

# THIRD QUARTER 2008

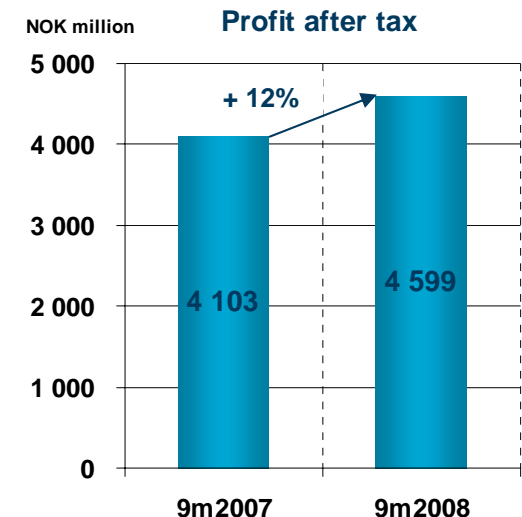
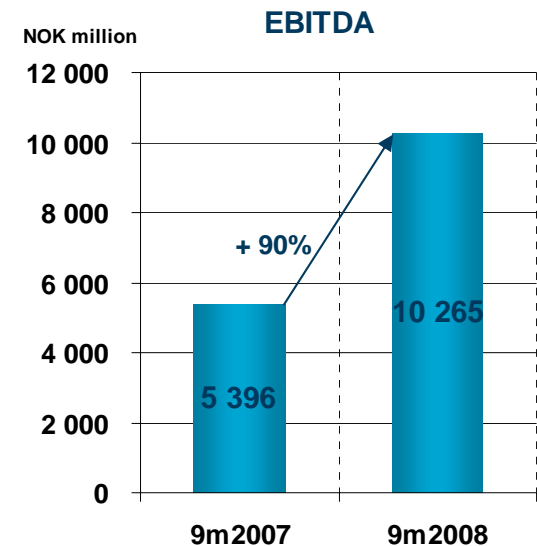
6 NOVEMBER 2008



**Statkraft**  
PURE ENERGY

# YEAR TO 30 SEPTEMBER 2008 IN BRIEF

- > EBITDA MNOK 10,265 (+4,869)
  - Output 38.0 TWh (+8.0)
  - Average spot price €/MWh 42.7 (+19.7)
  - Increased revenues from physical spot sales
  
- > Profit after tax MNOK 4,599 (+496)
  - Associated companies down MNOK 1,001
  - Net financial expenses down MNOK 1,631
  - Taxes up MNOK 1,558
  
- > Investments MNOK 2,132
  
- > Long-term electricity contract
  - 20 TWh to Boliden Odda 2009-2030
  - Statkraft to take over shareholding in AS Tyssefalden
  
- > Statkraft Agder Vind DA established



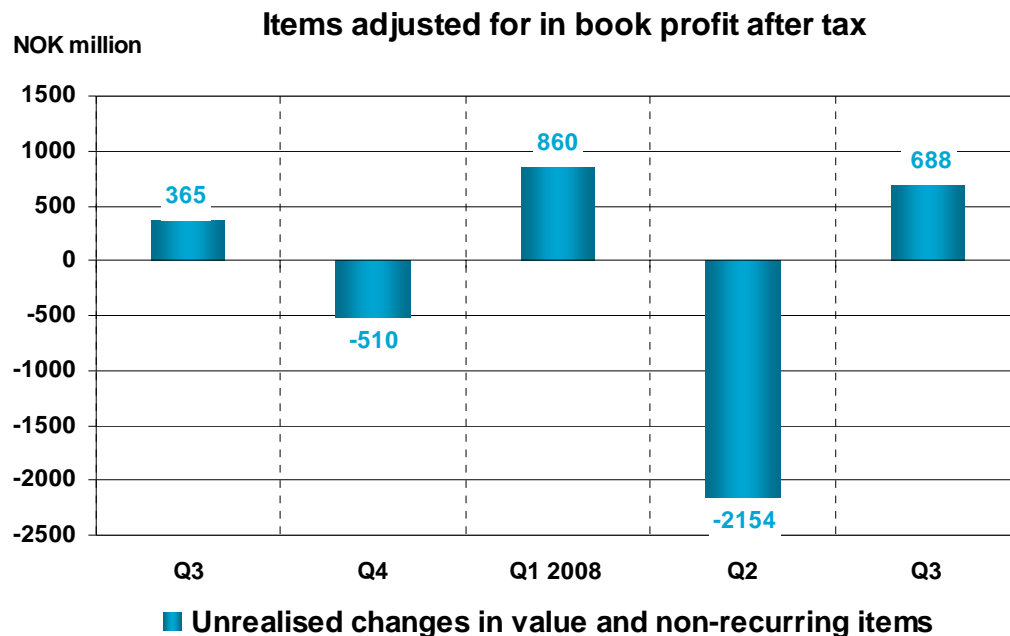
# FINANCIAL RESULT

Third quarter		NOK million	Three quarters		Year
2008	2007		2008	2007	2007
4 778	3 117	<b>Gross operating revenues</b>	16 723	10 975	17 619
-967	-506	Energy purchase and transmission costs	-3 645	-1 961	-3 619
1 191	-299	Unrealised changes in value energy contracts	965	-604	-739
5 002	2 312	<b>Net operating revenues</b>	14 042	8 410	13 261
-1 306	-912	Operating expenses before depreciation	-3 778	-3 015	-4 380
3 696	1 400	<b>EBITDA</b>	10 264	5 395	8 881
-441	-396	Depreciation and write-downs	-1 343	-1 161	-1 639
3 256	1 004	<b>Operating profit (EBIT)</b>	8 922	4 234	7 242
164	448	<b>Share of profit from associated companies</b>	902	1 903	2 613
-393	-339	Net financial expenses	-1 354	-938	-1 317
-427	577	Unrealised changes in value currency, interest	-536	679	227
-820	238	<b>Net financial items</b>	-1 891	-259	-1 090
2 600	1 691	<b>Profit before tax</b>	7 934	5 878	8 765
-1 219	-643	Taxes	-3 334	-1 776	-2 133
1 381	1 048	<b>Net profit</b>	4 599	4 103	6 632

