



Quarterly and  
half year report  
Q2/2016  
Statkraft AS

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## Key figures

NOK million	Second quarter			Year to date			Year
	2016	2015	Change	2016	2015	Change	2015
<b>From income statement</b>							
Share of profit/loss in equity accounted investments	-124	-271	147	252	142	110	683
Gross operating revenues, underlying	11 094	10 591	503	25 420	24 799	620	51 262
Net operating revenues, underlying	4 713	4 543	170	11 200	10 495	704	19 938
EBITDA, underlying	2 665	2 362	303	6 915	6 323	592	10 853
Operating profit, underlying	1 755	1 577	178	5 112	4 784	328	7 499
Operating profit, booked	-1 333	-396	-937	1 430	2 293	-863	4 497
Net financial items	413	-1 938	2 351	1 589	1 049	540	-5 318
Profit before tax	-920	-2 334	1 414	3 019	3 342	-323	-821
Net profit	-1 899	-2 042	143	490	1 641	-1 151	-2 370
EBITDA margin, underlying (%) <sup>1)</sup>	24.0	22.3	1.7	27.2	25.5	1.7	21.2
ROACE, underlying (%) <sup>2)</sup>				7.7	10.8	-3.1	7.8
<b>Items excluded from the underlying operating profit</b>							
Unrealised changes in value on energy contracts	-859	-153	-706	-1 453	-671	-782	609
Adjusted significant items	-2 229	-1 820	-409	-2 229	-1 820	-409	-3 610
<b>Balance sheet and investments</b>							
Total assets 30.06/31.12.				169 508	163 443	6 065	176 905
Equity 30.06/31.12.				83 248	83 848	-600	88 340
Net interest bearing debt 30.06/31.12.				37 784	26 988	10 796	35 036
Capital employed 30.06/31.12.				88 988	86 710	2 278	91 104
Total investments	1 705	3 955	-2 250	3 394	6 445	-3 051	13 556
<b>Cash Flow</b>							
Cash flow from operating activities	1 183	-85	1 268	1 719	3 057	-1 338	8 639
Cash and cash equivalents 30.06./31.12.				7 360	9 847	-2 487	9 056
<b>Currency rates</b>							
NOK/EUR average rate	9.32	8.55	0.77	9.42	8.64	0.78	8.94
NOK/EUR closing rate 30.06./31.12.				9.30	8.79	0.51	9.60

### Definitions

<sup>1)</sup> EBITDA margin, underlying (%): (Operating result before depreciation and amortisation x 100)/Gross operating revenues.

<sup>2)</sup> ROACE, underlying (%): (Operating profit adjusted for share of profit/loss in equity accounted investments, unrealised changes in the value of energy contracts and significant items x 100)/Average capital employed (rolling 12 months).

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## SOLID OPERATIONS – NEGATIVE RESULT CAUSED BY IMPAIRMENT



Solid underlying EBITDA from operations and increased power prices.

Net result affected by impairment of German assets.

In the second quarter of 2016, Statkraft achieved an underlying operating profit before depreciation (EBITDA) of NOK 2665 million, an increase of NOK 303 million compared with the corresponding period in 2015.

Statkraft’s total production was in line with the same period last year and amounted to 14.3 TWh. Production in the Nordic’s was 13.0 TWh, which was a decrease of 0.3 TWh mainly due to lower hydropower production in Sweden. This was offset by higher production from International hydropower.

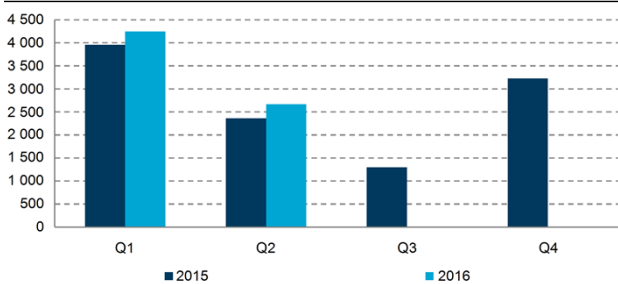
The average Nordic power price was 24.0 EUR/MWh in the second quarter and at the same level as previous quarter. This was an increase of 16% compared with 20.7 EUR/MWh in the corresponding quarter in 2015 but still on a relatively low level. The increased Nordic power prices and new capacity from International hydropower contributed to an increase in EBITDA. This was partly offset by lower contributions from Market operations.

As a result of Statkraft’s lower market expectations, German gas fired power plants and other assets were impaired by NOK 2229 million. This resulted in a net loss for the quarter of NOK 1899 million.

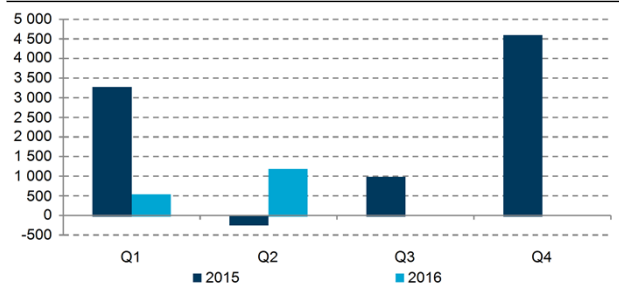
Statkraft has on the background of the low power prices launched a performance improvement programme. The objective is to further strengthen the company’s competitive position. The programme aims to reduce controllable costs with 15% equalling NOK 800 million by 2018, measured against the actual costs for 2015.

On 15 July a contractor employee died in an accident during maintenance work at a hydropower plant in Peru. The fatal accident will be investigated according to Statkraft’s standard procedures to understand the root cause of the accident and to prevent new incidents.

EBITDA – underlying  
NOK million



Cash flow from operating activities  
NOK million



## Corporate responsibility and HSE

	Second quarter		Year to date		Year 2015
	2016	2015	2016	2015	
<b>Corporate responsibility and HSE</b>					
Fatalities <sup>1)</sup>	0	0	0	0	0
TRIRate Statkraft <sup>1 2)</sup>	5.2	7.5	4.8	6.5	5.9
Serious environmental incidents	0	0	0	0	0
Full-time equivalents; Group			3 711	3 416	3 795
Absence due to illness, Group (%)	2.4	2.8	3.0	3.1	3.0

<sup>1)</sup> Includes employees and suppliers in plants where Statkraft owns 20% or more. Third parties (not employees or contractors) are not included.

<sup>2)</sup> TRIRate: Number of injuries per million hours worked.

On 15 July a contractor employee died in an accident during maintenance work at Oroya hydropower plant in Peru. The fatal accident will be investigated according to Statkraft’s standard procedures to understand the root cause of the accident and to prevent new incidents.

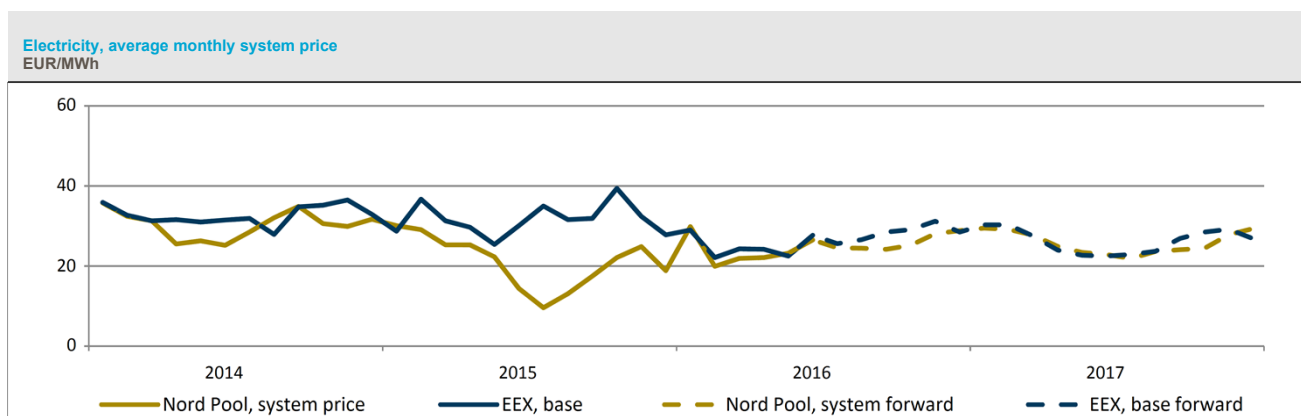
- The Group's TRIRate was 5.2 in the second quarter.
- There were no serious environmental incidents during the second quarter.
- Absence due to illness was somewhat lower than in the second quarter of 2015.

One serious injury was reported in the second quarter 2016. An employee of the main contractor was injured on the Devoll project in Moglicë in Albania when he was hit by the tray on a wheel loader. The accident has been investigated and corrective actions have been initiated.

## Market and production

Power prices and optimisation of power production constitute the fundamental basis for Statkraft's revenues. The majority of Statkraft’s output is generated in the Nordic region. Power prices are influenced by hydrological factors and commodity prices for thermal power generation.

### POWER PRICES



The average system price in the Nordic region was 24.0 EUR/MWh in the quarter, an increase of 16% compared with the same period in 2015. The price increase in the second quarter was mainly due to low prices in June 2015. Forward prices in the Nordic region increased for the front end of the curve and decreased further out on the curve.

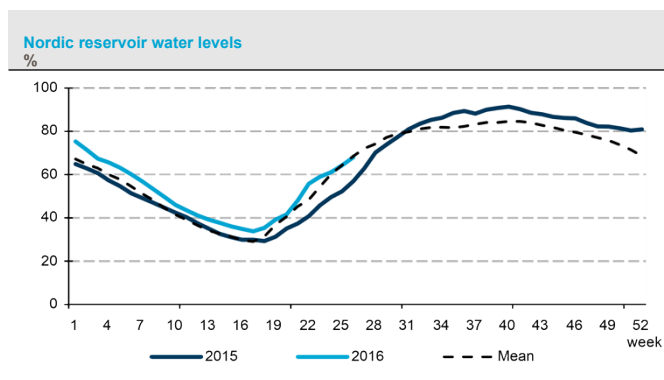
The average spot price in the German market (EEX) was 24.8 EUR/MWh in the quarter, a decrease of 13% compared with the same period in 2015. Decreasing fuel prices and increase in renewables was the main drivers of the low power prices. Forward prices in Germany increased for the front end of the curve.

The average system price in the UK was 35.1 GBP/MWh in the quarter, a decrease of 17% compared with the same period in 2015. The decrease was driven by falling coal and gas prices.

EUR/MWh	Second quarter			Year to date			Year 2015
	2016	2015	Change	2016	2015	Change	
<b>Prices</b>							
Average system price, Nord Pool	24.0	20.7	3.3	23.9	24.4	-0.5	21.0
Average spot price (base), EEX	24.8	28.4	-3.6	25.0	30.3	-5.3	31.7
Average spot price (peak), EEX	29.3	33.2	-3.9	30.7	37.2	-6.4	39.1
Average gas price, EGT	13.3	21.1	-7.8	13.2	21.1	-7.9	19.9

Sources: Nord Pool, European Energy Exchange (EEX) and Eon Gas Trading (EGT).

