

FINANCIAL RESULTS

Q2 2016

CEO Christian Rynning-Tønnesen

CFO Hallvard Granheim

21th July 2016



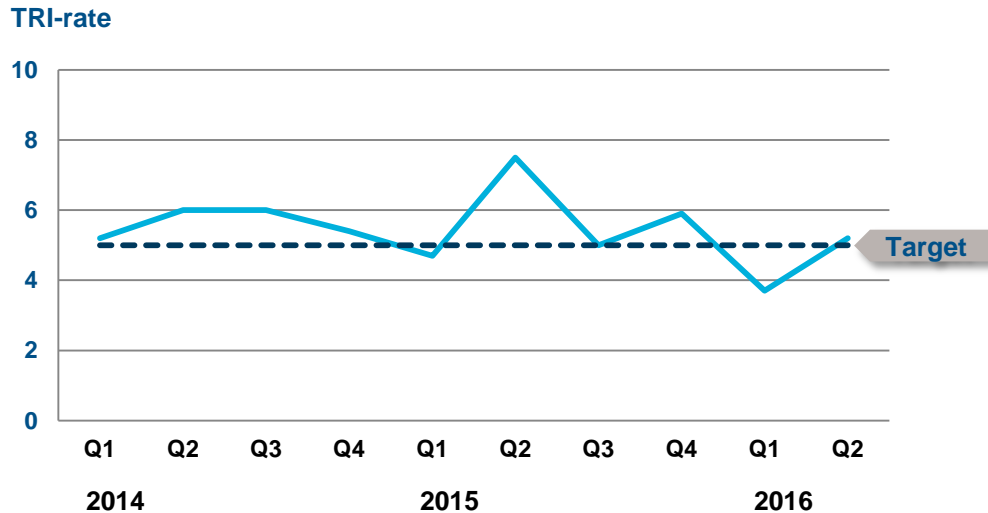
Highlights Q2



- ▶ Fatal accident in Peru 16th July
- ▶ Solid underlying results (EBITDA)
 - Nordic prices are up 16% Q-on-Q
 - Total production was 14.3 TWh - On level with Q2 last year
 - Underlying EBITDA up NOK 303 million to NOK 2665 million
- ▶ Impairment of German assets gave negative result of NOK 1899 million
- ▶ Performance improvement programme launched

Health, safety and environment

Total Recordable Injuries rate¹



- ▶ Fatal accident in Peru:
 - One person died while performing maintenance work on La Oroya hydropower plant
- ▶ Health and safety
 - Quarterly injuries rate relatively stable.
 - Continuously top priority to improve safety performance
- ▶ Environment
 - No serious environmental incidents

¹TRI rate: Number of injuries per million hours worked (per quarter)

Impairment of assets in Germany



NOK million	Impairment in Q2	Remaining book value
Knapsack CCGT	1 735	856
Herdecke CCGT	205	84
Other assets	289	
Total	2 229	

- ▶ Revised market expectations has led to impairment of gas fired power plants

Performance Improvement Programme

Need to strengthen performance and competitiveness

- Large decline in electricity prices
- Increased competition
- New technologies and business models challenging the power industry

Performance improvement programme

- Strengthen performance in all activities
- Cost reduction of 15% (800 MNOK) by end of 2018
- Company-wide programme

Ambition

- Become one of the best performing and most competitive companies in our industry
- Strengthen the position for future growth

Outlook



- ▶ Europe's largest reservoir capacity enables revenue optimisation
- ▶ Long-term contracts contribute to stabilize net result
- ▶ Performance improvement programme will reduce costs
- ▶ Investments continues to be adapted to financial capacity

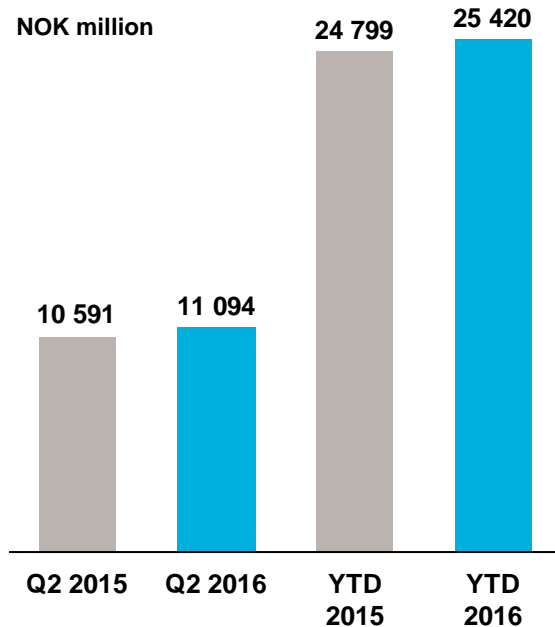
Key figures

NOK million	Q2 2016	Q2 2015	YTD 2016	YTD 2015
Gross revenues ¹	11 094	10 591	25 420	24 799
EBITDA ¹	2 665	2 362	6 915	6 323
Net profit/loss	-1 899	-2 042	490	1 641

- ▶ Nordic prices up 16% measured in EUR Q-on-Q
- ▶ Overall production in line Q-on-Q
- ▶ Impairment of German assets resulted in a negative result

