

Research Update:

Statkraft AS Downgraded To 'A-' Due To Continued Weakening Performance; Outlook Stable

November 12, 2025

Rating Action Overview

- We expect that soft power prices and continued high capital expenditure (capex) will lead to weaker credit ratios for Statkraft A/S in 2025-2027.
- We forecast the group's S&P Global Ratings' adjusted funds from operations (FFO) to adjusted debt to remain about 25-30% over 2025-2027, compared with above 30% previously.
- Therefore, we lowered our long- and short-term issuer credit ratings on Statkraft to 'A-/A-2' from 'A/A-1'. We also lowered our issue credit ratings on the senior unsecured debt to 'A-' from 'A'.
- The stable outlook reflects our expectation that Statkraft's S&P Global Ratings-adjusted FFO to debt will remain between 25%-30% over 2025-2027.

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Rating Action Rationale

We expect S&P Global Ratings' adjusted FFO to debt (%) of about 25%-30% in 2026 and 2027, we previously assumed FFO to debt above 30%. This is the main driver underpinning our one notch downgrade of the credit rating to 'A-' and stand-alone credit rating of 'bbb'. The softening of the credit ratios is mainly a combination of continued relaxed power prices, especially in the northern parts of Norway, and an expectation about continued high investment over the mid to long term. We also think that Statkraft management's financial policy and target are more in line with ratios at about 25%-30%.

We expect Nordic system power prices to average about €35 per megawatt hour (MWh)-€40/MWh in 2025, a level nearly identical to 2024, and down from approximately €56/MWh in 2023. We anticipate Nordic power prices will remain in the range of €33/MWh-€40/MWh in 2026, remaining largely volatile and with a difference between price areas. This volatility was evidenced in the first nine months of 2025 when Statkraft was affected by an oversupplied hydrological situation in the Northern part of Norway, and prices consequently fell to below €9/MWh on average. During the third quarter of 2025, about 30% of Statkraft's Norwegian production was produced in the area with the lowest prices, with a low of €2.96/MWh on average during the

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period--about 80% lower compared to same period in 2026. That said, we do not expect such a low price going forward.

High prices in other price areas compensated somewhat for the lower prices, on average we estimate Statkraft price realization around €39/MWh-€42/MWh in the first nine months of 2025; still about 12% above the average Nordic spot prices of €36/MWh. A majority of Statkraft's earnings and cash flow are derived from spot sales in the Nordic region as Statkraft only hedges about one third of its Nordic generation. We expect continued volatility in earnings and cash flow, however. We assume EBITDA of about NOK25 billion-NOK30 billion in 2025 and 2026, not materially below our previous expectations of NOK27 billion-NOK33 billion.

Our base-case capex forecast is approximately NOK18 billion for 2025 and is likely to remain at approximately NOK15 billion-NOK20 billion annually over the long term. This is slightly higher than the NOK10 billion-NOK15 billion we previously assumed, thereby also contributing to our expectations that FFO to debt will remain below 30%.

Statkraft intends to prioritize investments in its core area of operations--hydropower, onshore wind, solar, batteries, and market operations--while selectively exiting noncore technologies, including green hydrogen and offshore wind (except for the North Irish Sea Array [NISA] project). We view the direction of the strategy as credit supportive overall, as it has a higher focus on Statkraft's Nordic operations, which we perceive as less risky. Since the third quarter of 2024, Statkraft has also taken steps to dispose noncore activities. While the process to dispose of those assets has been slightly longer than expected, Statkraft has signed a binding agreement to dispose of NOK15.5 billion of assets. The expected divestment will reduce Statkraft's exposure to riskier areas, such as Croatia, India, and Nepal. The group has also announced the sale of its district heat operations, for NOK3.4 billion. This will likely free-up investment capacity and support long-term investments in more profitable areas of the group, as its district heating operations has been loss making, or a low contributor to the group's result over the last couple of years. We do not expect the divestment to lead to any significant book profit.

