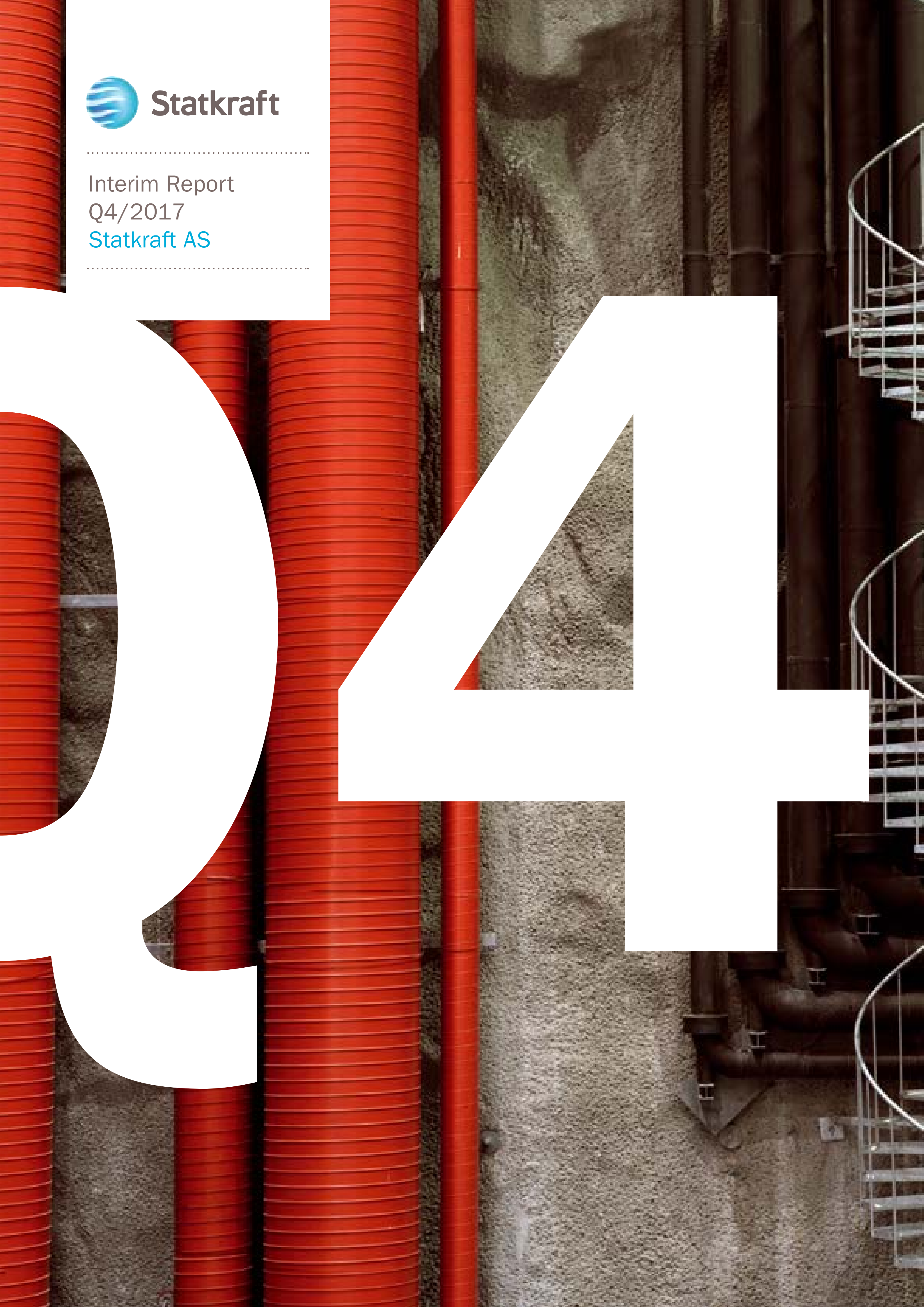
Statkraft

# Interim Report
# Q4/2017
# Statkraft AS



# Key figures

| NOK million | Fourth quarter 2017 | 2016 | *Change* | The year 2017 | 2016 | *Change* |
|---|---|---|---|---|---|---|
| **From income statement** | | | | | | |
| Share of profit/loss in equity accounted investments | **462** | 368 | *94* | **-73** | 474 | *-547* |
| Gross operating revenues, underlying | **18 442** | 17 014 | *1 427* | **62 168** | 52 241 | *9 926* |
| Net operating revenues, underlying | **7 188** | 7 297 | *-109* | **23 296** | 21 875 | *1 422* |
| EBITDA, underlying | **4 786** | 4 671 | *115* | **14 432** | 12 705 | *1 728* |
| Operating profit, underlying | **3 837** | 3 771 | *66* | **10 770** | 9 148 | *1 622* |
| Operating profit, booked | **8 408** | 3 854 | *4 555* | **17 041** | 3 086 | *13 954* |
| Net financial items | **-1 606** | -1 297 | *-308* | **-1 347** | 2 137 | *-3 484* |
| Profit before tax | **6 803** | 2 556 | *4 246* | **15 693** | 5 223 | *10 470* |
| Net profit | **5 317** | 748 | *4 569* | **11 732** | -179 | *11 911* |
| EBITDA margin, underlying (%) [1)] | **26.0** | 27.5 | *-1.5* | **23.2** | 24.3 | *-1.1* |
| ROACE, underlying (%) [2)] | | | | **10.5** | 8.3 | *2.2* |
| **Items excluded from the underlying operating profit [3)]** | | | | | | |
| Unrealised value changes from energy derivatives | **602** | 220 | *381* | **1 289** | -1 270 | *2 559* |
| Gain/loss from acquisitions/divestments of business activities | **3 063** | -4 | *3 067* | **5 481** | 16 | *5 465* |
| Impairments and related costs | **906** | -134 | *1 040* | **-500** | -4 808 | *4 308* |
| **Balance sheet and investments** | | | | | | |
| Total assets | | | | **169 183** | 166 630 | *2 553* |
| Equity | | | | **91 776** | 83 519 | *8 257* |
| Net interest bearing debt | | | | **24 845** | 32 453 | *-7 608* |
| Capital employed | | | | **104 017** | 101 130 | *2 887* |
| Total investments | **1 261** | 1 135 | *126* | **3 895** | 5 657 | *-1 762* |
| **Cash Flow** | | | | | | |
| Cash flow from operating activities | **-586** | 3 617 | *-4 203* | **8 415** | 8 371 | *44* |
| Cash and cash equivalents | | | | **14 217** | 7 308 | *6 908* |
| **Currency rates** | | | | | | |
| NOK/EUR average rate | **9.62** | 9.04 | *0.58* | **9.33** | 9.29 | *0.04* |
| NOK/EUR closing rate | | | | **9.84** | 9.09 | *0.75* |