## CONSUMPTION AND RESOURCE ACCESS IN THE NORDIC REGION



TWh	Second quarter		Year to date		Year 2015
	2016	2015	2016	2015	
<b>Consumption and output</b>					
<b>Nordic</b>					
Nordic consumption	85.0	87.9	201.3	198.4	379.4
Nordic output	86.3	92.1	204.8	204.9	393.8
Net Nordic import(+)/export(-)	-1.2	-4.3	-3.6	-6.5	-14.4
<b>Norway</b>					
Norwegian consumption	29.1	29.9	69.8	68.4	130.1
Norwegian output	33.7	33.1	78.6	74.6	144.7
Net Norwegian import(+)/export(-)	-4.7	-3.2	-8.8	-6.1	-14.6

The inflow was on a normal level in the period, and total reservoir level in the Nordic region was 99% of normal level. The reservoirs were filled to 68% of capacity (57% in 2015), with a maximum reservoir capacity of 121.4 TWh at the end of the quarter.

In the second quarter, a net volume of 1.2 TWh was exported from the Nordic region, compared with a net volume of 4.3 TWh in the same period in 2015.

## STATKRAFT'S POWER PRODUCTION

Statkraft's production is determined by water reservoir capacity and reservoir water levels, access to resources (inflow and wind), the margin between power and gas prices (spark spread) and power optimisation.

TWh	Second quarter		Year to date		Year 2015
	2016	2015	2016	2015	
<b>Production, technology</b>					
Hydropower	13.7	13.6	32.3	28.5	53.1
Wind power	0.5	0.5	1.1	1.1	2.5
Gas power	0.0	-	0.2	0.1	0.5
Bio power	0.1	0.1	0.1	0.1	0.3
<b>Total production</b>	<b>14.3</b>	<b>14.2</b>	<b>33.7</b>	<b>29.9</b>	<b>56.3</b>

TWh	Second quarter		Year to date		Year 2015
	2016	2015	2016	2015	
<b>Production, geography</b>					
Norway	11.5	11.5	27.3	24.3	44.4
Nordic ex. Norway	1.6	1.9	3.6	3.8	7.2
Europe ex. Nordic	0.3	0.2	0.7	0.6	1.3
Rest of the world	1.0	0.6	2.1	1.2	3.4
<b>Total production</b>	<b>14.3</b>	<b>14.2</b>	<b>33.7</b>	<b>29.9</b>	<b>56.3</b>

The Group produced a total of 14.3 TWh in the second quarter, on par with the corresponding period in 2015. In addition, the Group's district heating production amounted to 0.2 TWh.

## Financial performance

NOK million	Second quarter			Year to date			Year 2015
	2016	2015	Change	2016	2015	Change	
<b>Key figures</b>							
Net operating revenues, underlying	4 713	4 543	170	11 200	10 495	704	19 938
EBITDA, underlying	2 665	2 362	303	6 915	6 323	592	10 853
Profit before tax	-920	-2 334	1 414	3 019	3 342	-323	-821
Net profit	-1 899	-2 042	143	490	1 641	-1 151	-2 370

### YEAR TO DATE

The underlying EBITDA was 9% higher than in the first six months of 2015. The increase in net operating revenues so far this year were primarily related to the higher Nordic hydropower production, higher Nordic power prices in NOK/MWh and increased contribution from the Group's international operations. The increase were somewhat offset by lower contribution from trading and market access activities. Operating costs were higher than in the first six months of last year mainly due to the weakening of NOK compared to SEK and EUR. Underlying EBITDA is adjusted for unrealised changes in value on energy contracts, which amounted to NOK -1453 million compared with NOK -671 million in the same period in 2015.

German gas fired power plants and other assets were impaired by NOK 2229 million in total due to Statkraft's lower market expectations.

There were positive currency effects as a result of a strengthening of NOK compared with GBP and EUR. There were also positive currency effects in the same period last year, but they were lower compared with the first six months of 2016.

Overall, this contributed to a NOK 1151 million decrease in the Group's net profit during the first six months of the year, compared with the same period in 2015.

### SECOND QUARTER

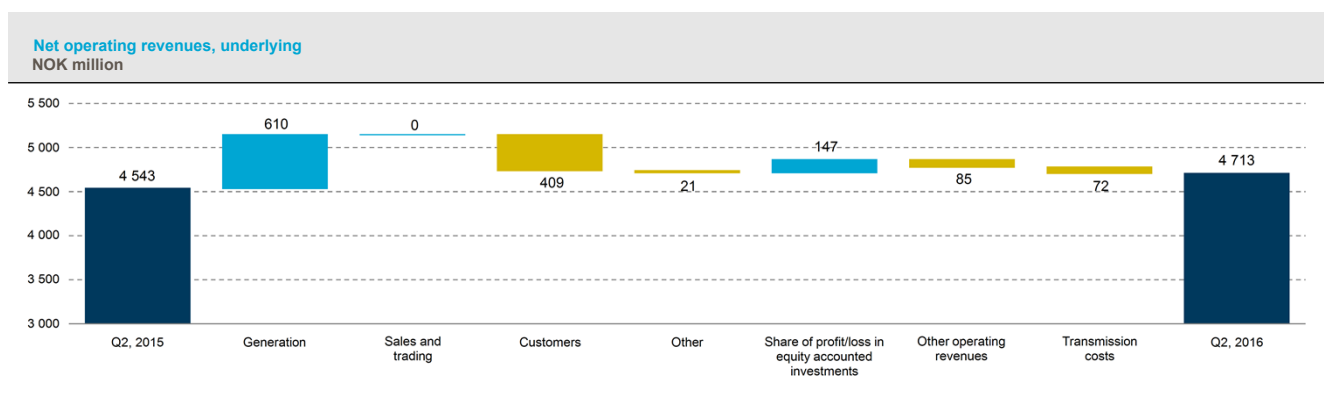
The quarterly report shows the development in the second quarter of 2016 compared with the second quarter of 2015, unless otherwise stated. Figures in parentheses show the comparable figures for the corresponding period in 2015.

### GROSS OPERATING PROFIT (EBITDA) – UNDERLYING

The underlying EBITDA was NOK 2665 million, NOK 303 million higher than in the same quarter in 2015. The increase were primarily a result of higher Nordic power prices and increased contribution from the Group's international operations. The increase were partly offset by lower net revenues from trading and market access activities.

## OPERATING REVENUES - UNDERLYING

NOK million	Second quarter			Year to date			Year 2015
	2016	2015	Change	2016	2015	Change	
<b>Net operating revenues, underlying</b>							
Generation	4 147	3 623	524	9 556	8 279	1 278	15 391
Sales and trading	1 055	1 242	-187	2 093	2 444	-350	4 267
Customers	5 352	5 271	81	12 018	12 508	-490	25 629
Other	429	408	22	989	908	81	4 010
<b>Sales revenues</b>	<b>10 983</b>	<b>10 543</b>	<b>441</b>	<b>24 656</b>	<b>24 138</b>	<b>519</b>	<b>49 297</b>
Share of profit/loss in equity accounted investments	-124	-271	147	252	142	110	683
Other operating revenues	234	319	-85	511	519	-8	1 281
<b>Gross operating revenues</b>	<b>11 094</b>	<b>10 591</b>	<b>503</b>	<b>25 420</b>	<b>24 799</b>	<b>620</b>	<b>51 262</b>
Generation	-74	-159	86	-186	-391	205	-750
Sales and trading	-721	-907	187	-1 455	-1 893	438	-3 683
Customers	-5 146	-4 656	-490	-11 638	-11 239	-399	-25 335
Other	-131	-89	-43	-268	-235	-33	-443
<b>Energy purchase</b>	<b>-6 073</b>	<b>-5 811</b>	<b>-261</b>	<b>-13 547</b>	<b>-13 758</b>	<b>212</b>	<b>-30 212</b>
Transmission costs	-309	-236	-72	-673	-546	-127	-1 112
<b>Net operating revenues</b>	<b>4 713</b>	<b>4 543</b>	<b>170</b>	<b>11 200</b>	<b>10 495</b>	<b>704</b>	<b>19 938</b>



In the graph above Generation, Sales and trading, Customers and Other are shown as sales revenues less energy purchase

- Net generation revenues have increased mainly due to higher Nordic power prices and new capacity in International hydropower.
- Net customer revenues have decreased mainly due to low profitability from market access activities and origination portfolios.
- Share of profit/loss in equity accounted investments have increased mainly due to an impairment recorded in India in 2015.
- Transmission costs have increased mainly due to higher energy fees.

## OPERATING EXPENSES - UNDERLYING

NOK million	Second quarter			Year to date			Year 2015
	2016	2015	Change	2016	2015	Change	
<b>Operating expenses, underlying</b>							
Salaries and payroll costs	-752	-751	-1	-1 727	-1 604	-123	-3 545
Depreciation	-910	-785	-124	-1 804	-1 539	-265	-3 354
Property tax and licence fees	-415	-410	-5	-831	-826	-4	-1 679
Other operating expenses	-881	-1 019	139	-1 726	-1 742	15	-3 861
<b>Operating expenses</b>	<b>-2 957</b>	<b>-2 966</b>	<b>9</b>	<b>-6 088</b>	<b>-5 711</b>	<b>-377</b>	<b>-12 440</b>

- Depreciations were higher due to increased capacity within International hydropower, mainly related to acquisitions in Brazil and Chile.
- Other operating expenses were lower mainly related to a provision for an onerous power purchase contract made in Q2 2015.

## ITEMS EXCLUDED FROM THE UNDERLYING OPERATING RESULT

Unrealised changes in value on energy contracts and adjusted significant items have been excluded from the underlying operating profit. The unrealised changes in value are partly due to the Group's energy contracts being indexed against various commodities, currencies and other indexes.

NOK million	Second quarter			Year to date			Year 2015
	2016	2015	Change	2016	2015	Change	
<b>Items excluded from the underlying operating profit</b>							
Unrealised changes in value of energy contracts	-859	-153	-706	-1 453	-671	-782	609
Adjusted significant items	-2 229	-1 820	-409	-2 229	-1 820	-409	-3 610
Gain from sale of assets	-	-	-	-	-	-	226
Impairments	-2 229	-1 820	-409	-2 229	-1 820	-409	-3 836

- There was a negative development on long-term power sales agreements denominated in EUR due to a stronger NOK against EUR. In addition there was realisation of profits. There were offsetting effects due to higher forward prices and a stronger BRL against USD, influencing the development of the long term contracts in Brazil.
- German gas fired power plants and other assets were impaired by NOK 1947 million and NOK 282 million respectively. The main reason for impairment of gas fired power plants was postponement of a recovery of capital expenditures through the Capacity Remuneration Mechanism. The main reason for impairment of other assets was lower market expectations.