¹Adjusted for unrealised changes in value on energy contracts and significant non-recurring items

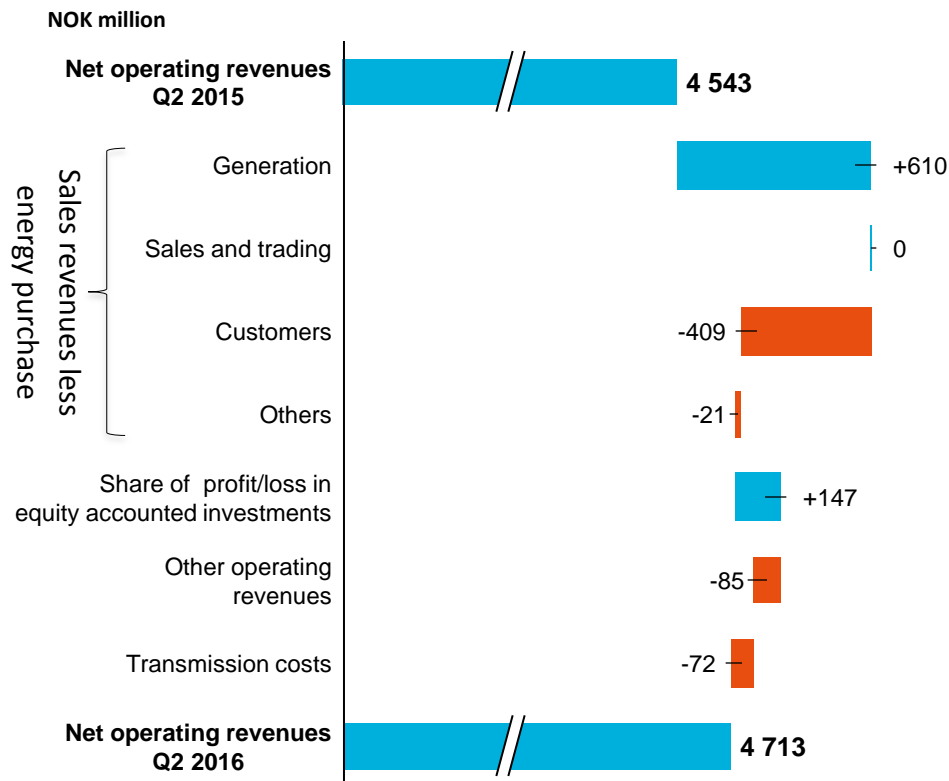
Gross operating revenues



- ▶ Underlying gross operating revenues¹ in Q2 influenced by:
 - Increase in Nordic power prices Q-on-Q
 - Higher contribution from International hydropower
 - Lower contribution from Market operations

¹Adjusted for unrealised changes in value on energy contracts and significant non-recurring items

Net operating revenues

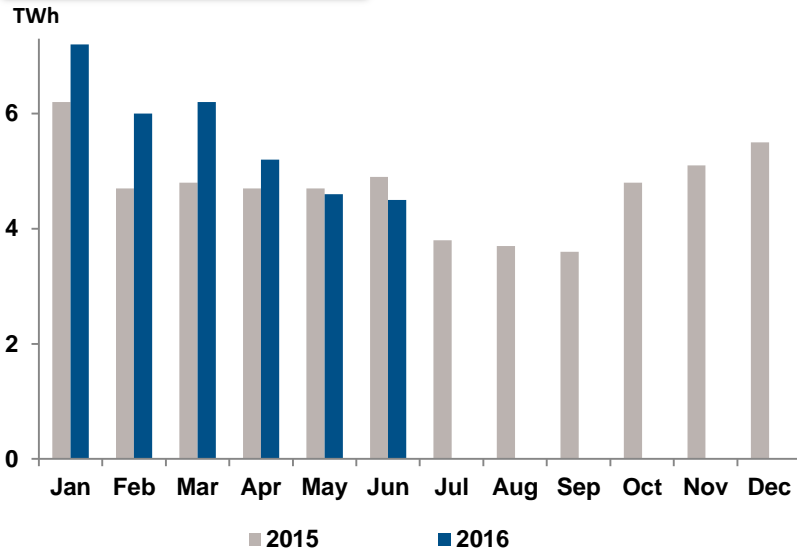


- ▶ Net operating revenues¹ up by NOK 170 million (+ 4%)
- ▶ Major effects:
 - Net generation up NOK 610 million due to higher Nordic power prices and new capacity in International hydropower
 - Net Customers is down following low profitability from market access activities
 - The share of profit/loss in equity accounted investments are up in the absence of impairment effects in 2015

¹Adjusted for unrealised changes in value on energy contracts and significant non-recurring items