**Definitions**

[1)] *EBITDA margin, underlying (%): (Underlying operating profit before depreciation and amortisation x 100) / Underlying gross operating revenues.*
[2)] *ROACE, underlying (%): (Underlying operating profit excluding share of profit/loss in equity accounted investments (rolling 12 months) x 100) / Average capital employed (rolling 12 months).*
[3)] *Items excluded from the underlying operating profit and Capital employed: See section Alternative Performance Measures at the end of this report for definition.*

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# STRONG QUARTER

"Statkraft achieved a strong result driven by solid underlying operations and gains from divestments.

Statkraft's fourth quarter result is characterised by solid underlying performance and gains from divestments of offshore wind assets and reversal of impairments.

Statkraft recorded an underlying EBITDA of NOK 4786 million in the fourth quarter of 2017. This was an increase of NOK 115 million compared with the corresponding period in 2016. The quarterly net profit ended at NOK 5317 million, an increase of NOK 4569 million from the same quarter in 2016.

The average Nordic system price in the quarter was 30.6 EUR/MWh, a decrease of 11 per cent compared with the price level experienced in the same period in 2016. Statkraft's total generation was on a normal level with 17.3 TWh, a decrease of nine per cent from a very high level in the fourth quarter in 2016.

For the year 2017 Statkraft's generation reached 62.6 TWh, down 5 per cent from the record high level in 2016. The average system price at Nord Pool was 29.4 EUR/MWh, an increase of 9 per cent year-on-year. The underlying EBITDA ended at a solid NOK 14 432 million, compared to NOK 12 705 million in 2016. The result for 2017 was positively influenced by significant gains from transactions. Profit before tax was NOK 15 693 million and net profit ended at NOK 11 732 million.

Statkraft divested its 40 per cent shareholding in the Sheringham Shoal offshore wind farm and its 50 per cent shareholding in the Triton Knoll offshore wind project. Recognised gains from these transactions were NOK 3061 million. In addition, Statkraft has signed an agreement to divest the 30 per cent shareholding in the Dudgeon offshore wind farm. Closing of the Dudgeon transaction is expected to take place in the first quarter of 2018. The transactions are in line with Statkraft's strategy to divest offshore wind assets in order to strengthen the financial capacity.

