FitchRatings

RATING ACTION COMMENTARY

Fitch Downgrades Statkraft to 'BBB+'; Outlook Stable

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Fitch Ratings - Barcelona - 01 Jul 2025: Fitch Ratings has downgraded Statkraft AS's Long-Term Issuer Default Rating (IDR) and senior unsecured rating to 'BBB+' from 'A-'. The Outlook on the IDR is Stable. Fitch has revised Statkraft's Standalone Credit Profile (SCP) to 'bbb' from 'bbb+'.

The downgrade reflects our expectations that projected funds from operations (FFO) net leverage will exceed the 2.7x updated negative sensitivity for the 'bbb+' SCP for the next two years. We expect Statkraft to deleverage from 3.5x in 2024, supported by a sizeable divestment programme and cost-saving initiatives, despite lower power prices in the Nordics than last year. However, we believe that deleveraging could be limited by growth ambitions from 2027. The downgrade also considers management's commitment to maintaining a 'BBB+' rating.

Statkraft's rating is supported by its highly competitive Norwegian hydropower assets, which benefit from low production costs and flexibility. The IDR incorporates a one-notch uplift for state support under Fitch's Government-Related Entities Rating Criteria.

KEY RATING DRIVERS

Leverage Drives Downgrade: Fitch forecasts Statkraft's FFO net leverage will remain above the 2.7x updated threshold for a 'bbb+' SCP during 2025-2027, averaging 2.9x. We expect leverage to gradually decline from the 3.5x peak in 2024, supported by solid operating cash flow, moderate capex, and execution of the announced divestment and efficiency plan. We expect these measures to result in neutral free cash flow (FCF) over 2025-2026. However, we anticipate that investments could increase from 2027, limiting the scope for further deleveraging to a level consistent with a 'bbb+' SCP.

Lower Prices Scenario: Prices in the Nordics have stabilised at lower levels than we previously expected, driven by high reservoir levels, increased renewable output and weak demand. The decline in European prices has also affected southern areas of the Nordics. However, large differences between areas persist. Fitch's updated scenario assumes average Nord pool prices of EUR35/MWh for 2025-2029, slightly below our previous assumption for the first years of the plan. Our forecasts incorporate an average 10% premium for Statkraft's final realised prices, reflecting the value of its flexible hydro fleet in the Nordics with a large reservoirs base.

Sharpened Strategy: Statkraft's strategy places greater emphasis on profitability and financial solidity over size growth. The company is refocusing on core businesses—primarily Norwegian hydropower and market operations (trading and origination) while its growth ambitions in solar, onshore wind, and battery storage are more focused on selected geographies (Nordics, Europe, South America). The strategy has been reinforced this year with new divestments and cost-reduction initiatives, which we expect will improve profitability, enhance competitiveness and create headroom for investments.

Ongoing Divestment Plan: Statkraft announced a divestment programme as part of its updated strategy. The initial plan, including exits from district heating and electric vehicle charging (Mer), as well as the sale of non-core Enerfin assets, has been extended to additional renewable operations in the Netherlands, Croatia and India. Statkraft is assessing its investment position in solar, wind and batteries in Poland and will close down development activities in Portugal, in addition to exiting offshore wind and hydrogen initiatives. Fitch estimates cumulative cash inflows from divestments of approximately NOK20 billion over 2025-2026., with moderate risks related to pricing and timing.

Cost Saving Measures: Statkraft targets cost reduction of approximately NOK2.9 billion annually by 2027, a 15% reduction from the 2025 cost base. These savings will be achieved by focusing on fewer technologies and countries, streamlining the organisational structure and reducing complexity, including redundancies. Fitch's forecasts include 80% of the cost savings outlined in management's plan.

Capex Plan Ambitious but Flexible: Statkraft executed NOK34.4 billion investments in 2024, with a focus on renewable energy and portfolio optimisation, primarily in wind and solar projects in Europe and South America, as well as the NOK18.5 billion acquisition of Enerfin. Statkraft targets annual gross investments of NOK16-20 billion in the medium term, prioritising Norwegian hydropower upgrades and selected renewable projects in core markets. However, these investments will be partially offset by asset rotations. They remain flexible and will be adapted to market conditions. The Fitch case includes lower capex than the target.

