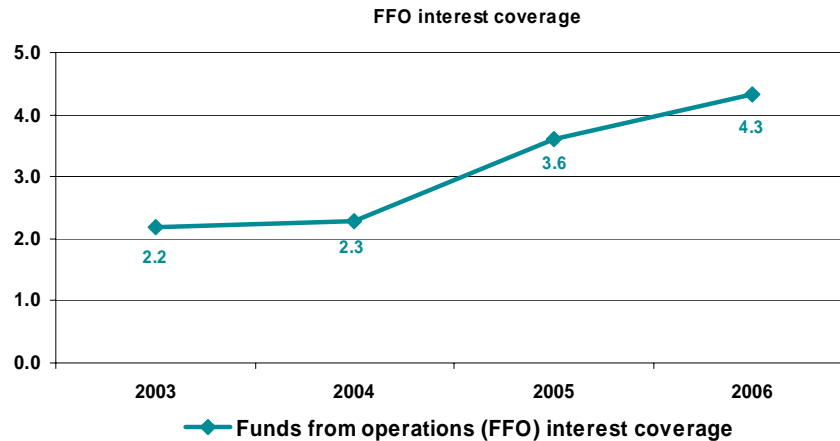
- 70% for the development of new capacity
- 17% for acquisitions or equity injections in subsidiaries
- 13% for the maintenance of existing infrastructures

# Capital structure



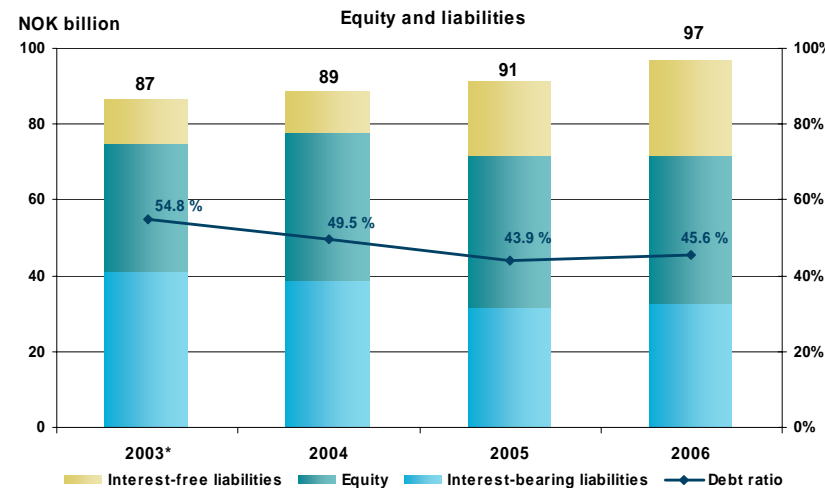
- > Most of net profit paid out as dividend to the Norwegian State
- > Track record of equity injections when needed
- > Equity injections in 2001 and 2003 regarding acquisitions and general improvement of financial strength

# Satisfactory financial strength



- > Statkraft's commitment in the short term is to maintain its BBB+ rating
- > Marked improvement in FFO interest coverage
- > Statkraft's objective in the long term is to achieve an A-level rating

\* Figures are adjusted for significant non-recurring items. 2003 and 2004 are pro forma



- > Financial strength strongly improved
- > Debt redemption 2004-2005
- > Stable from 2005-2006

2003 is pro forma

Debt ratio:  $\text{Interest-bearing debt} / (\text{interest-bearing debt} + \text{equity})$