## FINANCIAL ITEMS

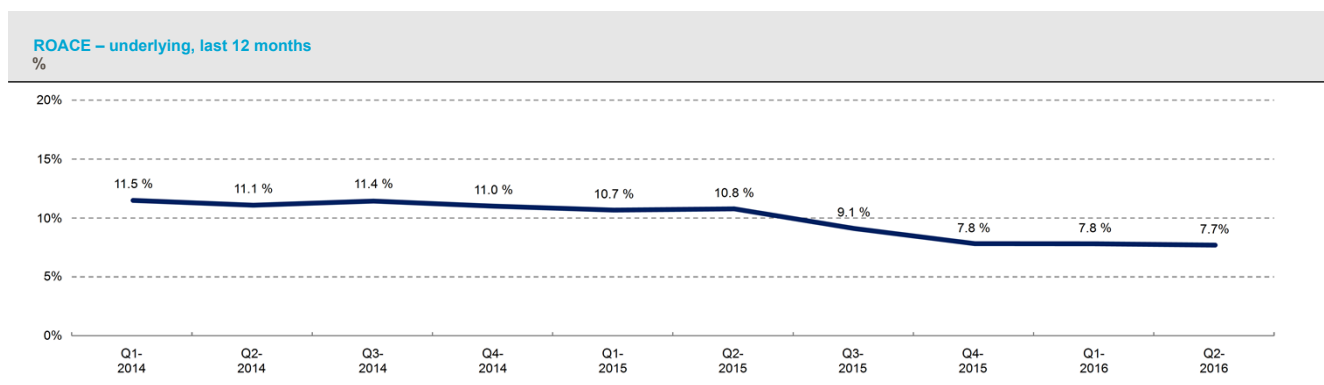
NOK million	Second quarter			Year to date			Year 2015
	2016	2015	Change	2016	2015	Change	
<b>Financial items</b>							
Interest income	75	91	-16	151	187	-35	378
Other financial income	13	16	-3	18	23	-5	43
<b>Gross financial income</b>	<b>88</b>	<b>107</b>	<b>-19</b>	<b>169</b>	<b>209</b>	<b>-40</b>	<b>421</b>
Interest expenses	-329	-273	-56	-645	-519	-125	-1 322
Other financial expenses	-52	-35	-16	-102	-214	112	-736
<b>Gross financial expenses</b>	<b>-381</b>	<b>-309</b>	<b>-72</b>	<b>-746</b>	<b>-733</b>	<b>-13</b>	<b>-2 058</b>
Currency gains and losses	918	-2 040	2 958	2 234	1 440	794	-3 445
Other financial items	-213	304	-517	-69	133	-202	-237
<b>Net financial items</b>	<b>413</b>	<b>-1 938</b>	<b>2 351</b>	<b>1 589</b>	<b>1 049</b>	<b>540</b>	<b>-5 318</b>

- Interest income decreased by NOK 16 million, mainly due to lower average liquidity.
- Interest expenses increased by NOK 56 million, mainly due to lower capitalisation of borrowing costs in projects and increased debt.
- Net currency effects in the second quarter amounted to NOK 918 million, primarily related to a strengthening of NOK against GBP and EUR. Strengthening of EUR against GBP reduced the positive effect.
- Other financial items included gains on interest rate derivatives and obligations linked to equity instruments.

## TAXES

A tax expense of NOK 979 million was recorded in the second quarter (tax income of NOK 292 million). The increase in tax expense was mainly due to higher net financial items and higher resource rent tax.

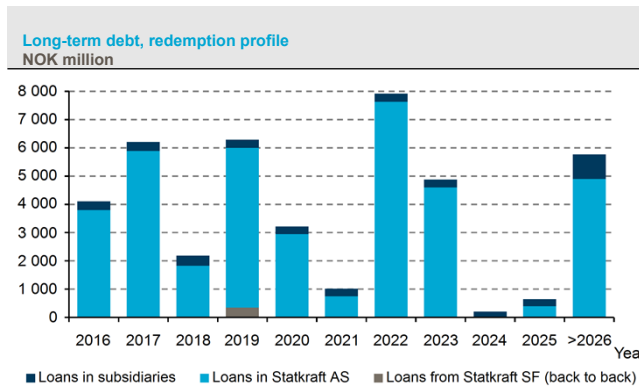
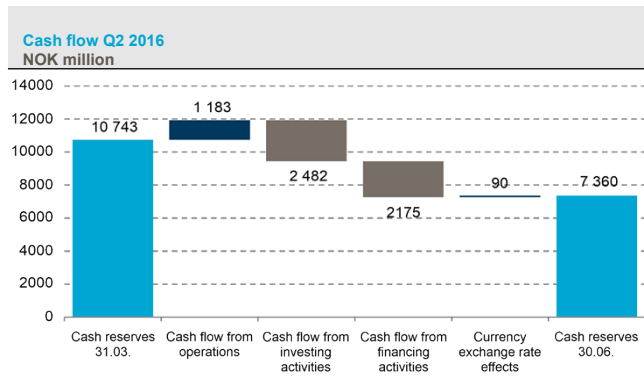
## RETURN



- ROACE<sup>1)</sup> was on par with previous quarters.



## CASH FLOW AND CAPITAL STRUCTURE



### Cash flow Q2

- Cash flow from operating activities amounted to NOK 1183 million (NOK -220 million). Net income<sup>2)</sup>, adjusted for non-cash effects, were NOK 1832 million (NOK 503 million) including changes in short and long term items. The changes in short and long term items had an effect of NOK -289 million (NOK -1111 million), of which short-term items was NOK -374 million (NOK -1216 million). The change in short-term items in Q2 2016 was mainly related to working capital, cash collateral and changes in clearing deposit accounts in Germany<sup>3)</sup>. Cash effect from taxes were NOK -1172 million (NOK -1243 million) and dividend from equity accounted investments were NOK 524 million (NOK 520 million).
- Net investments<sup>4)</sup> of NOK -2482 million (NOK -3663 million); primarily maintenance and new capacity investments of NOK -1575 million (NOK -1909 million), net cash outflow related to loans to third parties of NOK -448 million (NOK 131 million) and deconsolidation of the cash and cash equivalents in Dudgeon Offshore Ltd of NOK -404 million.
- Net financial items of NOK -2175 million (NOK -5963 million); mainly related to repayment of debt of NOK -2092 million (NOK -5889 million).

### Cash flow YTD

- Cash flow from operating activities amounted to NOK 1719 million (NOK 3056 million). Net income, adjusted for non-cash effects, were NOK 3570 million (NOK 5513 million) including changes in short and long term items. The changes in short and long term items had an effect of NOK -1181 million (NOK 1554 million), of which short-term items were NOK -1142 million (NOK 1479 million). The change in short term items was mainly related to working capital, cash collateral and changes in clearing deposit accounts in Germany. Taxes paid were NOK -2394 million (NOK -2984 million) and cash effect from dividend from equity accounted investments were NOK 544 million (NOK 527 million).
- Net investments amounted to NOK -4039 million (NOK -5399 million). This was primarily investments in property, plant and equipment totaling NOK -3197 million (NOK -3624 million), net cash outflow related to loans to third parties of NOK -367 million (NOK 230 million) and deconsolidation of the cash and cash equivalents in Dudgeon Offshore Ltd of NOK -404 million.
- The net liquidity change from financing amounted to NOK 685 million (NOK -489 million). New debt totalled NOK 2926 million (NOK 7595 million), while repayment of debt was NOK -2135 million (NOK -7865 million).

### Financial structure

At the end of the quarter, Statkraft had the following financial structure:

- Net interest-bearing debt<sup>5)</sup> totalled NOK 37 784 million, compared with NOK 35 036 million at the beginning of the year. The increase was primarily related to reduction in cash and cash equivalents.
- The net interest-bearing debt-equity ratio was 31.2%, compared with 28.4% at year-end 2015.
- Current assets, except cash and cash equivalents, amounted to NOK 19 263 million.
- Short-term interest-free debt was NOK 16 201 million.
- Statkraft's equity totalled NOK 83 248 million, compared with NOK 88 340 million at the start of the year. This corresponds to 49.1% of total assets. See Statement of changes in equity for further details.

<sup>1)</sup> ROACE (%): (Operating profit adjusted for share of profit/loss in equity accounted investments, unrealised changes in the value of energy contracts and significant non-recurring items x 100) / average capital employed.

<sup>2)</sup> Net income: cash flow from operations excluding taxes paid and cash effects from equity accounted investments

<sup>3)</sup> See note 12 in the Interim financial statements for further information

<sup>4)</sup> Net investments include investments paid at the end of the quarter, payments received from sale of non-current assets, net liquidity out from the Group upon acquisition of activities and repayment and disbursement of loans.

<sup>5)</sup> Net interest-bearing debt: Gross interest-bearing liabilities – bank deposits, cash in hand and similar excluding restricted funds – short-term financial investments.

## INVESTMENTS AND PROJECTS

Total investments in the quarter amounted to NOK 1705 million. Maintenance investments and other investments were primarily related to Nordic hydropower. Investments in new capacity were mainly related to construction of hydropower plants in Albania, as well as wind power developments in the UK.

NOK mill.	Second quarter 2016	Year to date 2016	The year 2015
<b>Maintenance investments and other investments</b>			
European flexible generation	380	625	1 413
Market operations	1	2	-
International hydropower	37	80	104
Wind power	5	7	-30
District heating	4	5	10
Industrial ownership	83	164	404
Other activities	18	26	68
<b>Total</b>	<b>529</b>	<b>909</b>	<b>1 969</b>
<b>Investment in new capacity</b>			
European flexible generation	240	374	741
International hydropower	379	669	3 048
Wind power	379	1 158	3 335
District heating	43	57	272
Industrial ownership	75	132	281
Other activities	-	-	120
<b>Total</b>	<b>1 117</b>	<b>2 390</b>	<b>7 797</b>
<b>Investment in shareholdings</b>			
European flexible generation	1	1	-
Market operations	4	4	25
International hydropower	27	30	3 399
Wind power	-	32	101
District heating	-	-	18
Other activities	27	28	247
<b>Total</b>	<b>59</b>	<b>95</b>	<b>3 790</b>

## Projects in consolidated operations

Second quarter	Project	Country	New capacity (MW) <sup>1)</sup>	Statkraft's ownership share	Planned completion
<b>Completed projects in the period</b>					
<b>Main projects under construction</b>					
Hydropower	Nedre Røssåga, phase 1	Norway	-	100%	2017 Q4
	Nedre Røssåga, phase 2	Norway	100	100%	2016 Q4
	Øvre Røssåga	Norway	-	100%	2019 Q2
	Lio	Norway	3	100%	2018 Q2
	Ringedalen	Norway	23	100%	2018 Q1
	Cetin <sup>2)</sup>	Turkey	517	100%	2019 Q1
	Devoll - Banja	Albania	72	100%	2016 Q4
	Devoll - Moglice	Albania	184	100%	2019 Q2
Wind power	Fosen <sup>3)</sup>	Norway	1 000	52.1 %	2020 Q4
	Dudgeon	UK	402	30%	2017 Q4
	Andershaw	UK	36	100%	2016 Q4
District heating	Moss	Norway	21	100%	2016 Q4

<sup>1)</sup> Total for project, incl. partners' share.