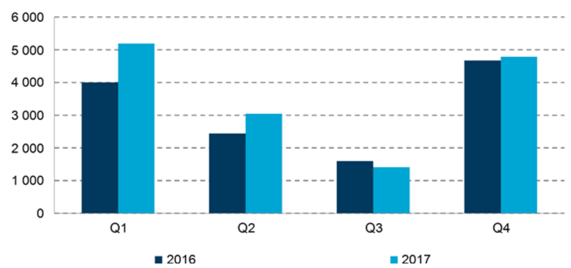
Increased need for flexibility in the German market and improved outlook for future gas to power margin has led to a reversal of impairments of NOK 914 million for gas-fired power plants.

Cost reduction of approximately NOK 410 million has so far been achieved under the performance improvement programme. The target is to strengthen performance and reduce annual costs by NOK 800 million.

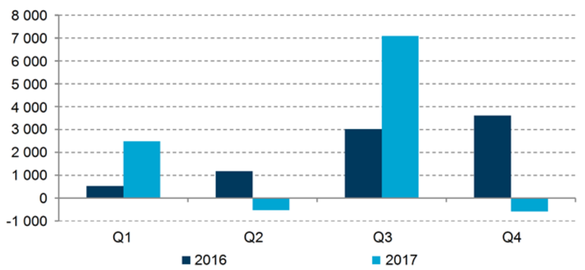
Statkraft has entered into a new long-term power contract with Eramet in Norway. The contract runs from 2021 to 2030 with a total volume of 8 TWh. The contract reaffirm Statkraft's position as a competitive supplier to Norwegian industry and will have a stabilising effect on Statkraft's revenues.

Statkraft is actively exploring new business opportunities. Silva Green Fuel, a company owned by Statkraft and Södra, has decided to build a demonstration plant for advanced biofuel in Norway. The plant will be located at Tofte in Norway.

**EBITDA – underlying**
NOK million




**Cash flow from operating activities**
NOK million



# Corporate responsibility and HSE

| | Fourth quarter | | The year | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| **Corporate responsibility and HSE** | | | | |
| Fatalities [1] | 0 | 0 | 0 | 1 |
| TRI rate [1] [2] | 6.2 | 6.7 | 5.2 | 4.9 |
| Serious environmental incidents | 0 | 0 | 0 | 0 |
| Full-time equivalents, Group | | | 3 310 | 3 484 |
| Absence due to illness, Group (%) | 3.3 | 3.3 | 3.5 | 3.0 |

*[1] Includes employees and suppliers in plants where Statkraft owns 20% or more. Third parties (not employees or contractors) are not included.*
*[2] TRI rate: Number of injuries per million hours worked.*

One serious injury occurred in the fourth quarter at the Sima hydropower station in Norway. A Statkraft employee was thrown from a dumper/rock truck as it was turning, which resulted in him sustaining multiple fractures. The accident has been investigated according to Statkraft's standard procedures and all safety measures are followed up.

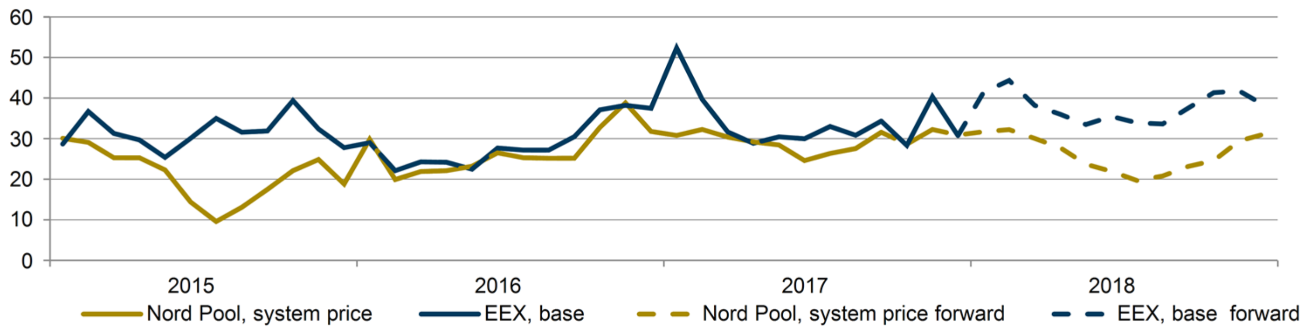
- → The Group's TRI rate was 6.2 in the fourth quarter.
- → There were no serious environmental incidents during this quarter.
- → Absence due to illness continues to stay on a low level.