# 5. Treasury & funding

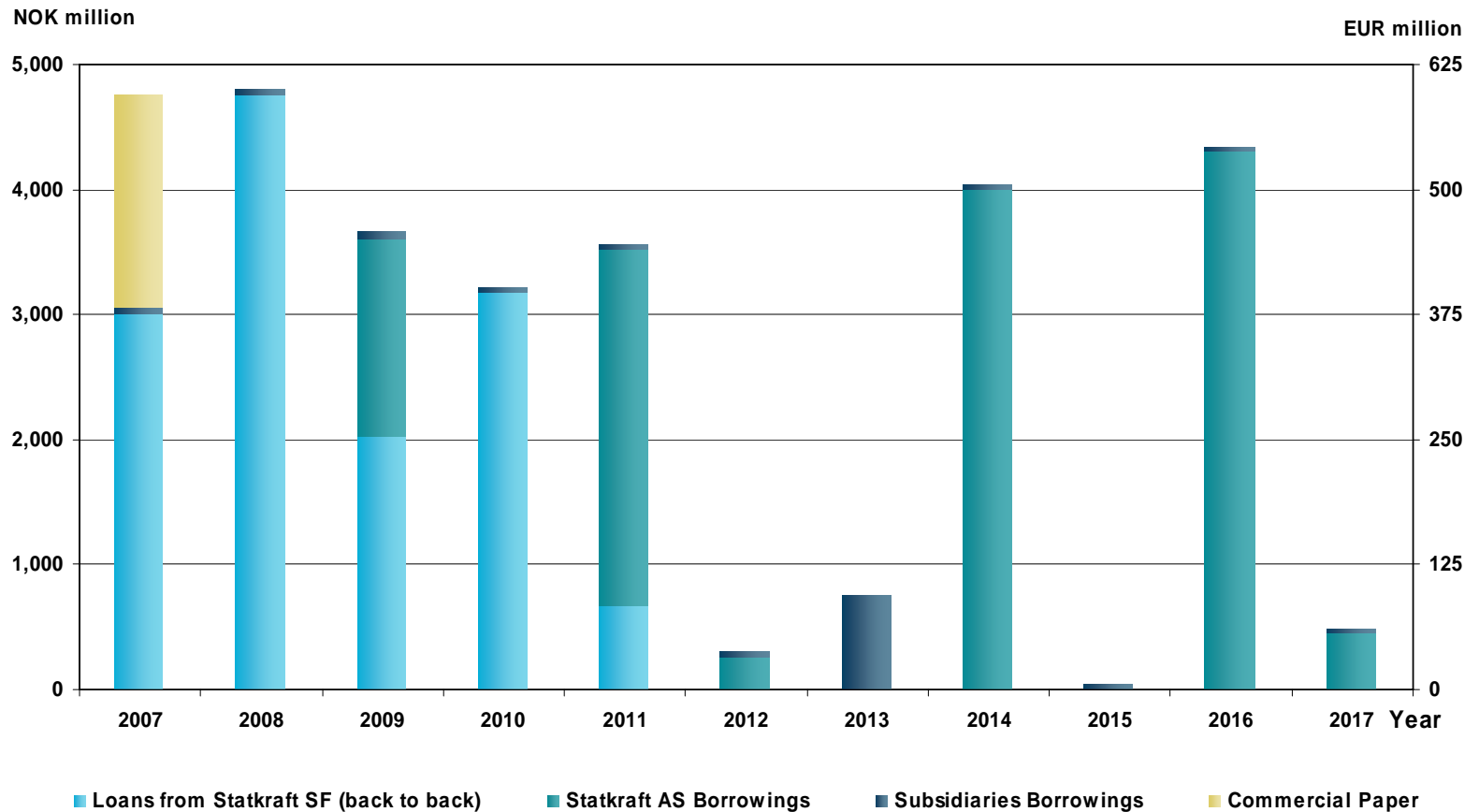


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# Treasury policies

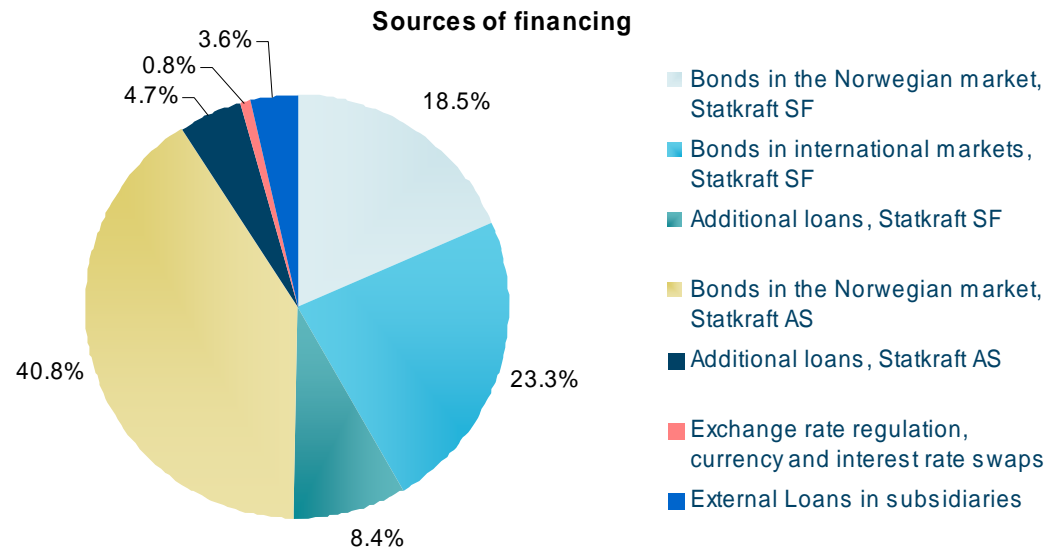
- > Funding is centralised at the group level and Statkraft AS funds its subsidiaries through equity and internal loan agreements
  
- > Hedging activities due to FX risk and Interest rate risk are centralised at the group level. The hedging policies are approved by the board
  
- > Power trading is organised under Generation & Markets with their own Risk Management Policies
  - Collateral for power trading has been replaced by bank guarantees

# Debt redemption profile by maturity date



--> Recognised long-term interest-bearing debt totals NOK 30.4 bn (€ 3,8bn), including NOK 1,944 m (€ 242m) maturing in the period 2018–2022

# Adequate sources of financing and liquidity



- > Statkraft AS has a Committed Multi- Currency Revolving Credit Facility with swingline option. NOK 5 bn (€621m)
  - Maturity June 2010 with option to extend for 1 year
  - No financial covenants
- > Excess liquidity is invested within established credit lines with high quality counterparties. The lines are approved by the CEO
- > Statkraft AS uses the domestic CP market actively for short term funding requirements
- > Statkraft AS uses its EMTN programme for Domestic and International Bonds

# Investment Highlights

- > Flexible peak supplier of electricity for the Nordic and European markets with the largest hydroreservoir capacity in Europe
- > Leading expertise in environment friendly generation
- > Strong operating performance supported by low cost generation capacity
- > Strong, stable ownership by the Kingdom of Norway
- > Commitment to maintain strong investment grade ratings