# FINANCIAL HIGHLIGHTS – 9M/2008

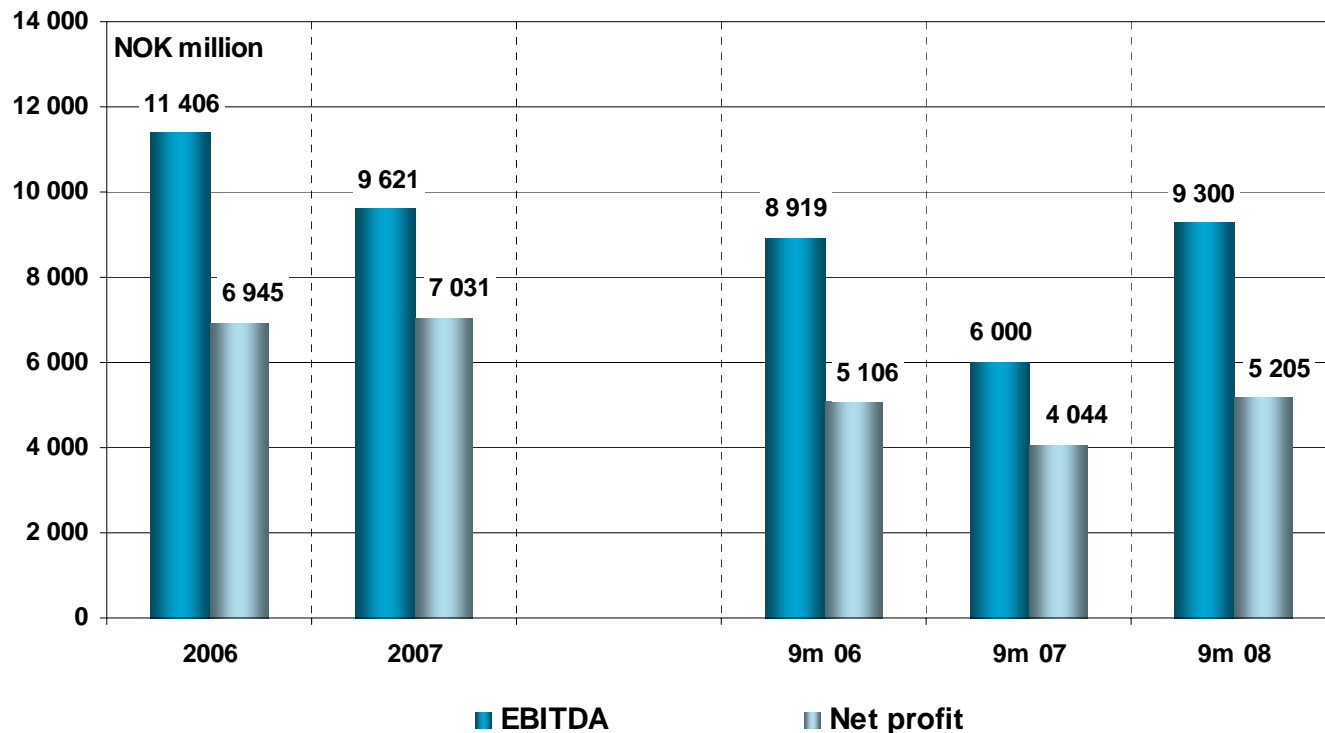
NOK million	9M/2008	9M/2007	+/-
<u>Gross operating revenues</u>	<u>16 723</u>	<u>10 975</u>	<u>52 %</u>
<u>Adjusted EBITDA<sup>1</sup></u>	<u>9 300</u>	<u>6 000</u>	<u>55 %</u>
<u>Adjusted EBIT<sup>1</sup></u>	<u>7 957</u>	<u>4 839</u>	<u>64 %</u>
<u>Adjusted net profit<sup>1</sup></u>	<u>5 205</u>	<u>4 044</u>	<u>29 %</u>
<u>Cash flow from operating activities</u>	<u>6 003</u>	<u>3 011</u>	<u>99 %</u>
<u>Investments</u>	<u>2 132</u>	<u>3 202</u>	<u>-33 %</u>
<u>Interest-bearing debt</u>	<u>39 566</u>	<u>36 560</u>	<u>3 006</u>
<u>Adjusted ROACE before tax<sup>1,2</sup></u>	<u>24.0%</u>	<u>15.9%</u>	<u>+8.1</u>

# PROFIT AFTER TAX – ADJUSTMENTS



- > Book results are highly influenced by (Q3 2008 in brackets) :
  - Unrealised changes in value, energy contracts (MNOK 857)
  - Unrealised changes in value, currency and interest rate contracts (MNOK 138)
  - Unrealised changes in values, Associated companies (MNOK -307)
  - Material non-recurring items (0)
- > Giving high volatility in results
- > Adjustments necessary to give a fair presentation of underlying operations