Despite the downgrade, we view Statkraft as a very efficient and flexible power producer due to low operating costs(excluding depreciation) at about €12/MWh-€14/MWh. Its extensive hydropower portfolio, accounting for over 60% of total capacity, provides exceptional operational flexibility. Statkraft is Europe's largest producer of hydropower. Supported by large reservoir levels, Statkraft can manage production over seasons, optimize output during periods of higher prices, and help balance system needs. This flexibility, combined with a strong domestic position in Norway underpins the company's solid business profile. However, with only about 40% of its production hedged, Statkraft remains more exposed to spot power price movements than many peers. As Nordic power prices have softened--from an average of €55/MWh in 2023 to about €35/MWh-€40/MWh in 2025--its earnings and cash flow are expected to come to softening, even if its low-cost base, large reservoir capacity, and robust balance sheet provide meaningful resilience.

High dividends and hydro taxes constrain Statkraft's conversion from EBITDA to discretionary cash flow. The company maintains a dividend policy that distributes 85% of realized profits from its Norwegian hydropower operations and 35% from all other business segments. This policy results in significant annual cash outflows, we forecast dividend payments of approximately NOK9 billion for 2025 and NOK6 billion-NOK8 billion for both 2026 and 2027 in our base case. Furthermore, Statkraft faces a considerable tax burden, exacerbated by timing effects. For instance, in 2023, FFO of NOK11.5 billion were reported after a significant cash tax payment of NOK20.5 billion, reflecting the strong performance in the previous year when EBITDA reached approximately NOK43.0 billion. This resulted in an effective tax rate of 66.7%, implying a relatively

weak EBITDA-FFO conversion compared with most other utilities we rate. We anticipate that the tax burden will moderate somewhat in 2025 and 2026, which should support a gradual improvement in FFO to about NOK15 billion-NOK 17 billion.

We continue to factor a two-notch uplift into our rating on Statkraft for extraordinary government support. The group is 100% owned by Norway (unsolicited; AAA/Stable/A-1+). We see the risk of privatization as remote, given the law stipulates that hydro assets should remain at least two-thirds publicly owned.

Outlook

Our stable outlook reflects our view that Statkraft's flexible low-cost hydro production will remain profitable if prices stay in the double-digit euro per MWh range despite its exposure to volatile electricity prices in the Nordics and a material part of its generation located in areas which will likely have structurally lower prices for several years to come. We forecast Statkraft's FFO to debt to be between 25% to 30% during 2025 to 2027. While some pending assets sales could have an additional positive effect, we think that Statkraft is likely to invest such excess proceeds.

Downside scenario

We could lower the ratings if Statkraft's FFO to debt deteriorates below 23% 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 investments in geographical areas that bear higher risks than its current asset base. We could also lower the rating if we lowered our assessment of government support, although we view this as very unlikely.

Upside scenario

We could upgrade the rating if we conclude that:

- The company's financial risk profile has sustainably strengthened, with FFO to debt of about 30% and sufficient visibility on the long-term debt trajectory; and
- Management has a clear commitment to maintain such a strong financial risk profile which we do not currently anticipate.

Company Description

Norway-based Statkraft is the largest renewable hydro energy producer in Europe, with about 66 terawatt-hour (TWh) of generation (excluding heat) in 2024. Its EBITDA stems from power generation, with the vast majority from hydro production in Norway, but also largely from market operations, including trading and risk optimization, origination, and market access for smaller generators. About 80%-85% of EBITDA typically stems from its Nordic activities. Other generation sources are onshore wind, solar, and district heating. Over time, around 75% of net investment capacity is expected to be deployed in Nordic and European activities, with some yearly variations.

During 2025, Statkraft sold its district heating businesses in Norway and Sweden; divested renewable assets and development activities in Canada, Croatia, India, Nepal, and the

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Netherlands; sold transmission lines in Peru; and agreed to sell Enerfin Canada and Enerfin Colombia with closing expected by the end of 2025.