High quarterly production

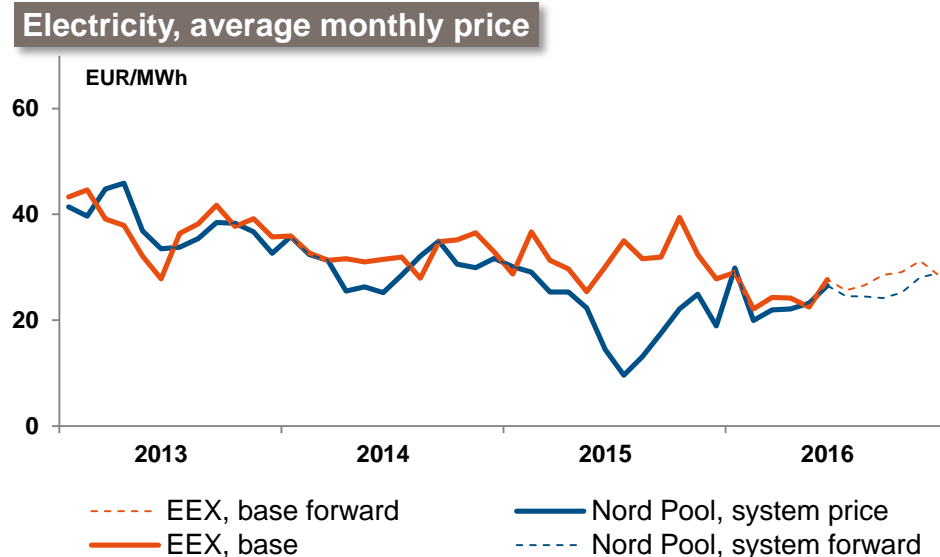
Monthly power generation



Q2 production in line Q-on-Q

Technology	TWh	Change in TWh
Hydropower	13.7	+0.1
Wind power	0.5	-
Gas power	-	-
Bio power	0.1	-
Total	14.3	+0.1

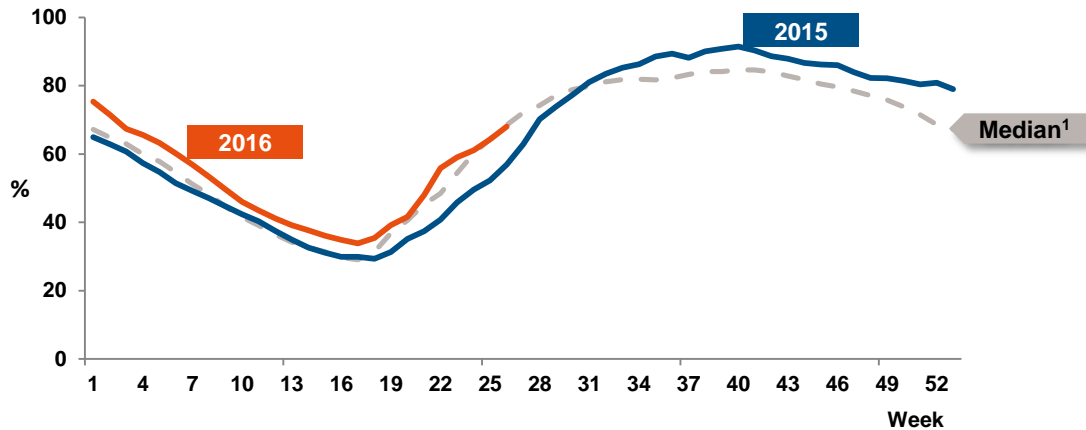
Price development in Q2



- ▶ German power prices are down compared with Q2 2015 following lower fuel prices Q-on-Q and increase in renewables
 - Spot price (base): 24.8 EUR/MWh - 13%
- ▶ Nordic power prices are up Q-on-Q following a more normalized hydrological situation
 - System price: 24.0 EUR/MWh + 16%
- ▶ Nordic forward prices increased throughout the quarter
- ▶ Forward prices in Germany were up in the short end and down further out on the curve

Nordic reservoir levels

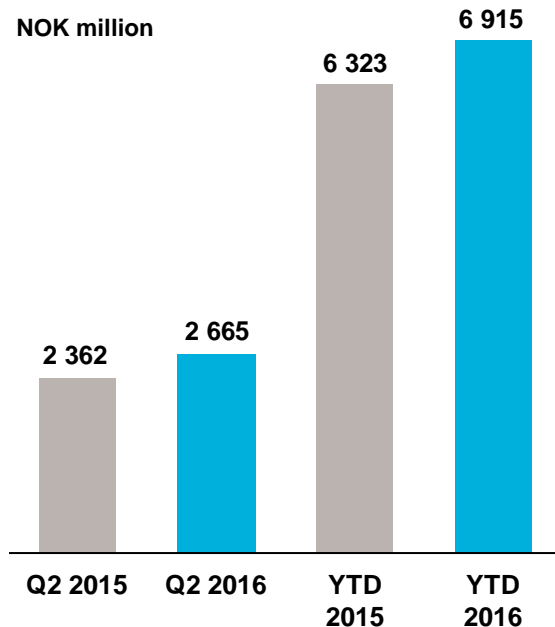
Nordic reservoir water levels



- ▶ At the start of year Nordic reservoirs were 118% of median
- ▶ Inflow on a normal level in the Nordic region
- ▶ At the end of June reservoirs were 82.6 TWh corresponding to 99% of median
- ▶ Reservoirs filled to 68.0% of maximum capacity of 121.4 TWh