# 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, commodity prices for thermal power generation, grid restrictions and nuclear availability.

## POWER PRICES

**Electricity, average monthly system price**
**EUR/MWh**




*Sources: Nord Pool and the European Energy Exchange (EEX).*

The average system price in the Nordic region was 30.6 EUR/MWh in the quarter, a decrease of 11% compared with the same period in 2016. The price decrease in the fourth quarter was mainly driven by a strengthened hydrological balance. Forward prices in the Nordic region decreased in the quarter.

The average base price in the German market (EEX) was 33.2 EUR/MWh in the quarter, a decrease of 12% compared with the same period in 2016. Power prices decreased in the quarter despite higher gas and $CO_2$ prices, mainly driven by higher wind power generation. Forward prices in Germany decreased during the quarter.

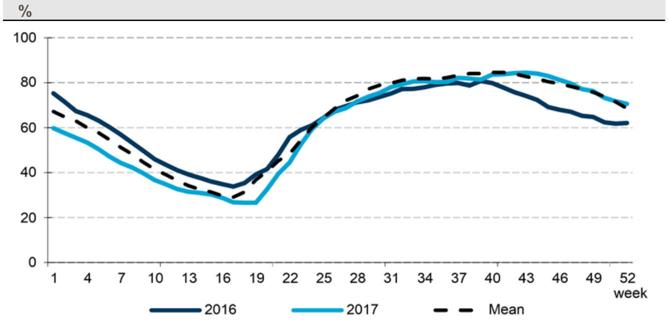
The average base price in the UK was 50.3 GBP/MWh in the quarter, a decrease of 4% compared with the same period in 2016. Lower consumption and higher renewable generation outweighed higher gas prices and were the main drivers for decreased power prices in the fourth quarter.

| EUR/MWh | Fourth quarter 2017 | Fourth quarter 2016 | Fourth quarter Change | The year 2017 | The year 2016 | The year Change |
|---|---|---|---|---|---|---|
| **Market prices (average)** | | | | | | |
| System price, Nord Pool | **30.6** | 34.5 | *-3.9* | **29.4** | 26.9 | *2.6* |
| Spot price (base), EEX | **33.2** | 37.6 | *-4.4* | **34.2** | 29.0 | *5.3* |
| Spot price (peak), EEX | **46.4** | 47.3 | *-0.9* | **42.8** | 35.3 | *7.5* |
| Gas price, TTF | **19.0** | 17.1 | *2.0* | **17.3** | 14.1 | *3.2* |

*Sources: Nord Pool, European Energy Exchange (EEX) and Title Transfer Facility (gas prices, Netherlands).*

## CONSUMPTION AND RESOURCE ACCESS IN THE NORDIC REGION

Nordic reservoir water levels




*Source: Nord Pool.*

| TWh | Fourth quarter 2017 | Fourth quarter 2016 | The year 2017 | The year 2016 |
|---|---|---|---|---|
| **Consumption and output** | | | | |
| **Nordic** | | | | |
| Nordic consumption | **106.4** | 105.1 | **388.2** | 385.6 |
| Nordic output | **108.7** | 104.1 | **397.3** | 389.3 |
| Net Nordic import(+)/export(-) | **-2.3** | 1.0 | **-9.1** | -3.7 |
| **Norway** | | | | |
| Norwegian consumption | **37.4** | 36.6 | **133.6** | 132.2 |
| Norwegian output | **40.6** | 39.0 | **148.7** | 148.6 |
| Net Norwegian import(+)/export(-) | **-3.2** | -2.4 | **-15.1** | -16.4 |

The total reservoir level for all producers in the Nordic region was 103% of normal level at the end of the quarter, corresponding to 70.6% of total capacity.