# UNDERLYING OPERATIONS

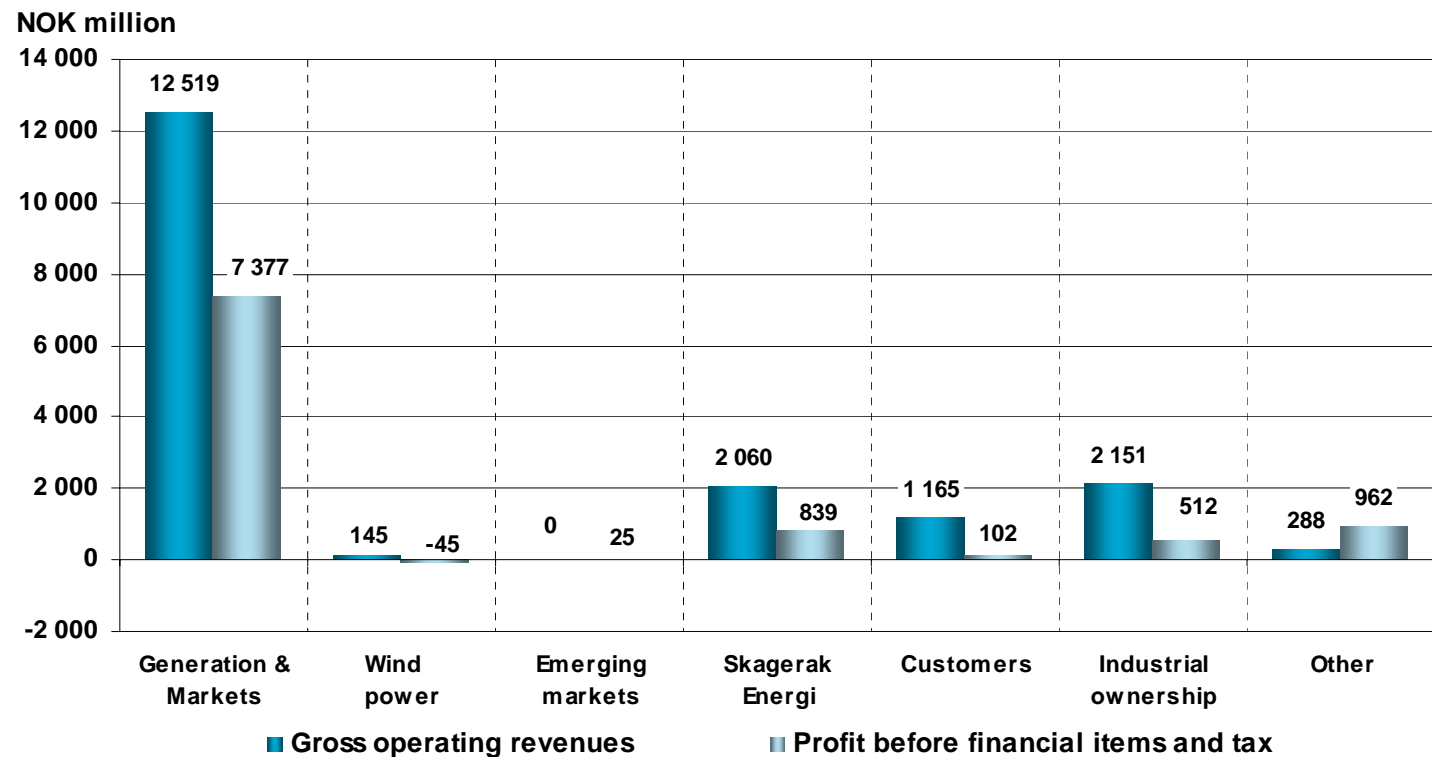


*Underlying operations: Adjusted for material non-recurring items and unrealised changes in value*

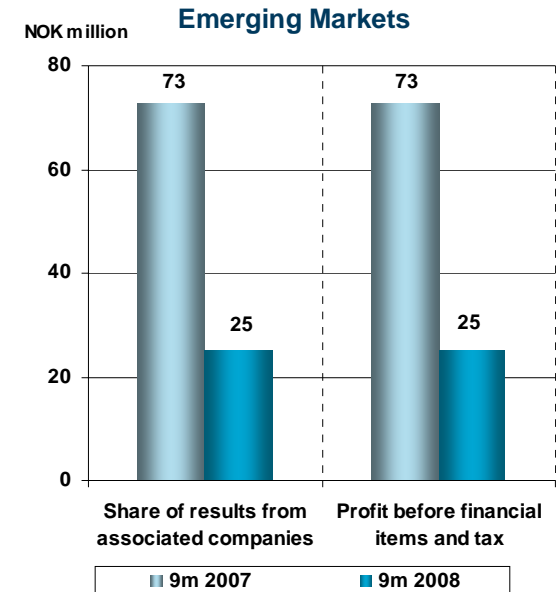
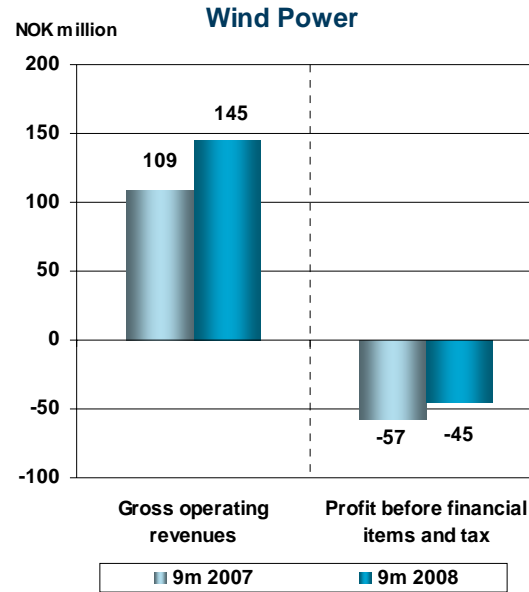
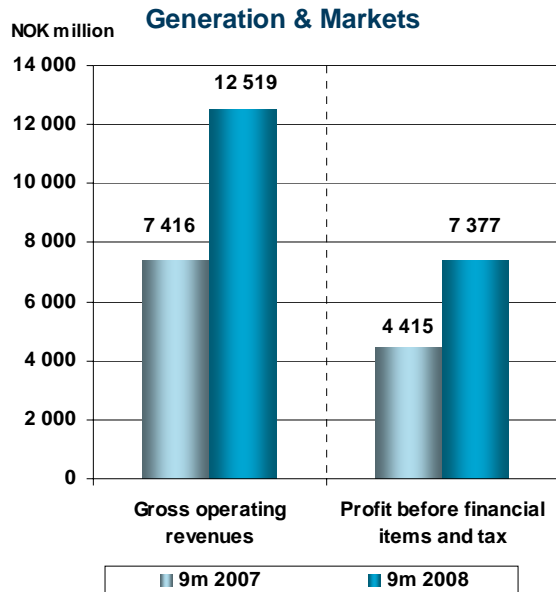
- > Main financial drivers 9M 2008:
- Increased output and higher prices
  - Increased revenues from physical spot sales
  - High revenues from hedging activities

# SEGMENTS – OVERVIEW

--> Reorganisation of business units and new segment structure



# SEGMENTS – BREAKDOWN



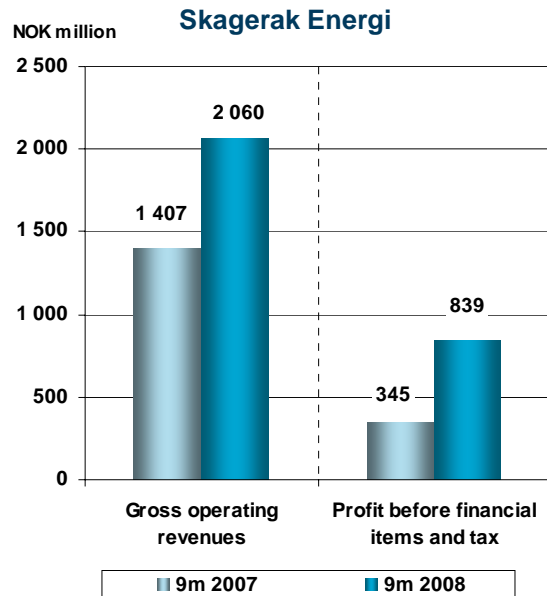
- > Increased generation from hydro and gas at high prices
- > Dynamic hedging gains
- > Trading and Origination gains
- > Increased transmission cost