¹ Median 1990-2012

NOK 2.7 billion in underlying EBITDA



Δ Q2 16/Q2 15 + 13%

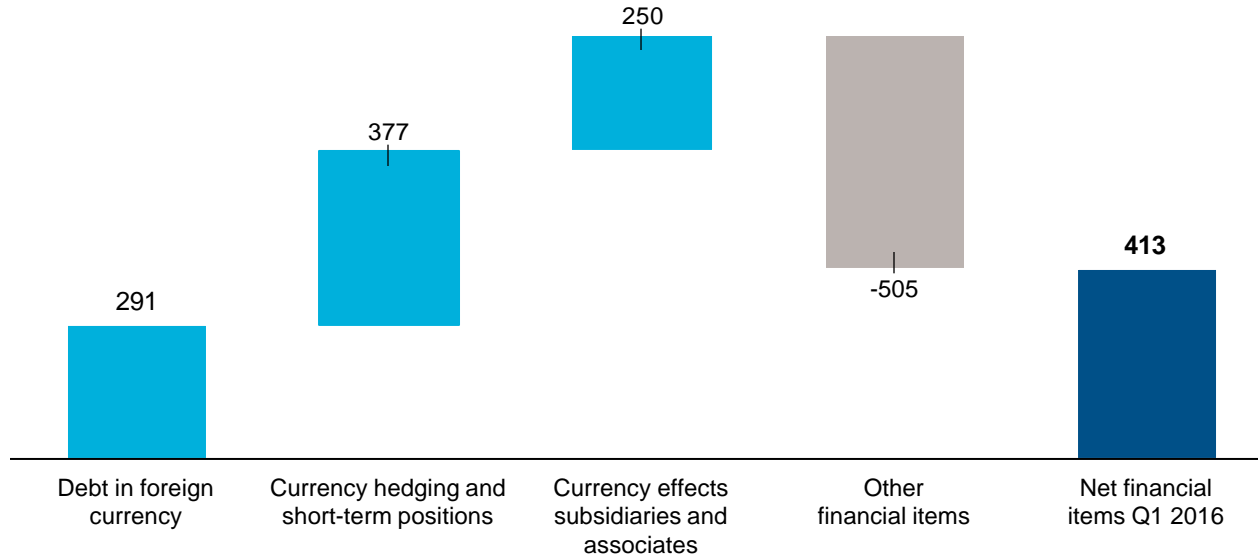
- ▶ Underlying EBITDA¹ was up by NOK 303 million Q-on-Q
- ▶ Positive effects from higher Nordic power prices and new capacity in International hydropower
- ▶ Improvements partly offset by lower contribution from Market operations

¹Adjusted for unrealised changes in value on energy contracts and significant non-recurring items

Q2 currency effects of NOK +918 million

Breakdown Net financial items Q2 2016

NOK million



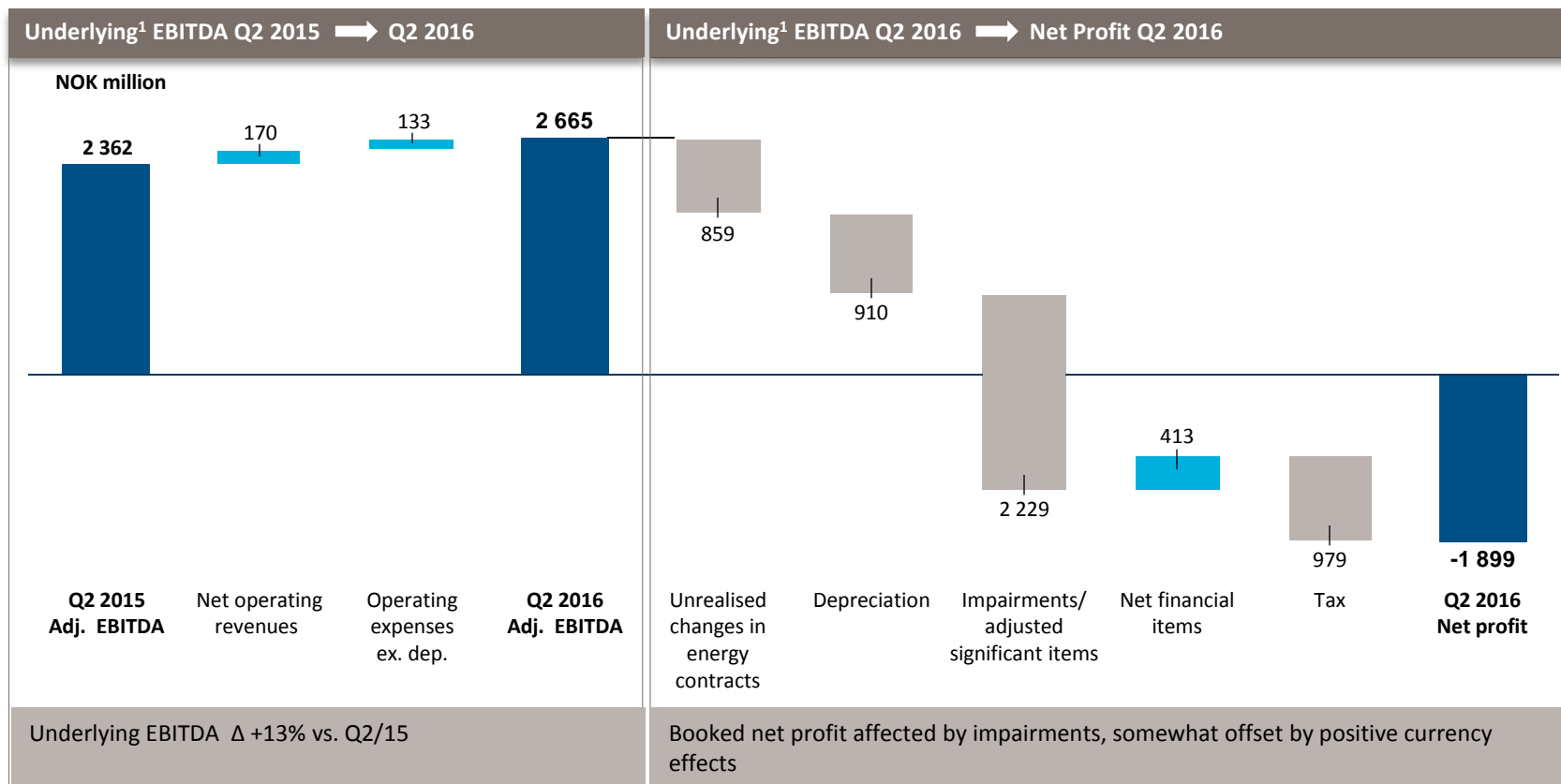
There are negative translation effects in equity