## STATKRAFT'S POWER PRODUCTION

Statkraft's generation optimisation is determined by water reservoir capacity and reservoir water levels, access to resources (inflow and wind), the margin between power prices and gas plus $CO_2$ prices (spark spread) and grid restrictions.

| TWh | Fourth quarter 2017 | Fourth quarter 2016 | The year 2017 | The year 2016 |
|---|---|---|---|---|
| **Production, technology** | | | | |
| Hydropower | **15.8** | 16.9 | **57.4** | 61.2 |
| Wind power | **0.8** | 0.8 | **2.7** | 2.3 |
| Gas power | **0.7** | 1.3 | **2.2** | 2.2 |
| Bio power | **0.1** | 0.1 | **0.3** | 0.3 |
| **Total production** | **17.3** | 19.0 | **62.6** | 66.0 |

| TWh | Fourth quarter 2017 | Fourth quarter 2016 | The year 2017 | The year 2016 |
|---|---|---|---|---|
| **Production, geography** | | | | |
| Norway | **13.4** | 15.1 | **48.6** | 52.8 |
| Sweden | **1.9** | 1.5 | **6.6** | 6.1 |
| Europe ex. Nordic | **0.9** | 1.5 | **3.2** | 3.2 |
| Rest of the world | **1.1** | 1.0 | **4.2** | 3.9 |
| **Total production** | **17.3** | 19.0 | **62.6** | 66.0 |

The Group generated a total of 17.3 TWh in the fourth quarter, a decrease of 9% compared with the corresponding period in 2016. Hydropower generation in Norway decreased compared to a very high level in Q4 2016, in addition to lower gas-fired power generation in Germany. The Group's district heating deliveries amounted to 0.4 TWh.

# Financial performance

| | Fourth quarter | | | The year | | |
|---|---|---|---|---|---|---|
| NOK million | 2017 | 2016 | *Change* | 2017 | 2016 | *Change* |
| **Key figures** | | | | | | |
| Net operating revenues, underlying | **7 188** | 7 297 | *-109* | **23 296** | 21 875 | *1 422* |
| EBITDA, underlying | **4 786** | 4 671 | *115* | **14 432** | 12 705 | *1 728* |
| Profit before tax | **6 803** | 2 556 | *4 246* | **15 693** | 5 223 | *10 470* |
| Net profit | **5 317** | 748 | *4 569* | **11 732** | -179 | *11 911* |

## THE YEAR 2017

The underlying EBITDA was 14% higher than in 2016. The increase in net operating revenues was primarily related to higher Nordic power prices combined with increased contribution from market activities.

Underlying EBITDA is adjusted for unrealised value changes from energy derivatives. These amounted to NOK 1289 million compared with NOK -1270 million in 2016. The positive effects in 2017 were mainly related to long-term power sales agreements denominated in EUR and were due to a weakening of NOK against EUR. Furthermore, underlying figures are adjusted for gains and losses from acquisitions/divestments of business activities amounting to NOK 5481 million and impairments and related costs in consolidated operations amouting to NOK -500 million respectively. In 2016, gains from acquisitions/divestments of business activities were NOK 16 million, while impairments and related costs were NOK -4808 million.

Net financial items amounted to NOK -1347 million compared with NOK 2137 million in 2016. The change was primarily related to net currency effects. Profit before tax ended at NOK 15 693 million compared with NOK 5223 million in 2016. Net profit amounted to NOK 11 732 million compared with NOK -179 million in 2016.

## FOURTH QUARTER

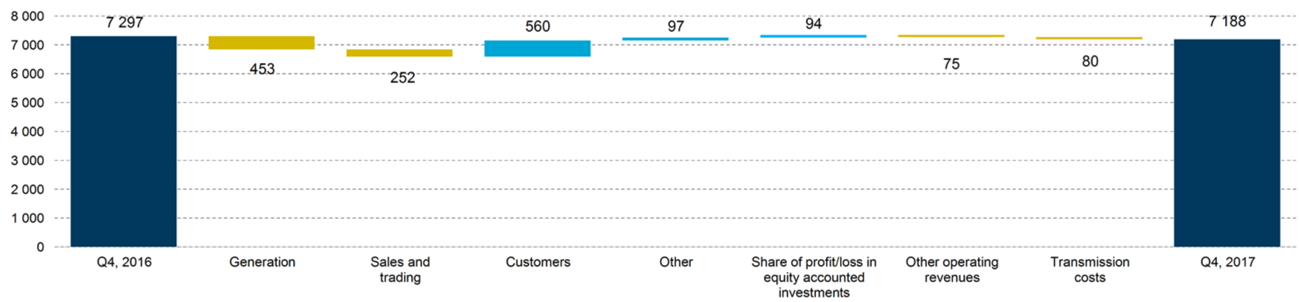
The quarterly report shows the development in the quarter compared with the same quarter in 2016, unless otherwise stated. Figures in parentheses show the comparable figures for the corresponding period in 2016.