- > Somewhat reduced generation at higher prices
- > High project and technology development costs

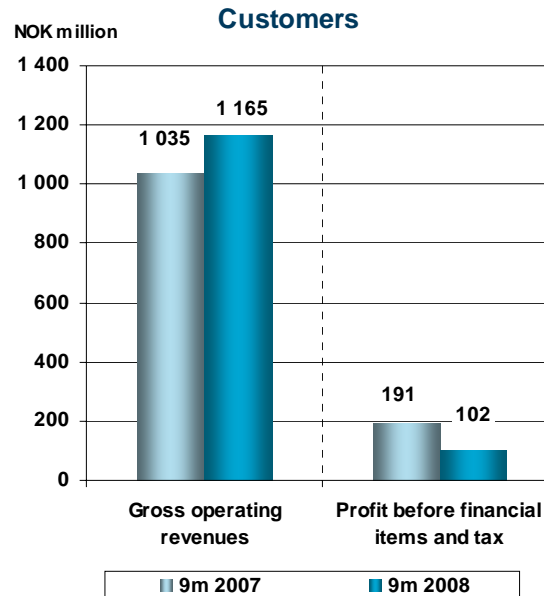
- > Overall satisfactory generation and revenues
- > Provisions for loss relating to project delays
- > Substantial project development
- > High focus on HSE



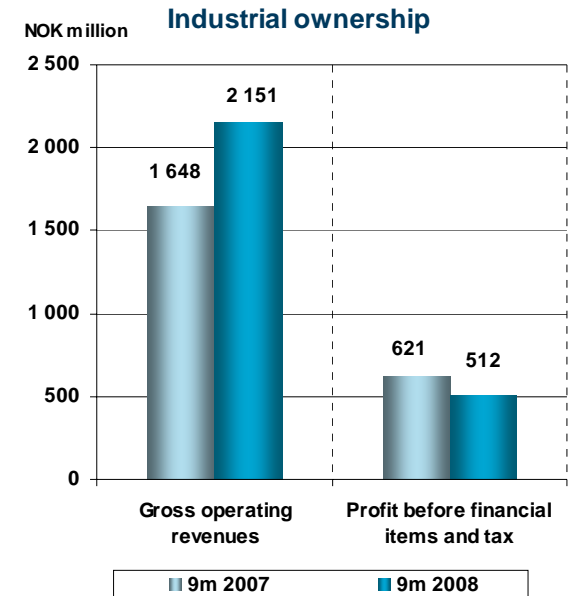
# SEGMENTS – BREAKDOWN



- > Increased hydro generation at high prices
- > Improvement in transmission grid disruptions
- > Project development activities relating to optical fibre grid

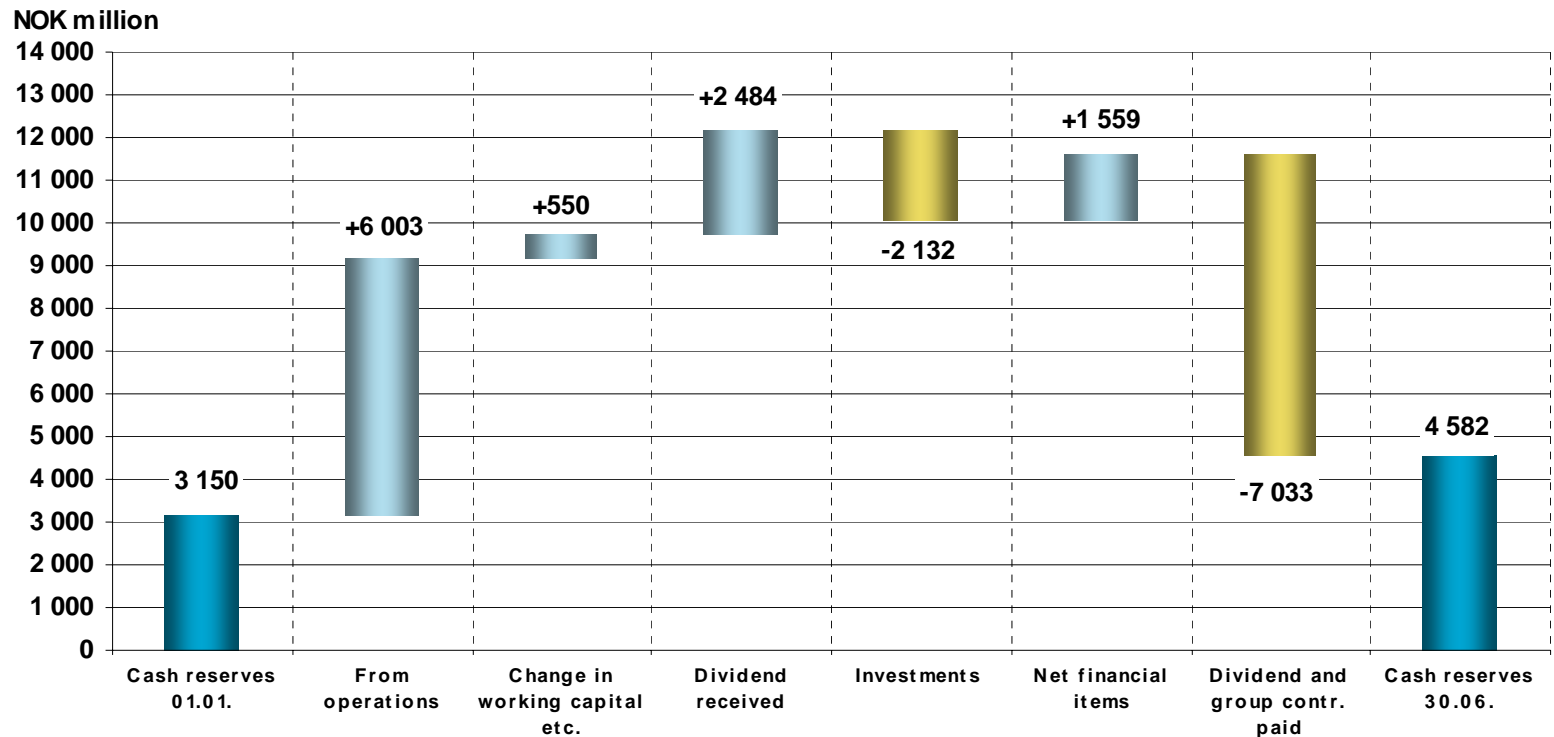


- > Increased revenues from retail sales, district heating and distribution grid following high prices
- > Increased energy purchase and transmission costs