Net profit influenced by impairments

NOK million	Q2 2016	Q2 2015	YTD 2016	YTD 2015
Net profit/loss	-1 899	-2042	490	1 641

- ▶ Solid contributions from operating activities
 - Mainly through higher Nordic power prices and new international capacity
- ▶ Impairments gave net loss

Q2 net profit breakdown

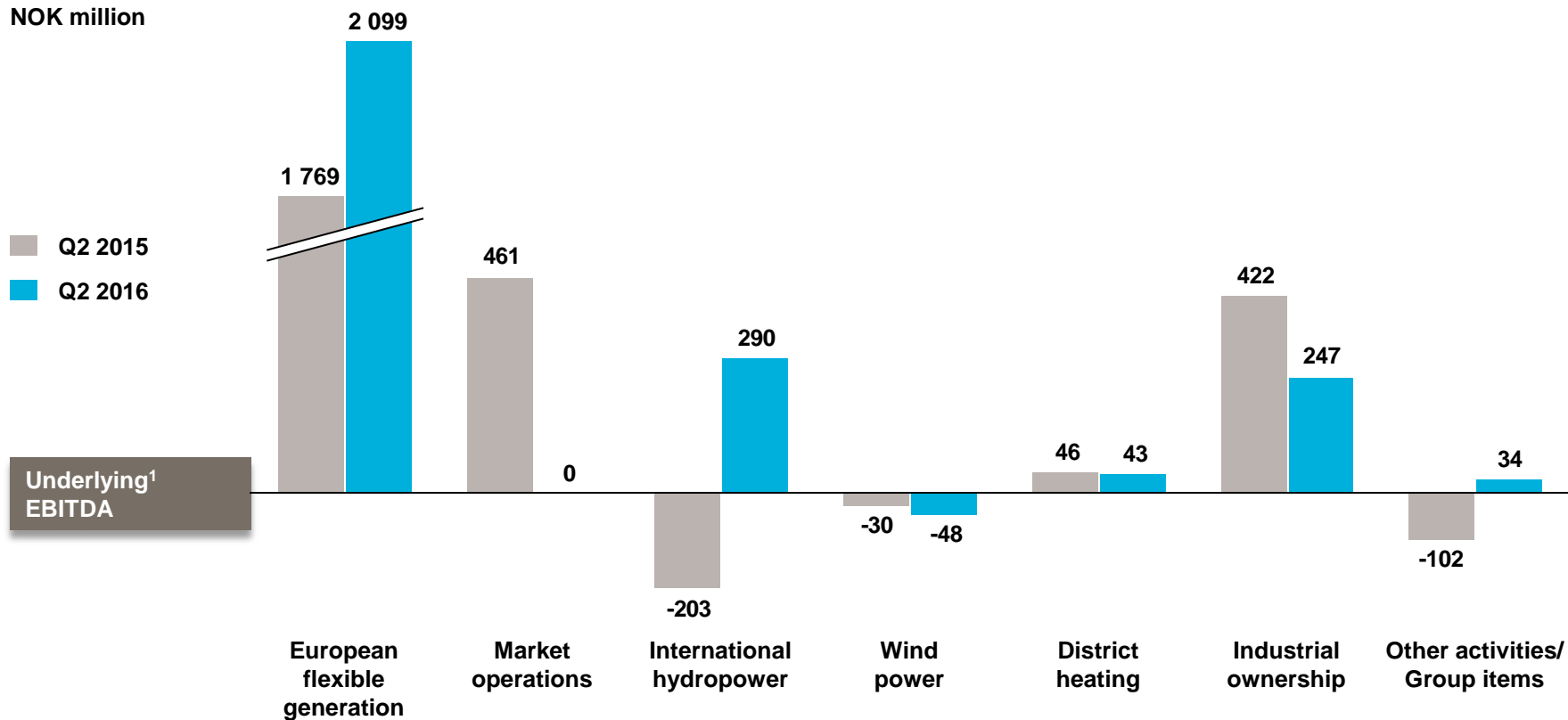


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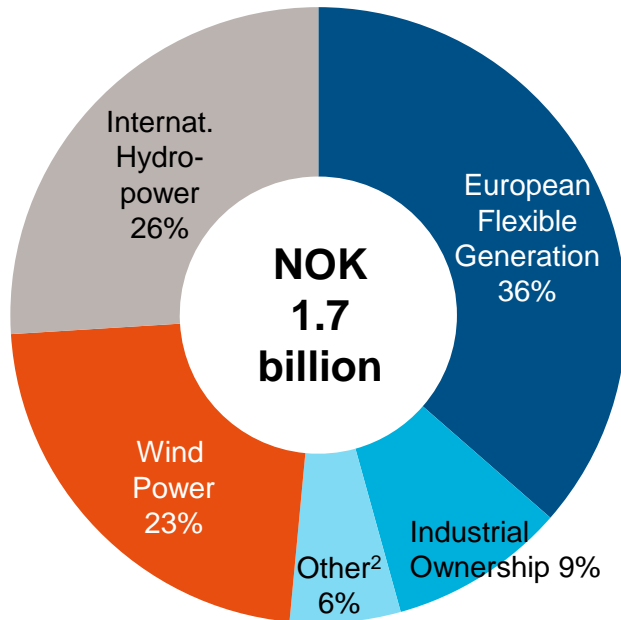
Q2 segment financials

EBITDA including share of profit/loss from equity accounted investments

NOK million



Q2 2016 capital expenditure¹



- ▶ Distribution of CAPEX in the quarter:
 - 66% expansion investments
 - 3% investments in shareholdings
 - 31% maintenance investments
- ▶ New hydropower capacity under construction in Norway and Albania
- ▶ Wind power developments in Norway and UK
- ▶ Maintenance primarily within hydropower in the Nordic region