<sup>2)</sup> Currently suspended, sales process initiated.

<sup>3)</sup> The project consists of six wind farms with planned completion between Q4 2018 and Q4 2020.

## Segments

The Group reports operating segments are in accordance with how the corporate management makes, follows up and evaluates its decisions. The operating segments have been identified on the basis of internal management information that is periodically reviewed by the management and used as a basis for resource allocation and key performance review.

In 2016 Statkraft has changed the segment structure. The two former segments Nordic hydropower and Continental energy and trading are replaced by European flexible generation and Market operations. The reason for changing the segments is to make sure that the reporting structure is aligned with the strategic focus areas and the key priorities within the Group. The developed strategy has led to a clearer distinction between power generating assets and market operations.

The new European flexible generation segment mainly consists of the hydropower business in the Nordic region, Germany and the United Kingdom, as well as the gas power plants, the subsea cable Baltic Cable and the bio-power plants in Germany. The main focus for the segment is to maximise the long-term value of the asset base.

The new Market operations segment mainly consists of market access, trading and origination activities. The activities will gradually increase to create new business opportunities in a changing European market. In addition, Statkraft aims to develop market operations in selected international markets where the Group owns assets.

The other segments are not changed compared to previous years.

The comparable figures are restated.

Second quarter	Statkraft AS Group	European flexible generation	Market operations	International hydropower	Wind power	District heating	Industrial ownership	Other activities	Group items
<b>From income statement</b>									
Gross operating revenues, underlying	11 094	3 510	5 485	608	94	139	1 349	264	-355
Net operating revenues, underlying	4 713	3 134	219	534	84	105	604	264	-231
EBITDA, underlying	2 665	2 099	-	290	-48	43	247	-10	44
Depreciation, amortisation and impairments, underlying	-910	-440	-4	-156	-117	-43	-133	-18	1
Operating profit, underlying	1 755	1 659	-4	134	-164	-	114	-27	43
Operating profit, booked	-1 333	-747	-514	134	-164	-	75	-43	-74
EBITDA-margin (%), underlying	24.0	59.8	-0.0	47.6	-50.8	30.8	18.3	n/a	n/a
Maintenance investments and other investments	529	380	1	37	5	4	83	18	-
Investments in new capacity	1 117	240	-	379	379	43	75	-	-
Investments in shareholdings	59	1	4	27	-	-	-	27	-
<b>Production</b>									
Production, volume sold (TWh)	14.3	11.5	-	1.1	0.4	-	1.4	-	-
- whereof hydropower (TWh)	13.7	11.4	-	0.9	-	-	1.4	-	-
- whereof wind power (TWh)	0.5	-	-	0.1	0.4	-	-	-	-
- whereof gas power (TWh)	0.0	0.0	-	-	-	-	-	-	-
- whereof bio power (TWh)	0.1	0.1	-	-	-	-	-	-	-
Production, district heating (TWh)	0.2	-	-	-	-	0.2	0.0	-	-

## EUROPEAN FLEXIBLE GENERATION

NOK million	Second quarter		Year to date		Year
	2016	2015	2016	2015	2015
Sales revenues, underlying	3 364	3 002	7 657	6 800	12 679
Share of profit/loss in equity accounted investments	-	-	-	-	-
Other operating revenues, underlying	146	184	336	321	685
<b>Gross operating revenues, underlying</b>	<b>3 510</b>	<b>3 186</b>	<b>7 993</b>	<b>7 121</b>	<b>13 364</b>
<b>Net operating revenues, underlying</b>	<b>3 134</b>	<b>2 789</b>	<b>7 185</b>	<b>6 170</b>	<b>11 636</b>
<b>EBITDA, underlying</b>	<b>2 099</b>	<b>1 769</b>	<b>5 019</b>	<b>4 215</b>	<b>7 427</b>
<b>Operating profit, underlying</b>	<b>1 659</b>	<b>1 328</b>	<b>4 135</b>	<b>3 357</b>	<b>5 664</b>
Unrealised value changes energy contracts	-177	7	-691	-630	557
Adjusted significant items	-2 229	-	-2 229	-	-
<b>Operating profit, booked</b>	<b>-747</b>	<b>1 335</b>	<b>1 215</b>	<b>2 727</b>	<b>6 221</b>
Maintenance investments and other investments	380	255	625	672	1 413
Investments in new capacity	240	191	374	331	741
Investments in shareholdings	1	-	1	2	-
Production, volume sold (TWh)	11.5	11.7	27.2	24.3	44.6

## Highlights in the quarter

- German gas fired power plants and other assets were impaired by NOK 1947 million and NOK 282 million respectively.

## Quarterly financial performance

- Underlying EBITDA was higher than in the same quarter of 2015, mainly driven by higher Nordic power prices. Operating expenses were on par.

## Year-to-date financial performance

- Underlying EBITDA was higher than in the same period of 2015, mainly due to higher production. Nordic power prices were slightly lower in EUR/MWh, but this was more than offset by a weaker NOK compared to EUR. Operating expenses were higher, partly due to currency effects from a weaker NOK.

## Quarterly investments

- Investments were mainly related to Nedre and Øvre Røssåga, Lio and Ringedalen power stations in Norway.

## MARKET OPERATIONS

NOK million	Second quarter		Year to date		Year
	2016	2015	2016	2015	2015
Sales revenues, underlying	5 461	5 757	11 747	13 022	28 399
Share of profit/loss in equity accounted investments	-1	-	-1	-	-
Other operating revenues, underlying	24	24	48	59	124
<b>Gross operating revenues, underlying</b>	<b>5 485</b>	<b>5 781</b>	<b>11 795</b>	<b>13 081</b>	<b>28 524</b>
<b>Net operating revenues, underlying</b>	<b>219</b>	<b>776</b>	<b>405</b>	<b>1 478</b>	<b>2 052</b>
<b>EBITDA, underlying</b>	<b>-0</b>	<b>461</b>	<b>-27</b>	<b>971</b>	<b>1 062</b>
<b>Operating profit, underlying</b>	<b>-4</b>	<b>453</b>	<b>-35</b>	<b>946</b>	<b>1 024</b>
Unrealised value changes energy contracts	-510	-247	-711	-310	-471
Adjusted significant items	-	-	-	-	-
<b>Operating profit, booked</b>	<b>-514</b>	<b>206</b>	<b>-746</b>	<b>635</b>	<b>553</b>
Maintenance investments and other investments	1	-	2	-	-
Investments in new capacity	-	-	-	-	-
Investments in shareholdings	4	-	4	-	25
Production, volume sold (TWh)	-	-	-	-	-

## Quarterly financial performance

- Underlying EBITDA was lower compared with the same quarter of 2015 mainly due to lower results from trading and market access. The negative effect from market access was mainly related to the UK business and constituted NOK -126 million, primarily driven by the weakening of GBP against EUR. This currency loss in UK is hedged on Group level and has an opposite effect in financial items. Operating expenses were lower mainly due to provision for an onerous power purchase contract in the second quarter in 2015.

## Year-to-date financial performance

- The decrease in EBITDA was primarily due to the same factors as for the second quarter.



## INTERNATIONAL HYDROPOWER

NOK million	Second quarter		Year to date		Year
	2016	2015	2016	2015	2015
Sales revenues, underlying	596	338	1 218	632	1 715
Share of profit/loss in equity accounted investments	3	-368	52	-362	-196
Other operating revenues, underlying	9	4	42	7	81
<b>Gross operating revenues, underlying</b>	<b>608</b>	<b>-25</b>	<b>1 312</b>	<b>277</b>	<b>1 600</b>
<b>Net operating revenues, underlying</b>	<b>534</b>	<b>-58</b>	<b>1 177</b>	<b>216</b>	<b>1 378</b>
<b>EBITDA, underlying</b>	<b>290</b>	<b>-203</b>	<b>701</b>	<b>-74</b>	<b>572</b>
<b>Operating profit, underlying</b>	<b>134</b>	<b>-257</b>	<b>389</b>	<b>-171</b>	<b>181</b>
Unrealised value changes energy contracts	-	-	-	-	-
Adjusted significant items	-	-	-	-	-2 086
<b>Operating profit, booked</b>	<b>134</b>	<b>-257</b>	<b>389</b>	<b>-171</b>	<b>-1 905</b>
Maintenance investments and other investments	37	23	80	36	104
Investments in new capacity	379	696	669	1 152	3 048
Investments in shareholdings	27	2 034	30	2 034	3 399
Production, volume sold (TWh)	1.1	0.7	2.3	1.3	3.6

## Highlights in the quarter

- In the second quarter, Rucatayo in Chile entered into several PPA contracts, reducing spot price exposure for approximately 40% of the expected generation the next 7 years.
- Sale of Statkraft's 30% shareholding in Sri Lankan company Nivhidu (Pvt.) Ltd was closed 22 June with minor financial effects.

## Quarterly financial performance

- The increase in underlying EBITDA compared with the second quarter of 2015 was related to the consolidation of the activities from the additional acquisitions of 40.65% of Statkraft Energias Renováveis (SKER) in Brazil and full effects from new capacity related to Cheves in Peru and Kargi in Turkey.
- The increase in share of profit/loss in equity accounted investments was primarily related to an impairment in India in the second quarter of 2015.

## Year-to-date financial performance

- The increase in EBITDA was primarily due to the same factors as for the second quarter.

## Quarterly investments

- Investments in new capacity were mainly related to construction of hydropower plants in Albania.

## WIND POWER

NOK million	Second quarter		Year to date		Year
	2016	2015	2016	2015	2015
Sales revenues, underlying	119	133	280	295	587
Share of profit/loss in equity accounted investments	-45	-21	4	44	55
Other operating revenues, underlying	20	34	63	56	114
<b>Gross operating revenues, underlying</b>	<b>94</b>	<b>146</b>	<b>347</b>	<b>396</b>	<b>755</b>
<b>Net operating revenues, underlying</b>	<b>84</b>	<b>136</b>	<b>328</b>	<b>379</b>	<b>712</b>
<b>EBITDA, underlying</b>	<b>-48</b>	<b>-30</b>	<b>10</b>	<b>86</b>	<b>76</b>
<b>Operating profit, underlying</b>	<b>-164</b>	<b>-117</b>	<b>-202</b>	<b>-86</b>	<b>-257</b>
Unrealised value changes energy contracts	-	-	-	-	-
Adjusted significant items	-	-1 820	-	-1 820	-1 750
<b>Operating profit, booked</b>	<b>-164</b>	<b>-1 938</b>	<b>-202</b>	<b>-1 906</b>	<b>-2 008</b>
Maintenance investments and other investments	5	-1	7	-	-30
Investments in new capacity	379	497	1 158	1 346	3 335
Investments in shareholdings	-	-1	32	97	101
Production, volume sold (TWh)	0.4	0.5	0.9	1.1	2.2

## Highlights in the quarter

- Subsequent to the restructuring of the debt in Dudgeon Offshore Wind Ltd, the company is presented as an equity accounted investment.