- > Stable operations and high revenues
- > Reduced retail margins
- > Substantial investments in telecom and broadband

# CASH FLOW



- > Improved cash flow from operations, up NOK 3 bn from 9m 2007
- > Substantial dividend from associates, up NOK 1.1 bn
- > Investments of NOK 2.1 bn, down NOK 1.1 bn
  - New capacity (32%), shareholdings (46%) and refurbishments (22%)
- > Limited financing activities and modest changes in working capital
- > Dividend for 2007 of NOK 6.6 bn paid to the Norwegian State 25 July 2008

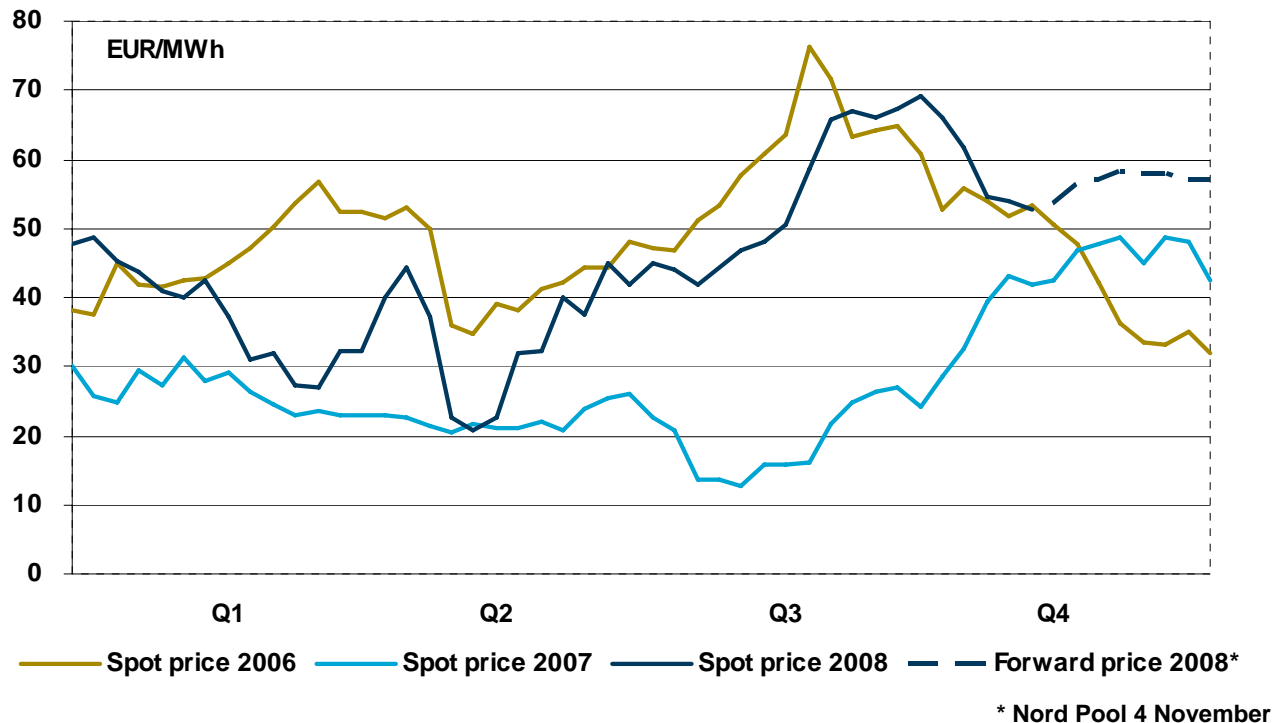
# REVENUE BREAKDOWN

NOK million	Three quarters		Year
	2008	2007	2007
Net physical spot sales	7 804	2 858	5 469
Concessionary sales at statutory prices	202	149	213
Sales to industry at statutory prices	1 166	1 271	1 713
Long-term commercial contracts	1 357	1 192	1 582
Dynamic hedging	1 134	1 352	1 593
Trading and origination	520	454	623
Distribution grid	1 309	1 010	1 535
Retail sales	2 687	2 048	3 390
District heating	244	209	315
Other / eliminations	-331	-346	111
<b>Sales revenues</b>	<b>16 093</b>	<b>10 197</b>	<b>16 544</b>
Other operating revenues	630	778	1 075
<b>Gross operating revenues</b>	<b>16 723</b>	<b>10 975</b>	<b>17 619</b>

--> Sales revenues up NOK 5.9 bn (58%)

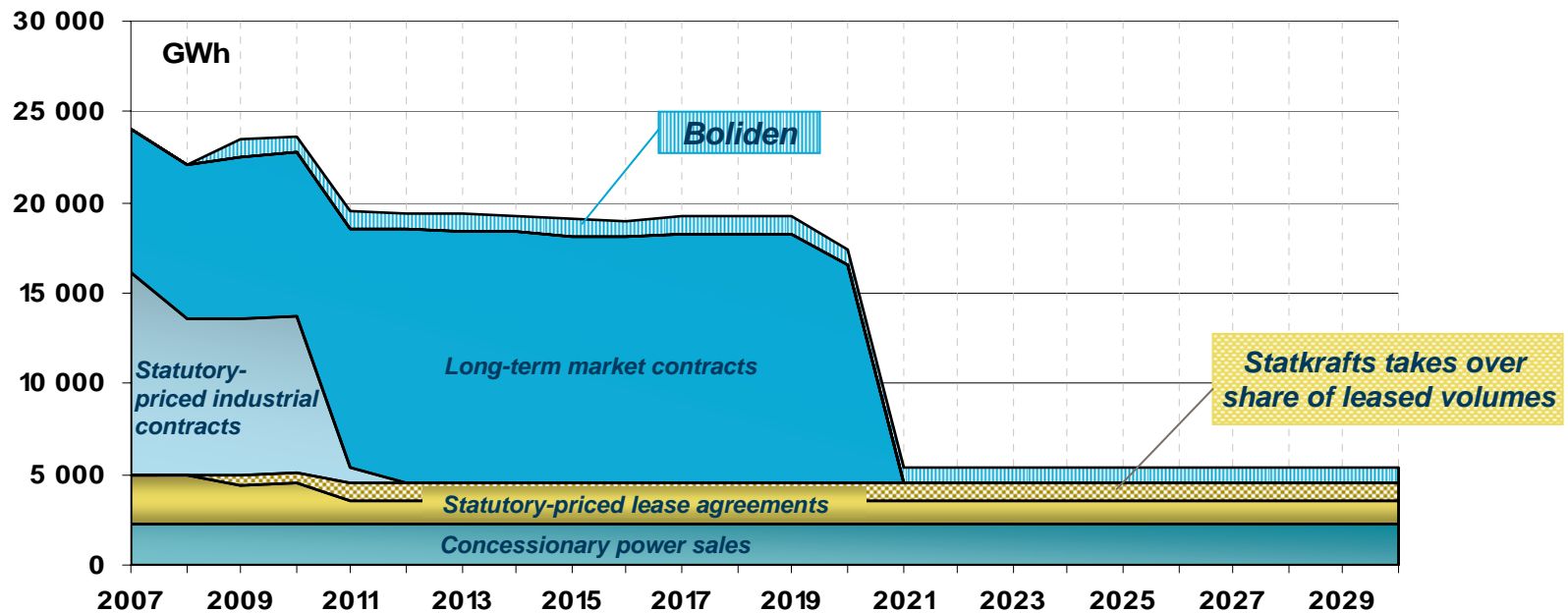
- Increased physical spot sale – volume and price effect
- Continued high revenues from dynamic hedging
- Trading and origination still strong results
- Increased retail sales