Largely Stable Net Debt: We expect Fitch-defined negative FCF to be totally offset by large divestments in 2025-2026 and forecast slightly negative FCF from 2027. This results in broadly flat Fitch-defined net debt, at NOK45 billion at end-2027 from NOK47 billion at end-2024. The positive trend in FFO will drive deleveraging to about 2.6x FFO net leverage in 2027.

State Support: Statkraft has a support score of 12.5, reflecting 'Modest expectations' of support and resulting in a one-notch uplift to the SCP. Fitch assesses decision-making and oversight as 'Not strong enough', given the government's limited role in day-to-day management and Statkraft's high strategic autonomy. Precedents of support are assessed as 'Very strong' due to previous equity injections and a flexible dividend approach, if needed, to maintain a solid financial profile. Preservation of government policy role and contagion risk are both 'Not strong enough', given Statkraft's expected continued operation during financial distress and Norway's 'AAA'/Stable rating.

PEER ANALYSIS

Statkraft business profile is firmly positioned relative to its Nordic peer Fortum Oyj (BBB+/Stable), allowing slightly higher debt capacity, due to its low-cost, flexible hydro-asset base and larger quasi-regulated revenues, mainly derived from its long-term contracts in Norway. Statkraft company benefits from stronger ties with the Norwegian government, resulting in a one-notch IDR uplift from its SCP. This differs from our assessment of Nordic peers such as Fortum or Orsted A/S (BBB/Stable), rated on a standalone basis.

RWE AG (BBB+/Stable) is one of the largest German utilities, focusing on generation from both conventional and renewable sources. Statkraft benefits from a better generation mix, while RWE has a higher share of quasi-regulated earnings and no emerging market exposure. Therefore, they have similar debt capacities.

Statkraft's SCP is in line with the rating of the global offshore wind leader Orsted. However, Statkraft has lower debt capacity on a standalone basis, as Orsted's wind farm operations benefit from a quasi-regulated income stream, which is not the case for Statkraft's hydro fleet that is mainly exposed to market conditions. Unlike Statkraft, Orsted is rated on a standalone basis due to overall weak links with its parent, the government of Denmark (AAA/Stable).

KEY ASSUMPTIONS

Fitch's Key Assumptions within our Rating Case for the Issuer

-Average Nord Pool prices in Norway at EUR35/MWh for 2025-2029

-Average NOK12 billion gross capex a year from 2025-2029

-Asset rotation of cumulated NOK19 billion in 2025-2029

-Dividends in line with the company's policy to pay out 85% net profit from Norwegian hydro power business and 35% of net profit from all other business activities

- NOK/EUR at 11.35 for 2025-2029

RATING SENSITIVITIES

Factors That Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

- FFO net leverage below 2.7x on a sustained basis, coupled with a consistent financial policy

- Stronger links with the government

Factors That Could, Individually or Collectively, Lead to Downgrade:

-FFO net leverage above 3.5x on a sustained basis

-Weakening links with the Norwegian state

LIQUIDITY AND DEBT STRUCTURE

Total liquidity at end-2024 was over NOK45 billion, including NOK31 billion of cash and NOK14 billion of unused credit facilities maturing in 2029. This compares with short-term maturities of NOK11 billion. We expect liquidity to be sufficient to cover operating requirements and NOK20 billion of debt maturities in the next 24 months.

ISSUER PROFILE

Statkraft is Europe's largest generator of hydro energy with around 25% of Europe's reservoir capacity and is the leading power company in Norway.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

Click here to access Fitch's latest quarterly Global Corporates Macro and Sector Forecasts data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
Statkraft AS	LT IDR	BBB+	Downgrade	A-
	ST IDR	F2	Affirmed	F2
senior unsecured	LT	BBB+	Downgrade	A-

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VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer’s available public disclosure.

APPLICABLE CRITERIA

Government-Related Entities Rating Criteria (pub. 09 Jul 2024)

Corporates Recovery Ratings and Instrument Ratings Criteria (pub. 02 Aug 2024) (including rating assumption sensitivity)

Corporate Rating Criteria (pub. 27 Jun 2025) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub. 27 Jun 2025)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.1.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Statkraft AS	EU Issued, UK Endorsed

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