The underlying EBITDA was NOK 4786 million, NOK 115 million higher than in the same quarter in 2016. The increase was driven by higher contribution from Industrial ownership due to higher power generation and grid revenues.  Additionally, there were positive effects from market access activities in the UK, lower costs and one-off effects in International power and new wind power capacity.

## OPERATING REVENUES - UNDERLYING

| NOK million | Fourth quarter 2017 | Fourth quarter 2016 | Change | The year 2017 | The year 2016 | Change |
|---|---|---|---|---|---|---|
| **Net operating revenues, underlying** | | | | | | |
| Generation | 6 022 | 6 053 | *-32* | 20 884 | 19 346 | *1 537* |
| Sales and trading | 295 | 1 520 | *-1 225* | 3 456 | 3 634 | *-178* |
| Customers | 10 748 | 8 184 | *2 564* | 34 631 | 25 813 | *8 818* |
| Other | 651 | 549 | *101* | 2 291 | 1 925 | *366* |
| **Sales revenues** | **17 716** | **16 307** | ***1 409*** | **61 261** | **50 718** | ***10 543*** |
| Share of profit/loss in equity accounted investments | 462 | 368 | *94* | -73 | 474 | *-547* |
| Other operating revenues | 264 | 339 | *-75* | 979 | 1 049 | *-70* |
| **Gross operating revenues** | **18 442** | **17 014** | ***1 427*** | **62 168** | **52 241** | ***9 926*** |
| Generation | -517 | -95 | *-422* | -1 408 | -368 | *-1 040* |
| Sales and trading | -351 | -1 324 | *973* | -2 804 | -3 249 | *445* |
| Customers | -9 782 | -7 779 | *-2 003* | -32 568 | -24 897 | *-7 671* |
| Other | -201 | -198 | *-4* | -766 | -579 | *-186* |
| **Energy purchase** | **-10 851** | **-9 395** | ***-1 456*** | **-37 546** | **-29 093** | ***-8 453*** |
| Transmission costs | -402 | -322 | *-80* | -1 326 | -1 273 | *-52* |
| **Net operating revenues** | **7 188** | **7 297** | ***-109*** | **23 296** | **21 875** | ***1 422*** |

**Net operating revenues, underlying**
**NOK million**




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

- Net revenues from Generation decreased, mainly due to reduced Nordic power prices and generation.
- Net revenues from Sales and trading decreased mainly due to negative contribution from Continental trading.
- Net revenues from Customers increased, mainly due to improved contribution from market access activities in UK and Germany.
- Net revenues from Other increased, mainly due to increased grid revenues from Skagerak Energi due to increased tariffs and volumes to customers.
- Share of profit/loss in equity accounted investments increased, mainly due to higher contribution from Dudgeon wind farm in UK, which started operation in the fourth quarter in 2017.

## OPERATING EXPENSES - UNDERLYING

| NOK million | Fourth quarter 2017 | Fourth quarter 2016 | Change | The year 2017 | The year 2016 | Change |
|---|---|---|---|---|---|---|
| **Operating expenses, underlying** | | | | | | |
| Salaries and payroll costs | -1 011 | -993 | *-19* | -3 707 | -3 648 | *-59* |
| Depreciation | -949 | -900 | *-49* | -3 662 | -3 557 | *-105* |
| Property tax and licence fees | -353 | -438 | *84* | -1 341 | -1 733 | *392* |
| Other operating expenses | -1 038 | -1 196 | *158* | -3 816 | -3 789 | *-27* |
| **Operating expenses** | **-3 351** | **-3 526** | ***175*** | **-12 526** | **-12 727** | ***201*** |

- Increase in depreciation was mainly related to assets in Nepal.
- Property tax and licence fees were lower, mainly due to reduced property tax in Norway and Sweden. The reduction in Norway was related to lower power prices reducing the tax base and the reduction in Sweden was related to a lower tax rate.
- Other operating expenses lower mainly due to one-off effects from corresponding quarter in 2016.