Statkraft's refocused strategy emphasizes core strengths in hydropower, onshore wind, solar, batteries, and market operations, while reducing complexity by exiting noncore technologies such as green hydrogen and offshore wind (except NISA) and focusing on fewer countries.

Our Base-Case Scenario

Assumptions

- Nord Pool system price to average about €33/MWh-€37/MWh in 2025, and the same in 2026;
- A total annual European production volume of about 60 TWh-65 TWh, of which about 65%-70% is exposed to Nordic spot prices, and about 4 TWh-5 TWh from the rest of the world;
- Limited margin calls related to trading and hedging;
- Long-term contracts with fixed prices for about 40% of estimated production;
- Capex and acquisitions of about NOK18 billion-NOK20 billion in 2025;
- Dividends based on the previous year's net profit: 85% of earnings related to Norwegian hydro; and 35% of earnings from other activities;
- Hydro generation tax in Norway being paid the following year.
- Divestment and farm down over 2025-2026; with expected proceeds of about NOK15 billion-NOK20 billion.

Key metrics

Statkraft AS--Key metrics

Bil. NOK)	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
EBITDA	43.3	35.3	24-29	25-30	25-30
Funds from operations (FFO)	16.6	12.4	14-17	14-17	16-19
Capex	9.0	12.0	17-20	13-16	13-16
Dividends	17.2	13.0	8.5-9.5	7-8	6-7
Debt	14.0	52.8	50-60	55-65	60-70
Adjusted ratios					
Debt/EBITDA (x)	0.3	1.5	1.8-2.3	1.8-2.3	2.0-2.5
FFO/debt (%)	118.5	23.6	25-30	25-30	25-30
DCF/debt (%)	(124.0)	(33.1)	(20)-(30)	(10)-(20)	(15)-(5)

Capex--Capital expenditure. DCF--Discretionary cash flow. Source: S&P Global Ratings.

Liquidity

We assess Statkraft's liquidity as strong. We expect the company will maintain liquidity sources that exceed uses by about 1.7x over the next 12 months and 1.3x in the subsequent 12 months from Sept. 30, 2025. We also assume liquidity sources will exceed uses even if EBITDA were to decrease by 30% over the next 12 months. We understand Statkraft's credit facilities are free

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from onerous financial covenants. We view the company as having solid relationships with its banks and a high standing in credit markets. The company's main source of back-up facility is its €1.3 billion revolving credit facility, which matures in April 2029, currently undrawn. We expect the state ownership to further increase access to bank financing. We view risk management as very prudent overall.

Principal liquidity sources	Principal liquidity uses
• Cash and cash equivalents of NOK24 billion; • Access to about unused committed facility of NOK15.2 billion; • Cash FFO, which we expect to be about NOK14 billion; and • Committed assets sales of about NOK15.5 billion.	• Debt maturities of about NOK10.2 billion for the coming 12 months; • Some working capital outflows; • Capex of about NOK13 billion-NOK17 billion; and • Dividends of NOK8 billion-NOK9 billion.

Rating Component Scores

Rating Component Scores

Component

Foreign currency issuer credit rating	A-/Stable/A-2
Local currency issuer credit rating	A-/Stable/A-2
Business risk	Strong
Country risk	Very low risk
Industry risk	Moderately high risk
Competitive position	Excellent
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	bbb

Modifiers

Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Strong
Management and governance	Neutral
Comparable rating analysis	Neutral
Stand-alone credit profile	bbb

Related Criteria

- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7, 2025
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024

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- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [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
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Research Update: Statkraft Outlook Revised To Negative On Weakening Performance; 'A/A-1' Ratings Affirmed](#), March 25, 2025

Ratings List

Ratings List

Downgraded; Outlook Action

	To	From
Statkraft SF		
Statkraft AS		
Statkraft Energi AS		
Issuer Credit Rating	A-/Stable/A-2	A/Negative/A-1

Downgraded

	To	From
Statkraft AS		
Senior Unsecured	A-	A

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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