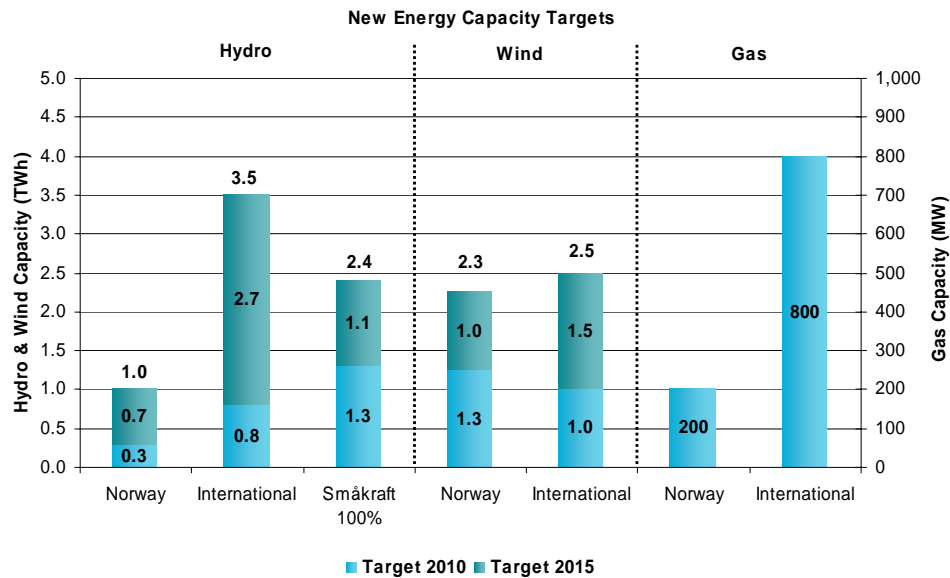
# Appendix



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# Business area: New energy

## Development of new generating capacity

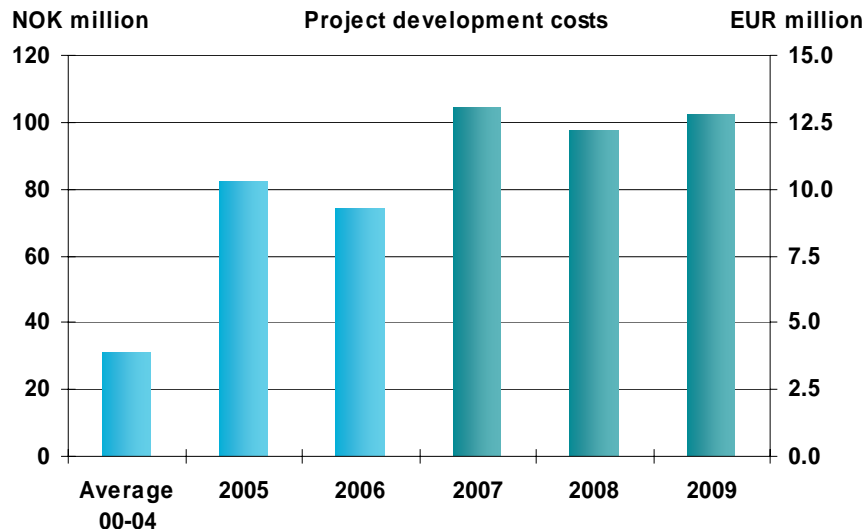


### Targets:

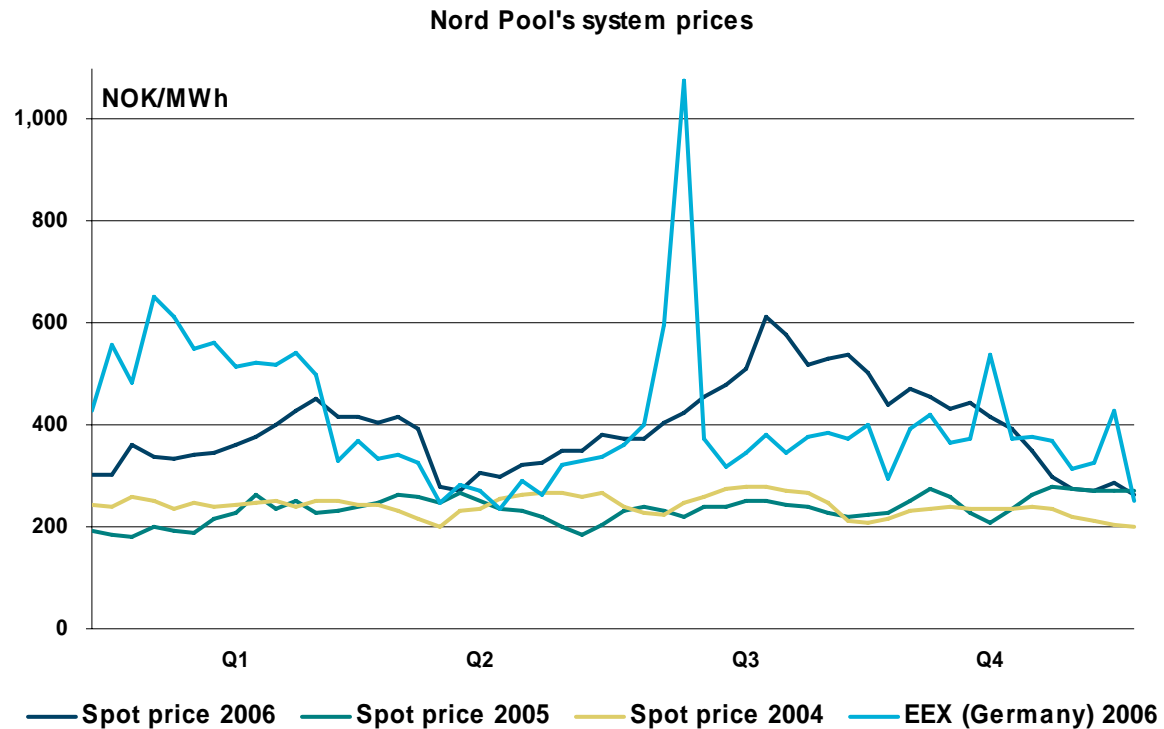
- > Develop environment-friendly and profitable generating capacity
- > Commercialise new technologies
- > 16 TWh to be realised (i.e. developed/ready for investment decision) by 2015