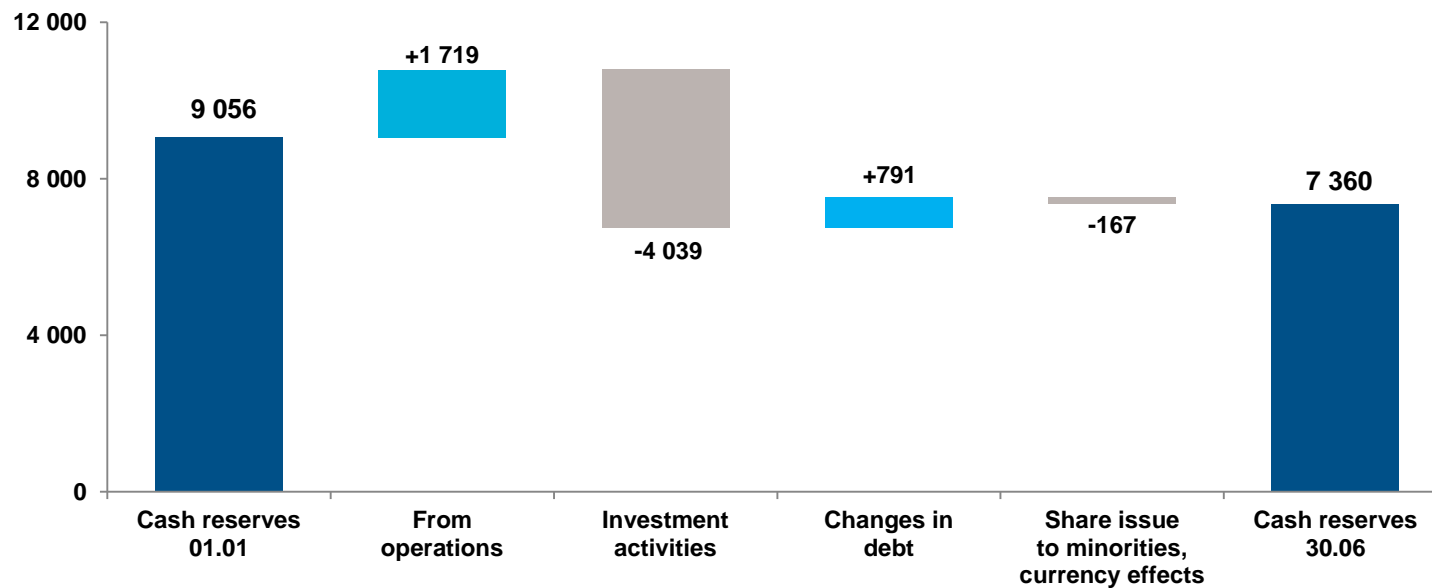
¹ Exclusive loans to associates

² Including District heating, Market operations and Other activities

Cash flow

Cash flow

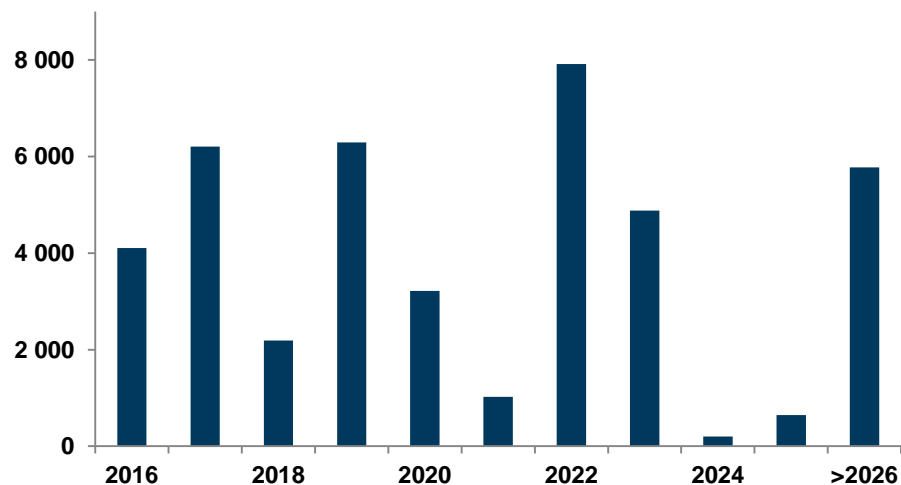
NOK million



Long-term debt

Debt repayment profile

NOK million



- ▶ NOK 37.8 billion in net interest-bearing debt (NOK 35.0 billion at year end 2015)
 - NOK 36%, EUR 45%, GBP 13%, USD 2%, BRL 3%, CLP/CLF 1%
 - 62% floating interest
 - Interest-bearing net debt ratio 31,2%
 - NOK 4.1 billion debt matures in rest of 2016

Strong credit ratings



A- / Negative



Baa1 / Stable

- ▶ Maintaining current ratings with S&P¹ and Moody's
- ▶ Strong support from owner
- ▶ CAPEX adapted to financial capacity

¹In a report published 26 February 2016 Standard & Poor's affirmed Statkraft's A- rating but changed the outlook from 'stable' to 'negative'

Summary



- ▶ Higher Nordic power prices and overall production in line Q-on-Q
- ▶ Increased contribution from International hydropower
- ▶ Impairment of German assets
- ▶ Strategic advantage: Low cost position, high flexibility and large reservoir capacity
- ▶ Performance Improvement Programme to reduce cost with 800 million



THANK YOU

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APPENDIX



Statement of Comprehensive Income

NOK million	Second quarter		Year to date		The year
	2016	2015	2016	2015	2015
COMPREHENSIVE INCOME					
PROFIT AND LOSS					
Sales revenues	9 820	10 937	23 324	23 968	51 586
Share of profit/loss in equity accounted investments	-124	-271	252	142	683
Other operating revenues	234	319	511	519	1 507
Gross operating revenues	9 930	10 984	24 088	24 630	53 777
Energy purchase	-5 768	-6 358	-13 667	-14 260	-31 892
Transmission costs	-309	-236	-673	-546	-1 112
Net operating revenues	3 853	4 390	9 747	9 824	20 773