# SPOT PRICE



- > Higher spot price than in 2007
- > Strengthened hydrological balance and high reservoir levels
- > Differences between price areas due to technically limited transmission capacity decreasing
- > Net export 10.4 TWh from Norway, 1.9 TWh from the Nordic area

# INDUSTRY AS A CUSTOMER GROUP



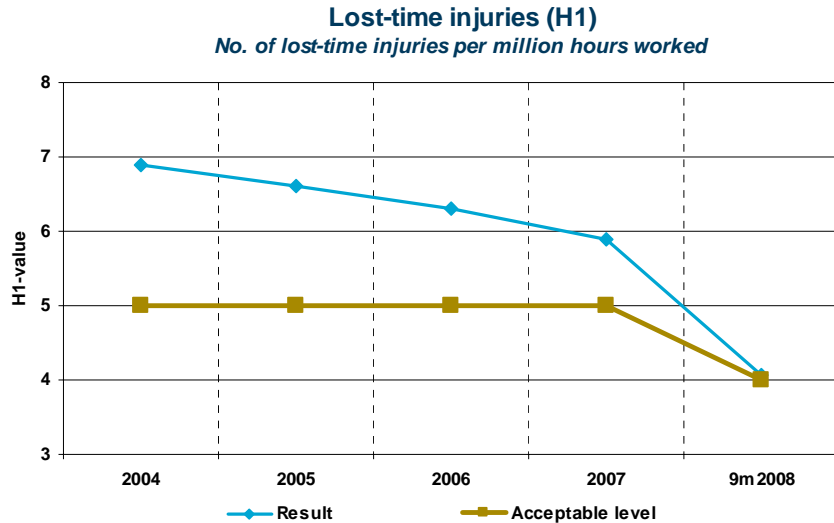
- > New long-term contracts with Boliden Odda
  - 900 GWh annually 2009-2030 totalling 20 TWh
- > Statutory-priced contracts reduced 2.5 TWh 2007-2008
- > Statkraft is the industry's most important power supplier
  - Long-term agreements and risk diversification
  - Statkraft will supply 183 TWh 2009-2020 (existing contracts)

# OPERATING EXPENSES

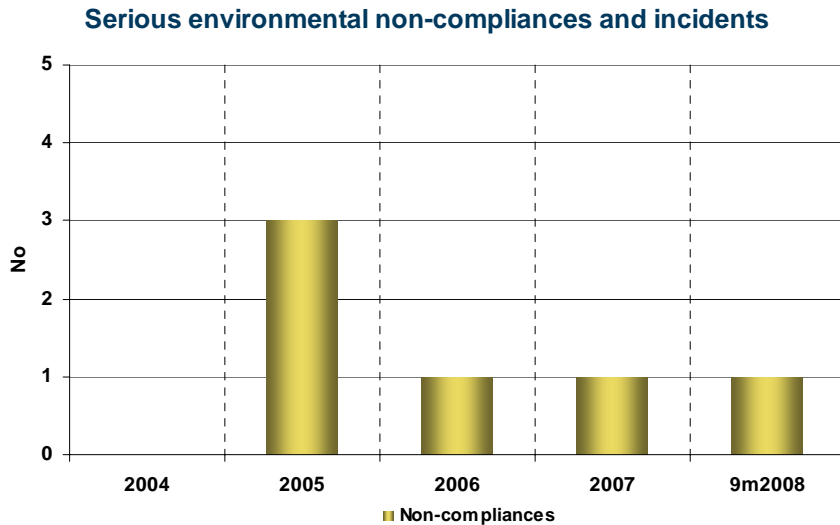
NOK million	9m 2008	9m 2007	Year 2007
Salaries and payroll costs	1 300	1 121	1 604
Property tax and licence fees	782	734	983
Other operating expenses	1 694	1 160	1 793
<b>Operating expenses before depreciation</b>	<b>3 776</b>	<b>3 015</b>	<b>4 380</b>
Ordinary depreciation	1 343	1 161	1 639

- > Stable costs within established business
  - General salary and price growth
  - Increased supplier costs
  
- > Key reasons for cost increases
  - Operating costs related to gas power plants
  - Establishment of new business
  - Increased activity in project development, innovation and R&D