### Status:

- > Total portfolio of 200 projects with a gross capacity of 20–25 TWh
- > Total realised 2000-2006: 7.4 TWh
  - 3 wind farms on stream
  - 3 gas-fired power plants to be completed 2007
- > Total spending on R&D and developing projects from 2000 to 2006: NOK 310 m (€39m)
- > Planned annual costs in project development (before investment decision): NOK 100 m (€12m)



# Fluctuating, high system prices 2006



--> Little precipitation and mild weather at times

--> Production in Nordic region down 3.0 %

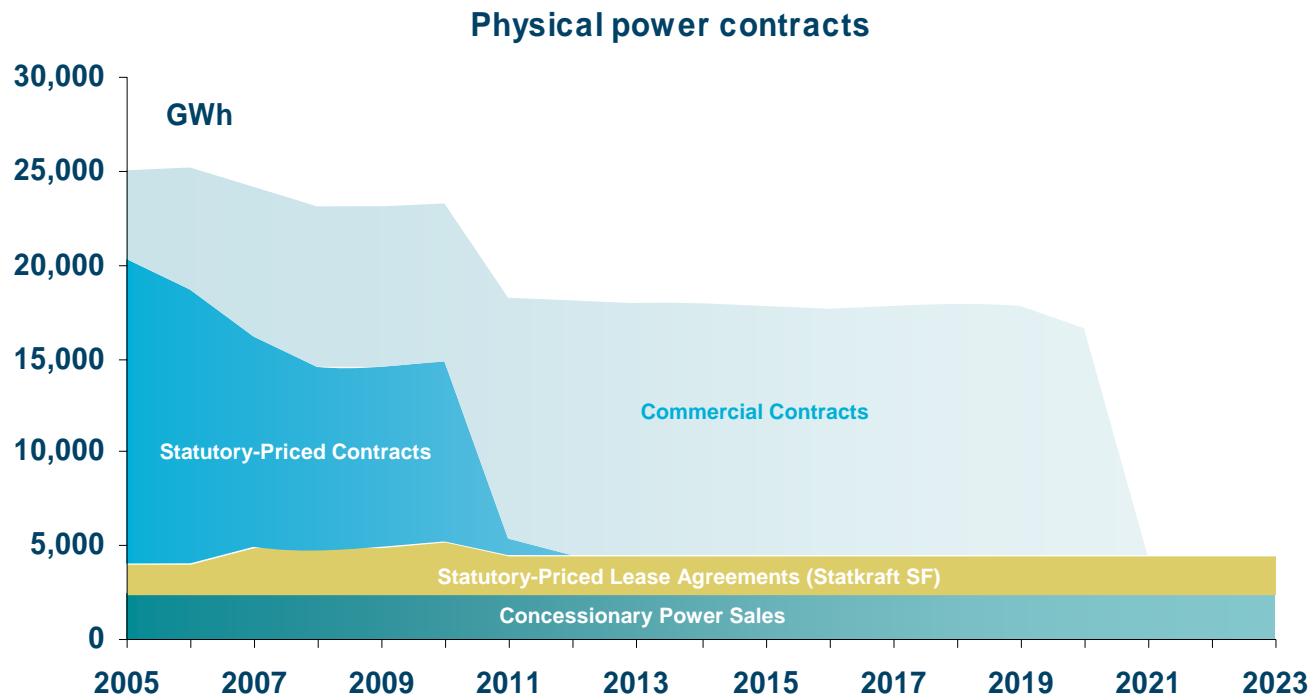
--> Fuel prices for thermal power affect electricity prices