Salaries and payroll costs	-752	-751	-1 727	-1 604	-3 545
Depreciation, amortisation and impairments	-3 139	-2 606	-4 033	-3 359	-6 401
Property tax and licence fees	-415	-410	-831	-826	-1 679
Other operating expenses	-881	-1 019	-1 726	-1 742	-4 650
Operating expenses	-5 187	-4 786	-8 317	-7 531	-16 276
Operating profit/loss	-1 333	-396	1 430	2 293	4 497
Financial income	88	107	169	209	421
Financial expenses	-381	-309	-746	-733	-2 058
Net currency effects	918	-2 040	2 234	1 440	-3 445
Other financial items	-213	304	-69	133	-237
Net financial items	413	-1 938	1 589	1 049	-5 318
Profit/loss before tax	-920	-2 334	3 019	3 342	-821
Tax expense	-979	292	-2 529	-1 701	-1 548
Net profit/loss	-1 899	-2 042	490	1 641	-2 370
Of which non-controlling interest	37	-733	170	-526	-598
Of which majority interest	-1 936	-1 309	320	2 167	-1 772
OTHER COMPREHENSIVE INCOME					
Items in other comprehensive income that recycle over profit/loss:					
Changes in fair value of financial instruments	254	-153	780	107	-937
Income tax related to changes in fair value of financial instruments	-57	49	-191	-81	142
Items recorded in other comprehensive income in equity accounted investments	41	300	178	166	204
Currency translation effects	-951	1 343	-3 624	-885	6 138
Reclassification currency translation effects related to foreign operations disposed of in the year	6	0	6	-	772
Items in other comprehensive income that will not recycle over profit/loss:					
Estimate deviation pensions	-320	765	-320	765	758
Income tax related to estimate deviation pensions	104	-265	104	-265	-314
Other comprehensive income	-923	2 038	-3 067	-193	6 761
Comprehensive income	-2 822	-5	-2 577	1 448	4 392
25 Of which non-controlling interest	257	-819	296	-345	-133
Of which majority interest	-3 078	813	-2 873	1 792	4 525