## Quarterly financial performance

- The underlying EBITDA was influenced negatively due to low wind speeds compared with the second quarter of 2015. Higher Nordic power prices and lower operating expenses partly offset this effect and onshore wind farms in operation had a positive contribution to EBITDA. Projects under development contributed negatively to EBITDA of which loss from currency hedges in Dudgeon was a major part.

## Year-to-date financial performance

- In addition to the effects in the second quarter, lower power prices in the first quarter and restructuring costs due to changes in the offshore wind strategy influenced the EBITDA negatively.

## Quarterly investments

- The investments were mainly related to Dudgeon offshore wind farm in April. In addition, there were investments related to onshore wind farms in Norway and the UK.

## DISTRICT HEATING

NOK million	Second quarter		Year to date		Year
	2016	2015	2016	2015	2015
Sales revenues, underlying	136	127	410	350	629
Share of profit/loss in equity accounted investments	-	1	-	1	1
Other operating revenues, underlying	3	1	4	1	5
<b>Gross operating revenues, underlying</b>	<b>139</b>	<b>128</b>	<b>413</b>	<b>353</b>	<b>636</b>
<b>Net operating revenues, underlying</b>	<b>105</b>	<b>103</b>	<b>290</b>	<b>261</b>	<b>465</b>
<b>EBITDA, underlying</b>	<b>43</b>	<b>46</b>	<b>158</b>	<b>140</b>	<b>213</b>
<b>Operating profit, underlying</b>	<b>-0</b>	<b>8</b>	<b>71</b>	<b>62</b>	<b>50</b>
Unrealised value changes energy contracts	-	-	-	-	-
Adjusted significant items	-	-	-	-	-
<b>Operating profit, booked</b>	<b>-0</b>	<b>8</b>	<b>71</b>	<b>62</b>	<b>50</b>
Maintenance investments and other investments	4	2	5	4	10
Investments in new capacity	43	60	57	130	272
Investments in shareholdings	-	-	-	-	18
Production, volume sold (TWh)	0.2	0.2	0.6	0.5	0.8

## Quarterly financial performance

- EBITDA was slightly lower compared with the second quarter of 2015, primarily due to lower volumes delivered to customers.

## Year-to-date financial performance

- The increase in EBITDA was primarily due to higher volumes delivered to customers, better district heating price, better price on waste handling and the acquisition of Gardemoen Energi AS.

## Quarterly investments

- The investments were primarily related to pipelines in existing activities.

INDUSTRIAL OWNERSHIP<sup>1)</sup>

NOK million	Second quarter		Year to date		Year
	2016	2015	2016	2015	2015
Sales revenues, underlying	1 373	1 268	3 602	3 296	5 796
Share of profit/loss in equity accounted investments	-79	119	203	462	835
Other operating revenues, underlying	55	106	92	161	344
<b>Gross operating revenues, underlying</b>	<b>1 349</b>	<b>1 493</b>	<b>3 898</b>	<b>3 918</b>	<b>6 975</b>
<b>Net operating revenues, underlying</b>	<b>604</b>	<b>811</b>	<b>1 892</b>	<b>2 089</b>	<b>3 820</b>
<b>EBITDA, underlying</b>	<b>247</b>	<b>422</b>	<b>1 161</b>	<b>1 291</b>	<b>2 171</b>
<b>Operating profit, underlying</b>	<b>114</b>	<b>294</b>	<b>894</b>	<b>1 040</b>	<b>1 627</b>
Unrealised value changes energy contracts	-39	70	-26	182	359
Adjusted significant items	-	-	-	-	-
<b>Operating profit, booked</b>	<b>75</b>	<b>364</b>	<b>867</b>	<b>1 222</b>	<b>1 986</b>
Maintenance investments and other investments	83	98	164	184	404
Investments in new capacity	75	56	132	116	281
Investments in shareholdings	-	-	-	-	-
Production, volume sold (TWh)	1.4	1.2	3.3	2.9	5.5

<sup>1)</sup> Industrial ownership includes the shareholdings in Skagerak Energi, Fjordkraft, BKK, Agder Energi and Istad. The two first companies are included in the consolidated financial statements, while the other three companies are reported as associated companies.

## Highlights in the quarter

- NVE has introduced a new regulation for joint invoicing to increase the competition in the end-user market. The regulation will be operative from 1 September and will strengthen the position of independent end-user companies such as Fjordkraft and LOS.
- LOS, a 100% owned subsidiary of Agder Energi, has bought the Swedish company Telge Kraft, in order to strengthen its presence in the Nordic market. The turnover will increase from 10 to 23 TWh.

## Quarterly financial performance

- The decrease in underlying EBITDA compared with the second quarter in 2015 was related to negative unrealised changes in energy contracts in equity accounted investments due to increased market prices.

## Year-to-date financial performance

- The decrease in underlying EBITDA was primarily due to negative unrealised changes in energy contracts in equity accounted investments, partly offset by higher income from generation and grid operations.

## Quarterly investments

- Investments in new capacity and maintenance were mainly related to transmission grid.

**OTHER ACTIVITIES<sup>1)</sup>**

NOK million	Second quarter		Year to date		Year
	2016	2015	2016	2015	2015
Sales revenues, underlying	27	28	15	1	-27
Share of profit/loss in equity accounted investments	-3	-2	-6	-3	-12
Other operating revenues, underlying	240	165	468	308	756
<b>Gross operating revenues, underlying</b>	<b>264</b>	<b>191</b>	<b>476</b>	<b>306</b>	<b>716</b>
<b>Net operating revenues, underlying</b>	<b>264</b>	<b>188</b>	<b>476</b>	<b>302</b>	<b>707</b>
<b>EBITDA, underlying</b>	<b>-10</b>	<b>-113</b>	<b>-94</b>	<b>-317</b>	<b>-679</b>
<b>Operating profit, underlying</b>	<b>-27</b>	<b>-143</b>	<b>-129</b>	<b>-374</b>	<b>-801</b>
Unrealised value changes energy contracts	-15	21	17	75	138
Adjusted significant items	-	-	-	-	226
<b>Operating profit, booked</b>	<b>-43</b>	<b>-123</b>	<b>-112</b>	<b>-300</b>	<b>-437</b>
Maintenance investments and other investments	18	15	26	27	68
Investments in new capacity	-	30	-	68	120
Investments in shareholdings	27	-	28	246	247
Production, volume sold (TWh)	-	0.2	-	0.2	0.4

<sup>1)</sup> Other activities includes innovation and Group functions. Small-scale hydropower was included in 2015.

**Quarterly financial performance**

- The increase in EBITDA in the second quarter was mainly due to increased internal invoicing.

**Year-to-date financial performance**

- The increase in EBITDA was primarily due to the same factors as for the second quarter.

**Quarterly investments**

- Other investments in the quarter were mainly related to capital injection in Silva Green Fuel AS and office facilities and IT.

## Outlook

The power sector is undergoing fundamental changes as a result of reduced technology costs for new renewables and energy storage, increased supply of solar and wind power and changed demand patterns. Increased power supply and generally lower fuel prices have led to a decline in power prices both in Europe and in the Nordics. On this background Statkraft has launched a performance improvement programme. The objective is to improve performance and strengthen the company's competitive position over the next few years by significantly reducing controllable costs.

A substantial share of the Group's Nordic and international power generation is sold through long-term power contracts. This will contribute to stabilise Statkraft's net earnings in the coming years.

There is a rising demand for energy in several markets outside Europe, where Statkraft has a well established strategic position. Based on Statkraft's core expertise, this provides investment opportunities within renewable energy. Statkraft will continue to adapt the investment level to the financial capacity.

Oslo, 20 July 2016  
The Board of Directors of Statkraft AS



## Declaration from the Board of Directors and President and CEO

We hereby declare to the best of our knowledge that the six-month interim financial statements for the period 1 January to 30 June 2016 have been prepared in accordance with IAS 34, Interim Reporting, and the accounting information provides a true and fair view of the Group's assets, liabilities, financial position and performance as a whole, and that the six-month interim report provides a true and fair view of important events in the accounting period and their influence on the six-month interim financial statements, associated material transactions and the key risk and uncertainty factors facing the business in the next accounting period.

Oslo, 20 July 2016  
The Board of Directors of Statkraft AS



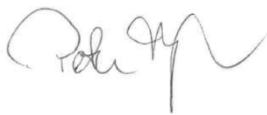
Thorhild Widvey  
Chair of the Board



Halvor Stenstadvold  
Deputy chair



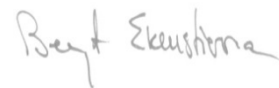
Hilde Drønen  
Director



Peter Mellbye  
Director



Helene Biström  
Director



Bengt Ekenstierna  
Director



Vilde Eriksen Bjerknes  
Director



Thorbjørn Holøs  
Director



Asbjørn Sevelejordet  
Director



Christian Rynning-Tønnesen  
President and CEO

## Statkraft AS Group Interim Financial Statements

NOK million	Second quarter		Year to date		The year 2015
	2016	2015	2016	2015	
<b>COMPREHENSIVE INCOME</b>					
<b>PROFIT AND LOSS</b>					
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
<b>Gross operating revenues</b>	<b>9 930</b>	<b>10 984</b>	<b>24 088</b>	<b>24 630</b>	<b>53 777</b>
Energy purchase	-5 768	-6 358	-13 667	-14 260	-31 892
Transmission costs	-309	-236	-673	-546	-1 112
<b>Net operating revenues</b>	<b>3 853</b>	<b>4 390</b>	<b>9 747</b>	<b>9 824</b>	<b>20 773</b>
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
<b>Operating expenses</b>	<b>-5 187</b>	<b>-4 786</b>	<b>-8 317</b>	<b>-7 531</b>	<b>-16 276</b>
<b>Operating profit/loss</b>	<b>-1 333</b>	<b>-396</b>	<b>1 430</b>	<b>2 293</b>	<b>4 497</b>
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
<b>Net financial items</b>	<b>413</b>	<b>-1 938</b>	<b>1 589</b>	<b>1 049</b>	<b>-5 318</b>
<b>Profit/loss before tax</b>	<b>-920</b>	<b>-2 334</b>	<b>3 019</b>	<b>3 342</b>	<b>-821</b>
Tax expense	-979	292	-2 529	-1 701	-1 548
<b>Net profit/loss</b>	<b>-1 899</b>	<b>-2 042</b>	<b>490</b>	<b>1 641</b>	<b>-2 370</b>
Of which non-controlling interest	37	-733	170	-526	-598
Of which majority interest	-1 936	-1 309	320	2 167	-1 772
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Items in other comprehensive income that recycle over profit/loss:</b>					
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
<b>Items in other comprehensive income that will not recycle over profit/loss:</b>					
Estimate deviation pensions	-320	765	-320	765	758
Income tax related to estimate deviation pensions	104	-265	104	-265	-314
<b>Other comprehensive income</b>	<b>-923</b>	<b>2 038</b>	<b>-3 067</b>	<b>-193</b>	<b>6 761</b>
<b>Comprehensive income</b>	<b>-2 822</b>	<b>-5</b>	<b>-2 577</b>	<b>1 448</b>	<b>4 392</b>
Of which non-controlling interest	257	-819	296	-345	-133
Of which majority interest	-3 078	813	-2 873	1 792	4 525