## ITEMS EXCLUDED FROM THE UNDERLYING OPERATING PROFIT

Unrealised value changes from energy derivatives, gain/loss from acquisitions/divestments of business activities and impairment and related costs are excluded from the underlying operating profit. The unrealised value changes are related to embedded derivatives and derivatives acquired for risk reduction purposes where the related item is carried at cost.

| | Fourth quarter | | | The year | | |
|---|---|---|---|---|---|---|
| NOK million | 2017 | 2016 | *Change* | 2017 | 2016 | *Change* |
| **Items excluded from the underlying operating profit** | | | | | | |
| Unrealised value changes from energy derivatives | **602** | 220 | *382* | **1 289** | -1 270 | *2 559* |
| *Embedded derivatives* | ***665*** | *342* | *323* | ***1 173*** | *-370* | *1 543* |
| *Deriviatives acquired for risk reduction purposes* | ***-63*** | *-121* | *58* | ***116*** | *-900* | *1 016* |
| Gain/loss from acquisitions/divestments of business activities | **3 063** | -4 | *3 067* | **5 481** | 16 | *5 465* |
| Impairments and related costs | **906** | -134 | *1 040* | **-500** | -4 808 | *4 308* |

- Embedded derivatives: There was a positive effect on long-term power sales agreements denominated in EUR due to a weaker NOK against EUR.
- Derivatives acquired for risk reduction purposes: Decrease mainly driven by higher forward UK power prices, partly offset by realisation of losses.
- Gain/loss from acquisitions/divestments of business activities: Mainly gain from divestment of 40% shareholding in Sheringham Shoal wind farm. In addition gain from divestment of 50% shareholding in Triton Knoll wind farm. See note 12 in the financial statements for further information.
- Impairments and related costs: Mainly related to a reversal of impairments for gas-fired power plants in Germany. See note 7 in the financial statements for further information.

## FINANCIAL ITEMS

| | Fourth quarter | | | The year | | |
|---|---|---|---|---|---|---|
| NOK million | 2017 | 2016 | *Change* | 2017 | 2016 | *Change* |
| **Financial items** | | | | | | |
| Interest income | **96** | 92 | *5* | **374** | 323 | *51* |
| Other financial income | **45** | 19 | *26* | **83** | 58 | *25* |
| **Gross financial income** | **141** | **111** | ***30*** | **456** | **380** | ***76*** |
| Interest expenses | **-315** | -309 | *-6* | **-1 234** | -1 301 | *67* |
| Other financial expenses | **-43** | 51 | *-94* | **-214** | -110 | *-104* |
| **Gross financial expenses** | **-358** | **-258** | ***-100*** | **-1 449** | **-1 411** | ***-37*** |
| Net currency effects | **-1 468** | -678 | *-790* | **-2 079** | 2 847 | *-4 926* |
| Other financial items | **80** | -472 | *551* | **1 724** | 321 | *1 403* |
| **Net financial items** | **-1 606** | **-1 297** | ***-308*** | **-1 347** | **2 137** | ***-3 484*** |

- Other financial income increased by NOK 26 million, mainly due to increased dividends from financial investments.
- Other financial expenses increased by NOK 94 million, mainly due to a reversal of a financial obligation in 2016.
- Net currency loss in the fourth quarter amounted to NOK 1468 million, primarily related to a weakening of NOK against EUR and GBP.
- Other financial items increased by NOK 551 million, mainly due to increased value of interest rate derivatives and loss on an obligation linked to an equity instrument in fourth quarter 2016.

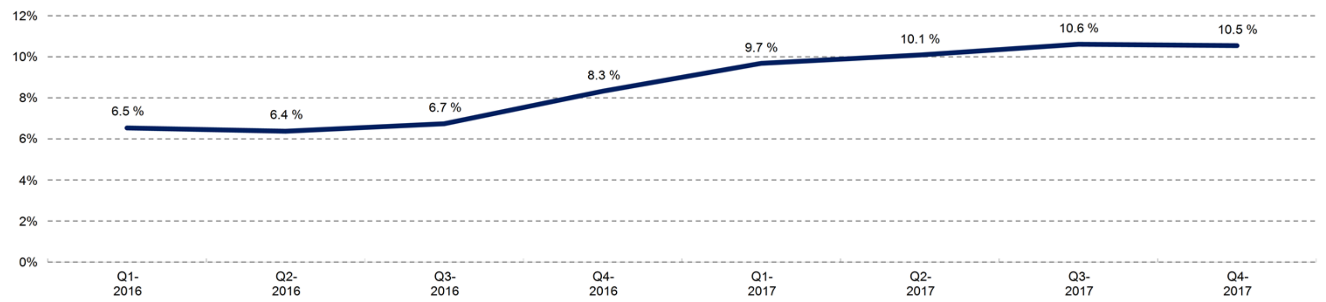
## TAXES

A tax expense of NOK 1486 million was recognised in the fourth quarter (NOK 1808 million). The tax expense was reduced despite a significantly higher pre-tax result. This was mainly due to:

- Lower contribution from Norwegian hydropower taxed at a marginal rate of 58.3%.
- Gain from divestments of business activities that are tax exempt.
- Reversal of impairment with no effect on tax expense.