--> Consumption in Nordic region up 0.1 %

--> Closure of nuclear reactors in Sweden

--> Net import to Nordic region : 11.4 TWh

# Growth in commercial contracts with industry



--> Statkraft is Norwegian industry's main electricity provider

--> Statutory priced contracts expire 2011

-- Total volume 2007-2011: 41 TWh

--> Strong increase in commercial contract with industry

-- Total volume 2007-2020: 165 TWh

# Low costs per generated kWh

Operating expenses (% of Net Sales)	2006	2005	2004
Salaries and payroll costs	8.1%	8.9%	11.4%
Compensation and licence fees	2.0%	2.3%	3.3%
Other operating expenses	9.6%	12.4%	13.3%
Property tax	3.7%	3.3%	3.4%
<b>Operating expenses before depreciation</b>	<b>23.4%</b>	<b>26.9%</b>	<b>31.4%</b>
Ordinary depreciation	9.3%	12.4%	13.0%

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In real terms - increased salary and operating expenses as a result of new operations and staff increases

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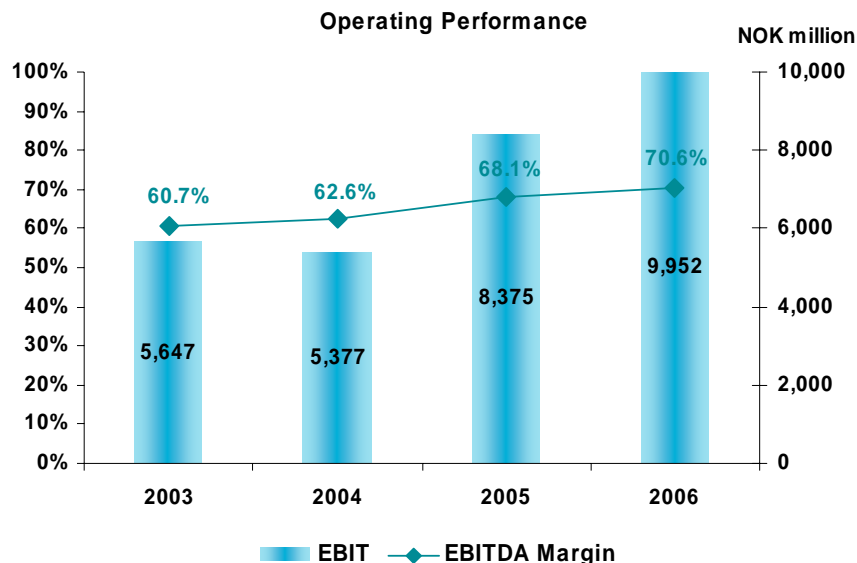
Relative reduction in salaries and operating expenses

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Sharp increase in property tax

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Underlying operations stable in relative terms



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Low variable cost gives high and increasing EBIT