NOK million	30.06.2016	30.06.2015	31.12.2015
<b>STATEMENT OF FINANCIAL POSITION</b>			
<b>ASSETS</b>			
Intangible assets	5 204	3 922	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
<b>Non-current assets</b>	<b>142 884</b>	<b>137 316</b>	<b>148 966</b>
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	9 056
<b>Current assets</b>	<b>26 623</b>	<b>26 127</b>	<b>27 940</b>
<b>Assets</b>	<b>169 508</b>	<b>163 443</b>	<b>176 905</b>
<b>EQUITY AND LIABILITIES</b>			
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
<b>Equity</b>	<b>83 248</b>	<b>83 848</b>	<b>88 340</b>
Provisions	21 250	18 631	21 228
Long-term interest-bearing liabilities	38 392	33 106	37 410
Derivatives	3 148	2 919	3 736
<b>Long-term liabilities</b>	<b>62 789</b>	<b>54 656</b>	<b>62 374</b>
Short-term interest-bearing liabilities	7 269	4 292	7 196
Taxes payable	2 375	2 461	2 825
Other interest-free liabilities	9 662	13 627	10 781
Derivatives	4 163	4 558	5 388
<b>Current liabilities</b>	<b>23 470</b>	<b>24 939</b>	<b>26 190</b>
<b>Equity and liabilities</b>	<b>169 508</b>	<b>163 443</b>	<b>176 905</b>

NOK million	Paid-in capital	Other reserves	Other equity	Accumulated translation differences	Retained earnings	Total majority	Non-controlling interests	Total equity
<b>STATEMENT OF CHANGES IN EQUITY</b>								
<b>Balance as of 01.01.2015</b>	<b>56 361</b>	<b>-2 421</b>	<b>21 641</b>	<b>4 654</b>	<b>23 876</b>	<b>80 235</b>	<b>7 823</b>	<b>88 059</b>
Net profit/loss	-	-	2 167	-	2 167	2 167	-527	1 641
<b>Items in other comprehensive income that recycles over profit/loss:</b>								
Changes in fair value of financial instruments	-	102	-	-	102	102	5	107
Income tax related to changes in fair value of financial instruments	-	-62	-	-	-62	-62	-19	-81
Items recorded in other comprehensive income in equity accounted investments	-	147	-	-	147	147	19	167
Currency translation effects	-	-	-	-1 056	-1 056	-1 056	171	-885
<b>Items in OCI that will not recycle over profit/loss:</b>								
Estimate deviation pensions	-	-	757	-	757	757	8	765
Income tax related to estimate deviation pensions	-	-	-263	-	-263	-263	-2	-265
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>187</b>	<b>2 661</b>	<b>-1 056</b>	<b>1 792</b>	<b>1 792</b>	<b>-345</b>	<b>1 448</b>
Dividend and Group contribution paid	-	-	-5 600	-	-5 600	-5 600	-234	-5 834
Business combinations/divestments	-	-	-	-	-	-	25	25
Transactions with non-controlling interests	-	-	-	-	-	-	-5	-5
Capital increase	-	-	-	-	-	-	156	156
<b>Balance as of 30.06.2015</b>	<b>56 361</b>	<b>-2 234</b>	<b>18 703</b>	<b>3 598</b>	<b>20 067</b>	<b>76 428</b>	<b>7 419</b>	<b>83 848</b>
<b>Balance as of 01.01.2015</b>	<b>56 361</b>	<b>-2 421</b>	<b>21 641</b>	<b>4 654</b>	<b>23 876</b>	<b>80 235</b>	<b>7 823</b>	<b>88 059</b>
Net profit/loss	-	-	-1 772	-	-1 772	-1 772	-598	-2 369
<b>Items in other comprehensive income that recycles over profit/loss:</b>								
Changes in fair value of financial instruments	-	-925	-	-	-925	-925	-12	-937
Income tax related to changes in fair value of financial instruments	-	149	-	-	149	149	-7	142
Items recorded in other comprehensive income in equity accounted investments	-	204	-	-	204	204	-	204
Reclassification currency translation effects related to foreign operations disposed of in the year	-	-	-	772	772	772	-	772
Currency translation effects	-	-	-	5 732	5 732	5 732	406	6 138
<b>Items in OCI that will not recycle over profit/loss:</b>								
Estimate deviation pensions	-	-	637	-	637	637	120	758
Income tax related to estimate deviation pensions	-	-	-273	-	-273	-273	-42	-314
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-572</b>	<b>-1 407</b>	<b>6 504</b>	<b>4 525</b>	<b>4 525</b>	<b>-133</b>	<b>4 391</b>
Dividend and Group contribution paid	-	-	-5 600	-	-5 600	-5 600	-307	-5 907
Business combinations/divestments	-	-	-	-	-	-	318	318
Transactions with non-controlling interests	-	-	-12	-	-12	-12	-14	-26
Capital increase	750	-	-	-	-	750	756	1 506
<b>Balance as of 31.12.2015</b>	<b>57 111</b>	<b>-2 993</b>	<b>14 622</b>	<b>11 158</b>	<b>22 787</b>	<b>79 898</b>	<b>8 443</b>	<b>88 340</b>
Net profit/loss	-	-	320	-	320	320	170	490
<b>Items in other comprehensive income that recycles over profit/loss:</b>								
Changes in fair value of financial instruments	-	765	-	-	765	765	15	780
Income tax related to changes in fair value of financial instruments	-	-187	-	-	-187	-187	-4	-191
Items recorded in other comprehensive income in equity accounted investments	-	178	-	-	178	178	-	178
Reclassification currency translation effects related to foreign operations disposed of in the year	-	-	-	6	6	6	-	6
Currency translation effects	-	-	-	-3 743	-3 743	-3 743	119	-3 624
<b>Items in OCI that will not recycle over profit/loss:</b>								
Estimate deviation pensions	-	-	-314	-	-314	-314	-6	-320
Income tax related to estimate deviation pensions	-	-	102	-	102	102	2	104
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>756</b>	<b>108</b>	<b>-3 737</b>	<b>-2 873</b>	<b>-2 873</b>	<b>296</b>	<b>-2 577</b>
Dividend and Group contribution	-	-	-1 604	-	-1 604	-1 604	-106	-1 710
Reclassification of loan to non-controlling interests <sup>1)</sup>	-	-	-	-	-	-	-825	-825
Capital increase in joint ventures from other shareholders	-	-	20	-	20	20	-	20
<b>Balance as of 30.06.2016</b>	<b>57 111</b>	<b>-2 237</b>	<b>13 146</b>	<b>7 421</b>	<b>18 329</b>	<b>75 441</b>	<b>7 807</b>	<b>83 248</b>

<sup>1)</sup> Statkraft has reassessed its arrangements with one non-controlling shareholder and has reclassified a receivable towards such shareholder of NOK 825 million from 'non-current assets to a reduction of non-controlling interests in equity.



NOK million	Second quarter		Year to date		The year
	2016	2015	2016	2015	2015
<b>STATEMENT OF CASH FLOW</b>					
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
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 <sup>1)</sup>	-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 <sup>1)</sup>	-374	-1 216	-1 142	1 479	4 241
Dividend from equity accounted investments	524	520	544	527	534
Taxes	-1 172	-1 243	-2 394	-2 984	-3 062
<b>Cash flow from operating activities</b>	<b>A</b>	<b>1 183</b>	<b>-219</b>	<b>3 056</b>	<b>8 639</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Investments in property, plant and equipment <sup>2)</sup>	-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 <sup>3)</sup>	-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 <sup>4)</sup>	-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 <sup>4)</sup>	-52	-75	-58	-198	-289
<b>Cash flow from investing activities</b>	<b>B</b>	<b>-2 482</b>	<b>-3 662</b>	<b>-5 399</b>	<b>-9 834</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
New debt	23	-9	2 926	7 595	14 409
Repayment of debt	-2 092	-5889	-2 135	-7 865	-11 864
Dividend and group contribution paid	-106	-80	-106	-234	-5 157
Share issue in subsidiary to non-controlling interests	-	15	-	15	9
<b>Cash flow from financing activities</b>	<b>C</b>	<b>-2 175</b>	<b>-5 963</b>	<b>685</b>	<b>-2 603</b>
<b>Net change in cash and cash equivalents</b>	<b>A+B+C</b>	<b>-3 474</b>	<b>-9 844</b>	<b>-2 833</b>	<b>-3 798</b>
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 <sup>5)</sup>	7 360	9 847	7 360	9 847	9 056
Unused committed credit lines			11 000	12 000	13 000
Unused overdraft facilities			2 215	2 200	2 200
Restricted cash			-	-	-

<sup>1)</sup> Realised currency effects from internal loans are shown on a separate line. In second quarter 2015, the effects were shown as part of changes in short term items. The comparable figures are restated.

<sup>2)</sup> 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.

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

<sup>4)</sup> 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.

<sup>5)</sup> Included in cash and cash equivalents are NOK 93 million related to joint operations as of second quarter 2016