# HEALTH, SAFETY AND THE ENVIRONMENT



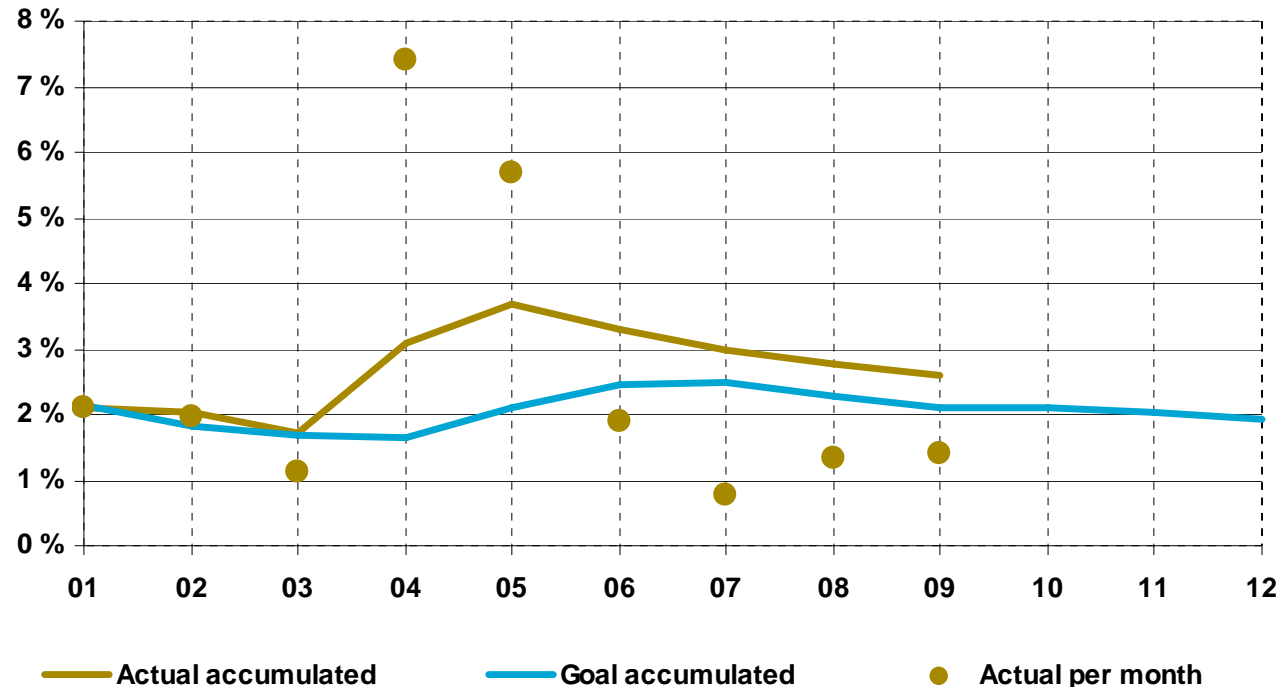
- > H1-value first half: 4.1 (Annual value 2007: 5.9)
- Total of 35 injuries, incl. 13 lost-time injuries
- Analyses and corrective actions implemented
- > Sickness absence 3.9% (target 4.0%)



- > No serious environmental non-compliances in first half
- > Ongoing preparations for joint Group environmental management system

# PRODUCTION ORGANISATION

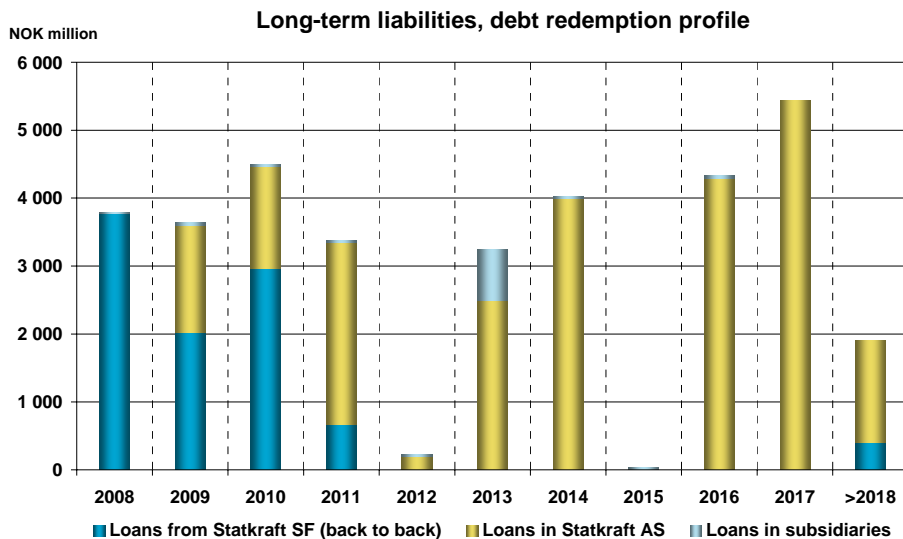
Utility-adjusted downtime per month 2008



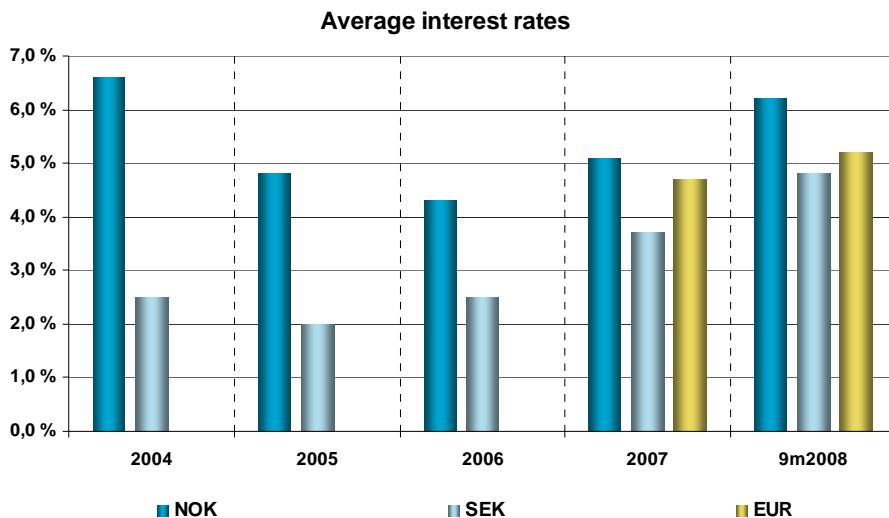
- > Non-availability slightly above target (accumulated)
- > Svartisen power plant back in operation in June following installation of new stator