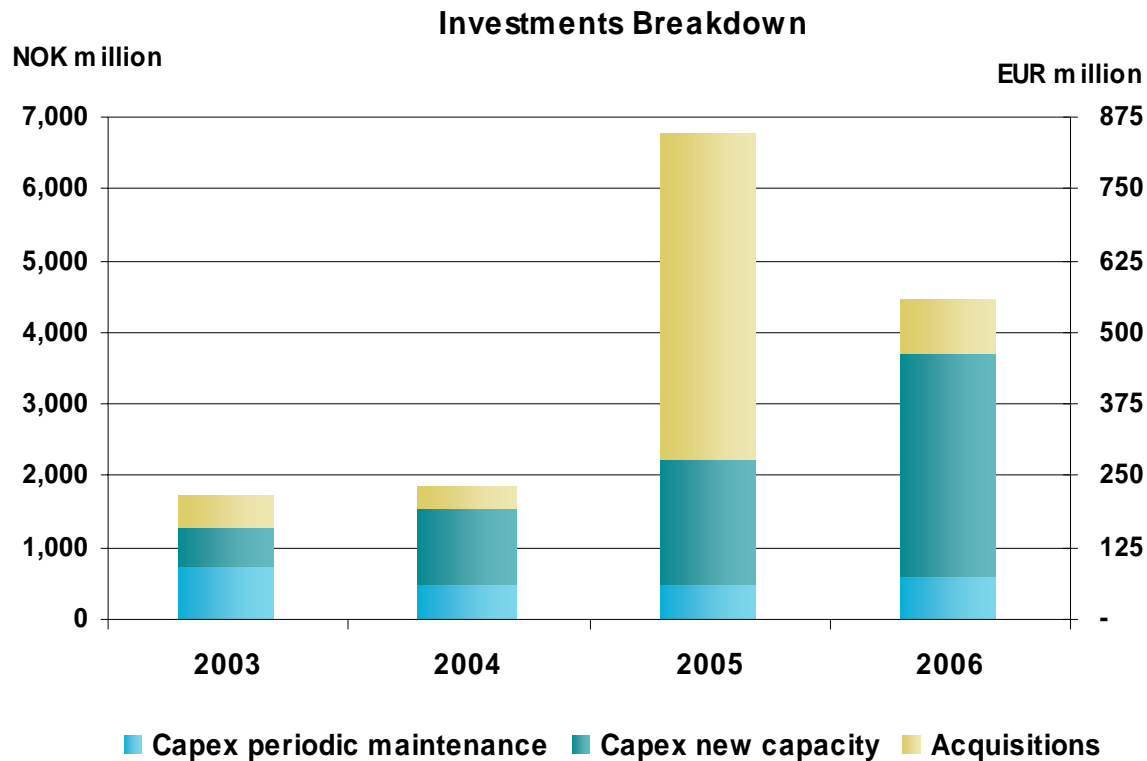
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High and increasing EBITDA-margin

-->

Solid base for covering financial costs

# Capex & investments programme



- > Increased organic growth
  - Wind and gas-fired plants
- > Relatively stable periodic maintenance
  - Expected future level NOK 600 m -1000 m (€75-125 m)
- > Capex new capacity 2007: NOK 2bn (€250 m)

# Risk financing policy (Insurance)

- > Statkraft has a Risk Financing Policy which was passed by the Corporate Management in January 2006
- > Goal
  - To protect the Corporate assets and profitability by reducing the financial consequences of accidents
  - Over time, minimise risk financing costs through appropriate use of deductible, Statkrafts in house insurance captive and the traditional insurance markets as sources
- > Defines responsibilities and activities for the Corporate Insurance Department and local insurance contacts
- > Provides guidelines on how to spread risk financing between different sources
- > Corporate Insurance Arrangements

# Financial holding in E.ON Sweden

- > Statkraft 44.6% ownership, E.ON 55.3%, others 0.1%
- > Statkraft has a long-term shareholder agreement with E.ON. Statkraft has three board members
- > Net result after tax 2005: approx. € 400m  
Payout ratio last years: approx. 45%
- > Statkraft has a put option until December 2007 which can be exercised with 3 months notice
- > A fair value of our E.ON Sweden shares is considered to exceed the put option value
- > The shareholding has a strategic upside

# Status for SN power



- > Owned by Statkraft and Norfund (50/50)
- > Target of being co-owner of a portfolio of 3,000-4,000 MW within a few years
- > Realistic target in respect of identified projects in the present portfolio
- > Power plants in operation in Nepal, India, Sri Lanka, Peru – just acquired power plant in the Philippines (total 2,150 GWh)
- > Two power plants under construction in India and Chile (total 1,710 GWh)

# Norwegian legislation and regulation

- > Licence period and reversion system
  - Under lawsuit by ESA, decision expected 2007
- > Revenue regulation regime for grid operators
  - Revised regime from 2007, increased demand for efficiency
- > Incentive scheme for new energy
  - Established in 2007, modest support levels
- > Limitation on further acquisitions in Norway
  - Fresh acquisitions banned by competition authorities
  - Increased stakes in existing shares allowed
- > Statutory priced industrial contracts
  - Expires 2011, release saleable volume
- > State ownership
  - Maintained by present government
  - High payout ratio, strong support expressed by owner

# Legal structure