NOK million	Statkraft AS Group <sup>1)</sup>	European flexible generation	Market operations	International hydropower	Wind power	District heating	Industrial ownership	Other activities	Group items
<b>SEGMENTS</b>									
<b>2nd quarter 2016</b>									
Operating revenue external, underlying	10 054	3 455	5 546	576	23	138	1 417	58	-1 159
Operating revenue internal, underlying	-	55	-60	29	116	1	11	209	-361
Share of profit/loss from associates and joint ventures	-124	-	-1	3	-45	-	-79	-3	1
<b>Gross operating revenues, underlying</b>	<b>9 930</b>	<b>3 510</b>	<b>5 485</b>	<b>608</b>	<b>94</b>	<b>139</b>	<b>1 349</b>	<b>264</b>	<b>-1 519</b>
<b>Net operating revenues, underlying</b>	<b>3 853</b>	<b>3 134</b>	<b>219</b>	<b>534</b>	<b>84</b>	<b>105</b>	<b>604</b>	<b>264</b>	<b>-1 091</b>
<b>Operating profit/loss, underlying</b>	<b>-1 333</b>	<b>1 659</b>	<b>-4</b>	<b>134</b>	<b>-164</b>	<b>-</b>	<b>114</b>	<b>-27</b>	<b>-3 045</b>
Unrealised value change energy derivatives	-	-177	-510	-	-	-	-39	-15	741
Adjusted significant items	-	-2 229	-	-	-	-	-	-	2 229
<b>Operating profit/loss</b>	<b>-1 333</b>	<b>-747</b>	<b>-514</b>	<b>134</b>	<b>-164</b>	<b>-</b>	<b>75</b>	<b>-43</b>	<b>-74</b>
<b>Year to date 2016</b>									
Operating revenue external, underlying	23 836	7 880	11 876	1 229	45	412	3 663	73	-1 342
Operating revenue internal, underlying	-	113	-80	31	298	1	32	409	-804
Share of profit/loss in equity accounted investments	252	-	-1	52	4	-	203	-6	-
<b>Gross operating revenues, underlying</b>	<b>24 088</b>	<b>7 993</b>	<b>11 795</b>	<b>1 312</b>	<b>347</b>	<b>413</b>	<b>3 898</b>	<b>476</b>	<b>-2 146</b>
<b>Net operating revenues, underlying</b>	<b>9 747</b>	<b>7 185</b>	<b>405</b>	<b>1 177</b>	<b>328</b>	<b>290</b>	<b>1 892</b>	<b>476</b>	<b>-2 006</b>
<b>Operating profit/loss, underlying</b>	<b>1 430</b>	<b>4 135</b>	<b>-35</b>	<b>389</b>	<b>-202</b>	<b>71</b>	<b>894</b>	<b>-129</b>	<b>-3 693</b>
Unrealised value change energy derivatives	-	-691	-711	-	-	-	-26	17	1 411
Adjusted significant items	-	-2 229	-	-	-	-	-	-	2 229
<b>Operating profit/loss</b>	<b>1 430</b>	<b>1 215</b>	<b>-746</b>	<b>389</b>	<b>-202</b>	<b>71</b>	<b>867</b>	<b>-112</b>	<b>-52</b>
<b>Balance sheet 30.06.2016</b>									
Equity accounted investments	19 100	-	10	5 812	3 695	-	9 545	34	4
Other assets	150 407	59 079	161	28 542	9 123	3 556	15 239	23 594	11 113
<b>Total assets</b>	<b>169 507</b>	<b>59 079</b>	<b>171</b>	<b>34 354</b>	<b>12 818</b>	<b>3 556</b>	<b>24 784</b>	<b>23 628</b>	<b>11 117</b>
Depreciations, amortisation and impairments	-4 033	-3 113	-7	-312	-212	-86	-267	-35	-2
Maintenance investments and other investments	909	625	2	80	7	5	164	26	-1
Investments in new generating capacity	2 390	374	-	669	1 158	57	132	-	-
Investments in other companies	95	1	4	30	32	-	-	28	-
<b>2nd quarter 2015</b>									
Operating revenue external, underlying	11 255	3 156	5 282	324	40	127	1 359	59	908
Operating revenue internal, underlying	-	30	499	19	127	-	15	134	-824
Share of profit/loss from associates and joint ventures	-271	-	-	-368	-21	1	119	-2	-
<b>Gross operating revenues, underlying</b>	<b>10 984</b>	<b>3 186</b>	<b>5 781</b>	<b>-25</b>	<b>146</b>	<b>128</b>	<b>1 493</b>	<b>191</b>	<b>84</b>
<b>Net operating revenues, underlying</b>	<b>4 390</b>	<b>2 789</b>	<b>776</b>	<b>-58</b>	<b>136</b>	<b>103</b>	<b>811</b>	<b>188</b>	<b>-355</b>
<b>Operating profit/loss, underlying</b>	<b>-396</b>	<b>1 328</b>	<b>453</b>	<b>-257</b>	<b>-117</b>	<b>8</b>	<b>294</b>	<b>-143</b>	<b>-1 962</b>
Unrealised value change energy derivatives	-	7	-247	-	-	-	70	21	149
Adjusted significant items	-	-	-	-	-1 820	-	-	-	1 820
<b>Operating profit/loss</b>	<b>-396</b>	<b>1 335</b>	<b>206</b>	<b>-257</b>	<b>-1 938</b>	<b>8</b>	<b>364</b>	<b>-123</b>	<b>9</b>
<b>Year to date 2015</b>									
Operating revenue external, underlying	24 488	7 095	11 784	620	-89	348	3 427	40	1 263
Operating revenue internal, underlying	-	26	1 297	19	441	4	29	269	-2 085
Share of profit/loss in equity accounted investments	142	-	-	-362	44	1	462	-3	-
<b>Gross operating revenues, underlying</b>	<b>24 630</b>	<b>7 121</b>	<b>13 081</b>	<b>277</b>	<b>396</b>	<b>353</b>	<b>3 918</b>	<b>306</b>	<b>-822</b>
<b>Net operating revenues, underlying</b>	<b>9 824</b>	<b>6 170</b>	<b>1 478</b>	<b>216</b>	<b>379</b>	<b>261</b>	<b>2 089</b>	<b>302</b>	<b>-1 071</b>
<b>Operating profit/loss, underlying</b>	<b>2 293</b>	<b>3 357</b>	<b>946</b>	<b>-171</b>	<b>-86</b>	<b>62</b>	<b>1 040</b>	<b>-374</b>	<b>-2 481</b>
Unrealised value change energy derivatives	-	-630	-310	-	-	-	182	75	683
Adjusted significant items	-	-	-	-	-1 820	-	-	-	1 820
<b>Operating profit/loss</b>	<b>2 293</b>	<b>2 727</b>	<b>635</b>	<b>-171</b>	<b>-1 906</b>	<b>62</b>	<b>1 222</b>	<b>-300</b>	<b>24</b>
<b>Balance sheet 30.06.2015</b>									
Equity accounted investments	19 322	-	-	6 733	3 448	8	9 107	23	3
Other assets	144 121	60 330	16	20 979	6 961	3 422	14 994	25 854	11 564
<b>Total assets</b>	<b>163 443</b>	<b>60 330</b>	<b>16</b>	<b>27 712</b>	<b>10 409</b>	<b>3 430</b>	<b>24 101</b>	<b>25 877</b>	<b>11 567</b>
Depreciations, amortisation and impairments	-3 359	-858	-25	-98	-1 991	-78	-252	-58	1
Maintenance investments and other investments	923	672	-	36	-	4	184	27	-
Investments in new generating capacity	3 143	331	-	1 152	1 346	130	116	68	-
Investments in other companies	2 379	2	-	2 034	97	-	-	246	-

<sup>1)</sup> The Statkraft AS Group figures are booked amounts.

NOK million	Statkraft AS Group <sup>1)</sup>	European flexible generation	Market operations	International hydropower	Wind power	District heating	Industrial ownership	Other activities	Group items
<b>SEGMENTS</b>									
<b>The year 2015</b>									
Operating revenue external, underlying	53 094	13 002	26 589	1 738	-8	626	6 093	167	4 886
Operating revenue internal, underlying	-	362	1 935	57	708	9	47	561	-3 679
Share of profit/loss in equity accounted investments	683	-	-	-196	55	1	835	-12	-
<b>Gross operating revenues, underlying</b>	<b>53 777</b>	<b>13 364</b>	<b>28 524</b>	<b>1 600</b>	<b>755</b>	<b>636</b>	<b>6 975</b>	<b>716</b>	<b>1 207</b>
<b>Net operating revenues, underlying</b>	<b>20 773</b>	<b>11 636</b>	<b>2 052</b>	<b>1 378</b>	<b>712</b>	<b>465</b>	<b>3 820</b>	<b>707</b>	<b>4</b>
<b>Operating profit/loss, underlying</b>	<b>4 497</b>	<b>5 664</b>	<b>1 024</b>	<b>181</b>	<b>-257</b>	<b>50</b>	<b>1 627</b>	<b>-801</b>	<b>-2 991</b>
Unrealised value change energy derivatives	-	557	-471	-	-	-	359	138	-583
Adjusted significant items	-	-	-	-2 086	-1 750	-	-	226	3 610
<b>Operating profit/loss</b>	<b>4 497</b>	<b>6 221</b>	<b>553</b>	<b>-1 905</b>	<b>-2 008</b>	<b>50</b>	<b>1 986</b>	<b>-437</b>	<b>36</b>
<b>Balance sheet 31.12.2015</b>									
Equity accounted investments	19 388	-	13	6 094	3 649	8	9 604	16	4
Other assets	157 517	62 390	246	28 215	10 087	3 620	15 197	28 088	9 674
<b>Total assets</b>	<b>176 905</b>	<b>62 390</b>	<b>259</b>	<b>34 309</b>	<b>13 736</b>	<b>3 628</b>	<b>24 801</b>	<b>28 104</b>	<b>9 678</b>
Depreciations, amortisation and impairments	-6 401	-1 763	-38	-1 688	-2 083	-163	-544	-122	-
Maintenance investments and other investments*	1 969	1 413	-	104	-30	10	404	68	-
Investments in new generating capacity	7 797	741	-	3 048	3 335	272	281	120	-
Investments in other companies	3 790	-	25	3 399	101	18	-	247	-

<sup>1)</sup>The Statkraft AS Group figures are booked amounts.

## Selected notes to the accounts

### 1. FRAMEWORK AND MATERIAL ACCOUNTING POLICIES

The consolidated financial statements for the second quarter of 2016, closed on 30 June 2016, have been prepared in accordance with the accounting principles in International Financial Reporting Standards (IFRS) and consist of Statkraft AS and its subsidiaries and associates. The interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. As the information provided in the interim financial statements is less comprehensive than that contained in the annual financial statements, these statements should therefore be read in conjunction with the consolidated annual financial statements for 2015. The interim accounts have not been audited. The accounting principles applied in the interim financial statements are the same as those used for the annual financial statements.

Presentation of share of profit or loss from joint ventures and associated companies with operations closely related to Statkraft's operations is from Q1 2016 presented as a separate line item under gross operating revenues and part of operating profit/loss. Earlier profit or loss from joint ventures and associated companies was presented on a separate line between operating profit/loss and net financial items.

Presentation of the disclosures of sales revenue and energy purchase is changed from Q1 2016 with the purpose to better present the Group's main revenue streams.

The comparable figures are restated.

### 2. PRESENTATION OF FINANCIAL STATEMENTS

The presentation in the interim report has been prepared in accordance with the requirements in IAS 34. The schedules comply with the requirements in IAS 1.

### 3. ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting principles to the preparation of the interim financial statements, the management has exercised its judgment and employed estimates and assumptions that affect the figures included in the income statement and balance sheet.

The most important assumptions regarding future events and other significant sources of uncertainty in relation to the estimates, and which may involve a significant risk of material changes to the amounts recognised in future financial periods, are discussed in the annual financial statements for 2015.

In preparing the consolidated financial statements for the second quarter, the Group's management has exercised its judgment in relation to the same areas where such judgment has had material significance in relation to the figures included in the Group's income statement and balance sheet, as discussed in the annual financial statements for 2015.

### 4. SEGMENT REPORTING

The Group reports operating segments in accordance with how the corporate management makes, follows up and evaluates its decisions. The operating segments have been identified on the basis of internal management information that is periodically reviewed by the management and used as a basis for resource allocation and key performance review.