# LIABILITIES AND FINANCIAL EXPENSES

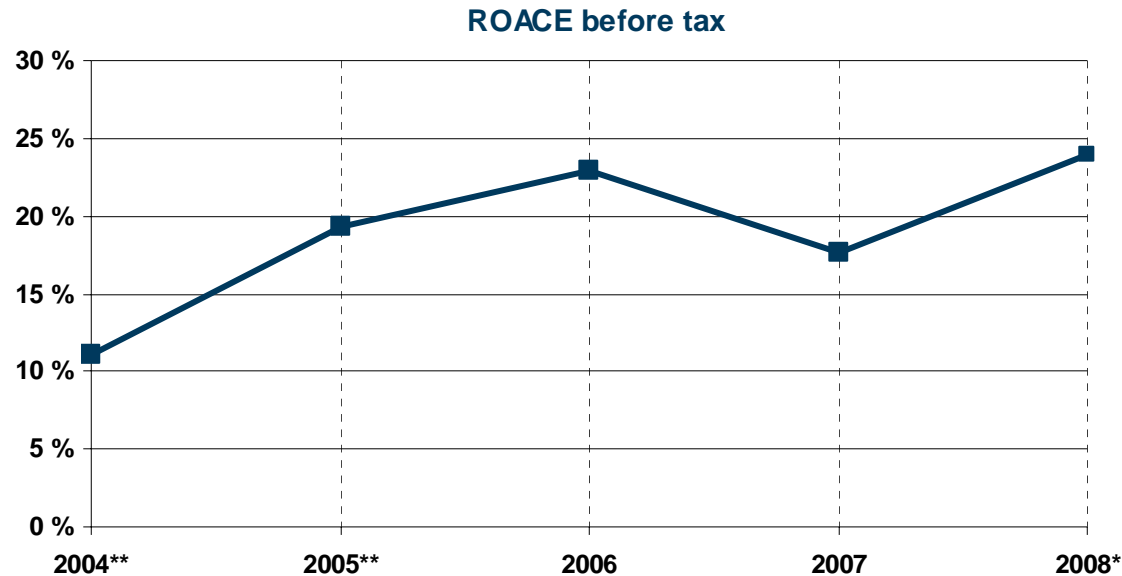


- > Financing first 9m:
  - - Repayment BNOK 2.2
  - - New loans BNOK 3.7
- > Interest-bearing liabilities NOK 39.6 bn
- > Credit facilities 8 bn



- > Higher interest rates due to rising market rates
- > Of total portfolio:
  - - 78% exposed to floating interest rates
- > Debt breakdown:
  - - NOK 50%, SEK 14%, EUR 36%

# ROACE, UNDERLYING OPERATIONS



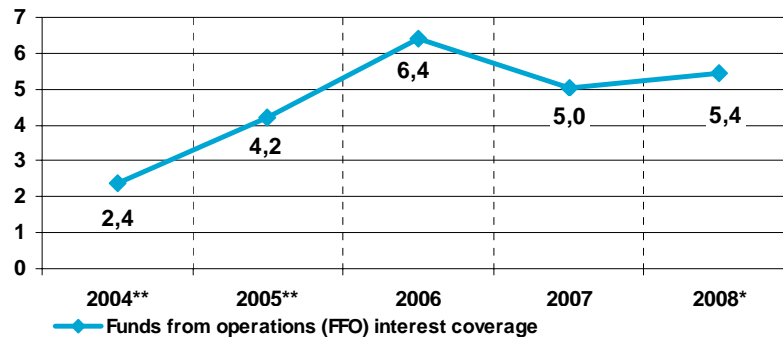
*Underlying operations: Adjusted for material non-recurring items and unrealised changes in value*

*\* Last 12 months \*\* NGAAP*

- > Return on average capital employed
  - Improvement from 2007
  - Increased profits from underlying operations – price and volume effect

# FINANCIAL STRENGTH AND RATING

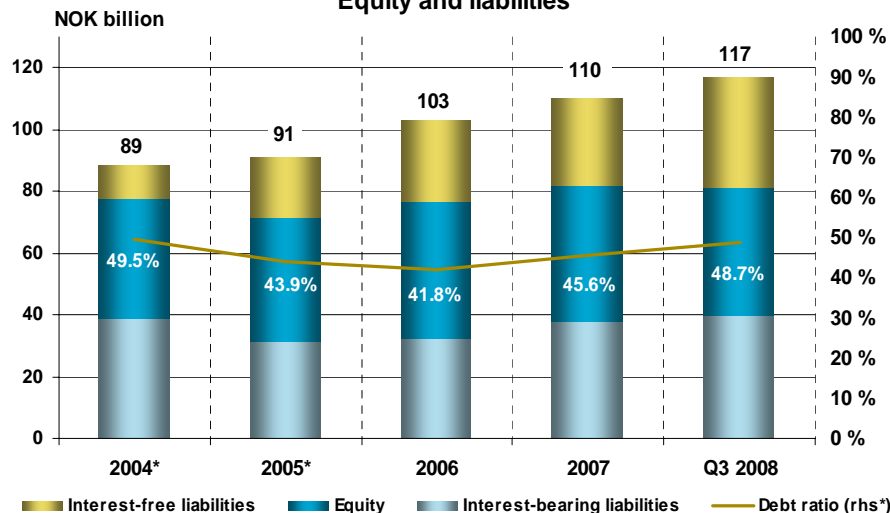
FFO interest coverage



Adjusted for material non-recurring items and unrealised changes in value  
 \* Last 12 months \*\* NGAAP

- > Lower levels 2007 and 2008 due to increased financial costs
- > Statkraft's short-term rating target is to maintain BBB+/Baa1
- > Statkraft's long-term rating target is to achieve A-level

Equity and liabilities



- > Increased debt/equity ratio following new borrowings in 2007
- > Reduced debt ratio 2004-2006 after repayment of debt
- > Substantial increase in value of derivatives

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# OUTLOOK FOR 2008

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- > Improved earnings in 2008 compared with 2007 expected
  - Robust resource situation
  - Increased production capacity
  - High power generation at high prices
  
- > Consequences of financial unrest
  - Robust cash flow
  - Satisfactory funding situation – refinancing secured through commercial paper issues
  - Further borrowing needs are limited
  
- > NOK 10 bn dividend proposal in 2009 State Budget
  - Limits future financial capacity
  
- > Preparations for integration of assets from E.ON asset swap
  - Book gain of ~NOK 18 bn – strengthening balance sheet

# BUILDING A EUROPEAN PRESENCE

- Head Office in Oslo
- Subsidiaries
- European Offices
- Associated companies
- 164 Hydropower plants
- ↑ 3 Wind farms
- ⋈ Baltic Cable
- ▲ Gas power plants
- ▲ New assets 2009  
● (E.ON swap)
- ⌚ SCA agreement



**PURE**  
ENERGY