Statement of Financial Position

NOK million

30.06.2016

30.06.2015

31.12.2015

STATEMENT OF FINANCIAL POSITION

ASSETS

Intangible assets	5 204	3 022	5 822
Property, plant and equipment	106 094	102 559	111 207
Equity accounted investments	19 100	19 322	19 388
Other non-current financial assets	8 300	6 859	7 874
Derivatives	4 185	4 654	4 675
Non-current assets	142 884	137 316	148 966
Inventories	1 735	2 558	1 044
Receivables	9 425	8 955	10 675
Short-term financial investments	516	563	513
Derivatives	7 587	4 204	6 651
Cash and cash equivalents (included restricted cash)	7 360	9 847	9 058
Current assets	26 623	26 127	27 940
Assets	169 508	163 443	176 905

EQUITY AND LIABILITIES

Paid-in capital	57 111	56 361	57 111
Retained earnings	18 329	20 067	22 787
Non-controlling interest	7 807	7 419	8 443
Equity	83 248	83 848	88 340
Provisions	21 250	18 631	21 228
Long-term interest-bearing liabilities	38 392	33 106	37 410
Derivatives	3 148	2 919	3 738
Long-term liabilities	62 789	54 656	62 374
Short-term interest-bearing liabilities	7 269	4 292	7 196
Taxes payable	2 375	2 481	2 825
Other interest-free liabilities	9 662	13 627	10 781
Derivatives	4 163	4 558	5 388
Current liabilities	23 470	24 939	26 190
Equity and liabilities	169 508	163 443	176 905

Statement of Cash Flow

NOK million	Second quarter		Year to date		The year
	2016	2015	2016	2015	2015
STATEMENT OF CASH FLOW					
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before tax	-920	-2 334	3 019	3 342	-821
Profit/loss on disposal of non-current assets	-	0	-18	6	43
Depreciation, amortisation and impairments	3 139	2 606	4 033	3 359	6 401
Profit/loss from the sale of business	-	0	-	-	-221
Profit/loss from the sale of shares and equity accounted investments	-1	0	-2	-	471
Share of profit/loss in equity accounted investments	124	271	-252	-142	-683
Realised currency effect from internal loans ¹⁾	-665	-97	-1 231	-831	2 635
Unrealised changes in value	444	1 169	-798	-1 775	-1 308
Changes in long term items	85	105	-39	75	410
Changes in short term items ¹⁾	-374	-1 081	-1 142	1 479	4 241
Dividend from equity accounted investments	524	520	544	527	534
Taxes	-1 172	-1 243	-2 384	-2 984	-3 062
Cash flow from operating activities	A	-84	1 719	3 056	8 639
CASH FLOW FROM INVESTING ACTIVITIES					
Investments in property, plant and equipment ²⁾	-1 575	-1 909	-3 197	-3 624	-8 720
Proceeds from sale of non-current assets	-2	119	21	130	152
Reclassification of joint arrangement ³⁾	-404	-	-404	-	-
Business divestments net liquidity inflow to the Group	25	-	25	-	1 691
Business combinations and asset purchase, net liquidity outflow from the Group ⁴⁾	-26	-1 928	-59	-1 937	-2 889
Loans to third parties	-695	0	-741	-1	-407
Repayment of loans from third parties	247	131	374	231	628
Considerations regarding investments in other companies ⁴⁾	-52	-75	-58	-198	-289
Cash flow from investing activities	B	-2 482	-4 039	-5 399	-9 834
CASH FLOW FROM FINANCING ACTIVITIES					
New debt	23	-9	2 926	7 565	14 409
Repayment of debt	-2 092	-5889	-2 135	-7 865	-11 804
Dividend and group contribution paid	-	-80	-	-234	-5 157
Share issue in subsidiary to non-controlling interests	-106	-120	-106	15	9
Cash flow from financing activities	C	-6 098	685	-489	-2 603
Net change in cash and cash equivalents	A+B+C	-3 474	-1 635	-2 833	-3 798
Currency exchange rate effects on cash and cash equivalents	90	-3	-63	15	190
Cash and cash equivalents 01.04/01.01	10 743	19 696	9 056	12 663	12 663
Cash and cash equivalents 30.06/31.12 ⁵⁾	7 360	9 847	7 360	9 847	9 056
Unused committed credit lines	12 000	12 000	12 000	12 000	13 000
Unused overdraft facilities	2 215	2 200	2 215	2 200	2 200
Restricted cash	-	0	-	-	-

¹⁾ Realised currency effects from internal loans are shown on a separate line. In second quarter 2015, these effects were shown as part of changes in short term items.

²⁾ Investments in property, plant and equipment in the cash flow are NOK 102 million lower than investments shown in the segment reporting due to acquisition of assets not paid as of second quarter 2016.

³⁾ Net cash deconsolidated from the Group due to reclassification of Dudgeon. See note 11 for further information.

⁴⁾ Investments in shareholdings in the cash flow are NOK 22 million lower than investments shown in the segment reporting. This is mainly due to investments by Statkraft Forsikring not presented as investments in the segment reporting.

⁵⁾ Included in cash and cash equivalents are NOK 63 million related to joint operations as of second quarter 2016