In 2016 Statkraft has changed the segment structure. The two former segments Nordic hydropower and Continental energy and trading are replaced by European flexible generation and Market operations. The reason for changing the segments is to make sure that the reporting structure is aligned with the strategic focus areas and the key priorities within the Group. The developed strategy has led to a clearer distinguishment between power generating assets and market operations.

See page 9 for more information.

## 5. UNREALISED EFFECTS PRESENTED IN THE INCOME STATEMENT

The table below shows the lines in the financial statements where the unrealised effects appear.

NOK million	Second quarter 2016			Year to date 2016		
	Unrealised	Realised	Total	Unrealised	Realised	Total
<b>UNREALISED EFFECTS REPORTED IN P&amp;L</b>						
Generation	36	4 104	4 140	-390	9 556	9 167
Sales and trading	98	415	514	836	1 001	1 837
Customers	-735	5 471	4 737	-449	11 782	11 332
Other	-	429	429	-	989	989
<b>Total sales revenues</b>	<b>-600</b>	<b>10 420</b>	<b>9 820</b>	<b>-3</b>	<b>23 327</b>	<b>23 324</b>
Generation	-	-74	-74	-	-186	-186
Sales and trading	285	-721	-436	-146	-1 455	-1 601
Customers	19	-5 146	-5 127	25	-11 638	-11 613
Other	-	-131	-131	-	-268	-268
<b>Total energy purchase</b>	<b>304</b>	<b>-6 073</b>	<b>-5 768</b>	<b>-121</b>	<b>-13 547</b>	<b>-13 667</b>
Net currency effects	66	852	918	984	1 250	2 234
Net gains on derivatives and securities	-214	1	-213	-62	-6	-68
<b>Total unrealised effects</b>	<b>-444</b>			<b>798</b>		

NOK million	Second quarter 2015			Year to date 2015			The year 2015		
	Unrealised	Realised	Total	Unrealised	Realised	Total	Unrealised	Realised	Total
<b>UNREALISED EFFECTS REPORTED IN P&amp;L</b>									
Generation	-10	3 623	3 612	-547	8 279	7 732	790	15 391	16 181
Sales and trading	559	1 036	1 595	359	2 365	2 725	922	4 488	5 410
Customers	-84	5 394	5 310	-113	12 704	12 592	316	25 670	25 986
Other	0	420	420	0	920	920	0	4 010	4 010
<b>Total sales revenues</b>	<b>464</b>	<b>10 472</b>	<b>10 937</b>	<b>-300</b>	<b>24 268</b>	<b>23 968</b>	<b>2 028</b>	<b>49 558</b>	<b>51 586</b>
Generation	7	-159	-153	14	-391	-376	86	-750	-665
Sales and trading	-561	-907	-1 468	-518	-1 893	-2 412	-1 754	-3 683	-5 437
Customers	7	-4 656	-4 649	2	-11 239	-11 237	-12	-25 335	-25 347
Other	0	-89	-89	0	-235	-235	0	-443	-443
<b>Total energy purchase</b>	<b>-547</b>	<b>-5 811</b>	<b>-6 358</b>	<b>-502</b>	<b>-13 758</b>	<b>-14 260</b>	<b>-1 681</b>	<b>-30 212</b>	<b>-31 892</b>
Net currency effects	-1 387	-650	-2 038	2 425	-983	1 442	1 171	-4 616	-3 445
Net gains on derivatives and securities	301	2	304	152	-18	133	-210	-22	-232
<b>Total unrealised effects</b>	<b>-1 168</b>			<b>1 775</b>			<b>1 308</b>		

## 6. CURRENCY EFFECTS ON INTERNAL LOANS

Net currency effects on internal loans as of the second quarter amounted to NOK 115 million, of which NOK - 1116 million was unrealised and NOK 1231 million was realised. The positive effects are mainly due to NOK strengthening against EUR and NOK weakening against USD.

Statkraft Treasury Centre (STC), Statkraft International Hydropower Invest AS (SKIHI) and Statkraft International Hydropower Holding AS (SKIHH) provide loans to the Group's companies, mainly in the borrowing companies' local currency. STC prepares its accounts in EUR and SKIHI/SKIHH in NOK. All three companies report currency effects of lending in the income statement. STC's financial reporting is converted to NOK in the consolidation, and currency effects for the net investment in STC are reported in other comprehensive income.

The same principle will apply for loans in local currencies provided from foreign subsidiaries to Statkraft AS through the Group cash pool. As the liquidity situation will vary over time, Statkraft AS may also be the lender at the period end. In such situations the effect recognised in the income statement is not offset by a corresponding effect through other comprehensive income.

## 7. HEDGE ACCOUNTING

Statkraft has used hedge accounting in 2016 that has reduced the volatility in the income statement. A major share of the debt in EUR has been hedged against market rate changes.

Statkraft has set up hedge accounting of parts of the net investments in STC in EUR, as well as parts of the net investments in Statkraft UK Ltd in GBP. The effect of this is that a year to date gain of NOK 703 million in 2016 is recognised in other comprehensive income instead of in the income statement.

## 8. BRAZIL

On 13 July 2015, Statkraft acquired a controlling interest in the Brazilian company Desenvix Energias Renováveis S.A. which subsequently changed name to Statkraft Energias Renováveis. Over the past years, Brazil has experienced several severe corruption cases. On this background, Statkraft initiated an internal investigation related to the subsidiary acquired in 2015. The process is still ongoing and the company has contacted Brazilian authorities. It is at this stage not possible to predict if the outcome could have potential negative effects on the fair values of assets and liabilities at the date of acquisition.

## 9. NOTICE OF REASSESSMENT RELATED TO PREVIOUS YEARS TAX

On 16 December 2015 Statkraft AS received a notice of reassessment from Norwegian tax authorities regarding its income tax returns for fiscal years 2008 - 2014 relating to its investment in the subsidiary Statkraft Treasury Centre SA in Belgium.

The notice is of a preliminary nature with a number of reservations and it is therefore not possible to quantify any potential exposure. Statkraft disagrees that there is a legal basis for any reassessments and has made no provision for potential tax liabilities.

## 10. TRANSACTIONS

On 21 June 2016 Statkraft sold its 30% holding in the associate Nividhu Pvt. Ltd. in Sri Lanka. There were no material effects on the financial statements related to the transaction.

The subsidiary Steinsvik Kraft AS is expected to be sold within end of 2016. The profit or loss from the transaction is not expected to be material.

## 11. RECLASSIFICATION OF JOINT ARRANGEMENTS

Dudgeon Offshore Wind Ltd. (Dudgeon) was until May 2016 classified as a joint operation and accounted for in accordance with the proportionate consolidation method. A restructuring of the company's debt was finalised in May 2016. Subsequent to the restructuring, external project financing provide 52.5% of the funding for the entity and the shareholders provide the remaining 47,5%. Statkraft has provided a sponsor loan with a share similar to its ownership of 30 %. The criteria for accounting the investment as a joint operation according to IFRS 11 are not met and as per Q2 Statkraft's investment in Dudgeon is presented according to the equity method in the Group's financial statements.

Fixed and intangible assets amounting to NOK 2734 million, liabilities of NOK 820 million as well as cash and cash equivalents of NOK 404 million are deconsolidated in the Groups financial statement in Q2. As per 30 June 2016 the net investment in Dudgeon and the sponsor loan are recognised in the balance sheet and the carrying amount is NOK 695 million and NOK 2144 million respectively.

The change in classification of Dudgeon does not represent a change of control and no gain or loss has been recognised in the income statement.

## 12. CLASSIFICATION OF CASH AND CASH EQUIVALENT IN THE BALANCE SHEET AND CASH FLOW STATEMENT

Statkraft changed the provider for exchange clearing services relating to our trading activities in Germany during March. This has led to a change of recognition of cash from clearing deposits made to the service provider from cash and cash equivalents to other receivables. The new service provider is not a financial institution and margin call demands are settled by cash directly to the service provider. The reclassification of margin calls should have been done in Q1 2016, and would have resulted in a reclassification of NOK 515 million from cash and cash equivalent to receivable and further a similar negative effect in short term items in the cash flow from operating activities in Q1.

As per 30 June the margin calls amounts to NOK 1039 million and is presented as changes in the clearing deposit accounts under short term items in the cash flow statement and has negatively impacted cash flow from operating activities for the quarter. If the reclassification had been done in the first quarter, the Q2 effect of the increase in margin calls would have negatively impacted cash flow from operating activities by NOK 524 million.



## Alternative Performance Measures

As defined in ESMA's guideline on alternative performance measures (APM), an APM is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

Statkraft uses the following APMs:

**EBITDA** is defined as operating profit before depreciation, amortisation and impairment.

**Underlying line items** are performance measures that are adjusted for significant items and unrealised value of energy contracts. Unrealised energy contracts within trading and origination activities are not adjusted, as the market portfolios are followed up on market values.

**Adjusted significant items** are items that are material and can be described as revenues/gains and/or expenses/losses that are not expected to occur on a regular basis. The effects are adjusted in order to have comparable figures in the financial analysis for periodic performance.

Relevant significant items in the period:

- **Impairment** is excluded from underlying operating profit since they affect the economics of an asset for the lifetime of that asset; not only the period in which it is impaired or the impairment is reversed.
- **Gain from sales of assets** is eliminated from the measure since the gain does not give an indication of future performance or periodic performance; such a gain is related to the cumulative value creation from the time the asset is acquired until it is sold.

**Capital employed** and **Net interest bearing debt** are defined in the table below:

NOK million	30.06.2016	30.06.2015	31.12.2015
<b>ALTERNATIVE PERFORMANCE MEASURES</b>			
<b>CAPITAL EMPLOYED</b>			
Intangible assets	5 204	3 922	5 822
Property, plant and equipment	106 094	102 559	111 207
Inventories	1 735	2 558	1 044
Receivables	9 425	8 955	10 675
- Receivables related to cash collateral	-1 690	-2 058	-2 477
- Short-term loans to equity accounted investments	-97	-107	-335
Provisions	-21 250	-18 631	-21 228
Taxes payable	-2 375	-2 461	-2 825
Other interest-free liabilities	-9 662	-13 627	-10 781
- Group contribution allocated, not paid	1 604	5 600	2
<b>Capital employed</b>	<b>88 989</b>	<b>86 710</b>	<b>91 104</b>
<b>Average capital employed <sup>1)</sup></b>	<b>91 352</b>	<b>82 530</b>	<b>87 112</b>
<b>NET INTEREST BEARING DEBT</b>			
Long-term interest bearing liabilities	38 392	33 106	37 410
Short-term interest bearing liabilities	7 269	4 292	7 196
Cash and cash equivalents (including restricted cash)	-7 360	-9 847	-9 056
Short-term financial investments	-516	-563	-513
<b>Net interest bearing debt</b>	<b>37 785</b>	<b>26 988</b>	<b>35 036</b>

<sup>1)</sup> Average capital employed is based on the average for the last four quarters.



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Quarterly and  
half year report  
Q2/2016  
**Statkraft AS**

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