## RETURN

**ROACE – underlying, last 12 months**
%

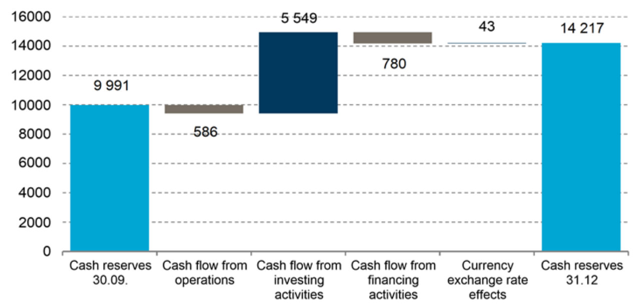



*ROACE (%): (Underlying operating profit excluding share of profit/loss in equity accounted investments (rolling 12 months) x 100) / Average capital employed (rolling 12 months).*

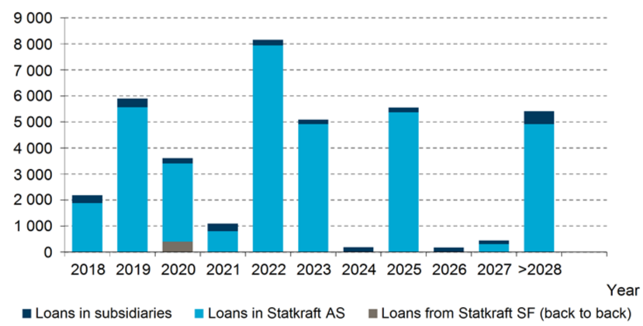
The improvement in ROACE compared with the year 2016 was due to higher underlying operating profit (12 months rolling), primarily driven by higher Nordic power prices and increased contribution from market activities. Average capital employed on same level compared with year-end 2016.

## CASH FLOW AND CAPITAL STRUCTURE

**Cash flow Q4 2017**
NOK million




**Long-term debt, redemption profile**
NOK million




### Cash flow fourth quarter

→ Cash flow from operating activities amounted to NOK -586 million. Net cash income[1)] was NOK 1351 million. A positive profit before tax was offset by negative changes in working capital and paid taxes.
→ Cash flow from investing activities amounted to NOK 5549 million. The positive effects mainly relate to sale of offshore wind assets including realisation of loans.
→ Cash flow from financing activities was mainly related to repayment of debt according to plan.

### Cash flow year-to-date

→ Cash flow from operating activities amounted to NOK 8415 million (NOK 8371 million). Net cash income[1)] was NOK 12 700 million (NOK 10 390 million). A positive profit before tax was partly offset by negative changes in working capital, cash collateral[2)] and paid taxes.
→ Cash flow from investing activities amounted to NOK 4309 million (NOK -6817 million). This was mainly related to investments in property, plant and equipment of NOK -3610 million (NOK -5331 million), loans paid to third parties of NOK -1616 million (NOK -1526 million), repayment of loans of NOK 2248 million (NOK 593 million) and cash received from sale of shares of NOK 7309 million (NOK 25 million).
→ Cash flow from financing activities amounted to NOK -5780 million (NOK -3217 million). This was related to cash received from new debt of NOK 5250 million (NOK 4642 million), repayment of debt of NOK -7941 million (NOK -7632 million), dividend and capital decrease paid to non-controlling interests of NOK -1037 million (NOK -226 million) and dividend to Statkraft SF of NOK 2052 million.

### Financial structure

At the end of the quarter, Statkraft had the following financial structure:
→ Net interest-bearing debt[3)] totalled NOK 24 844 million (NOK 32 453 million).
→ The net interest-bearing debt-equity ratio was 21.3% (28.0%).
→ Current assets, except cash and cash equivalents, amounted to NOK 25 697 million (NOK 20 041 million).
→ Short-term interest-free debt was NOK 9679 million (NOK 11 918 million).
→ Statkraft's equity totalled NOK 91 776 million (NOK 83 519 million). This corresponds to 54% of total assets.

[1)] *Net cash income: Cash flow from operating activities excluding taxes paid and cash effects from equity accounted investments.*
[2)] *Cash collateral: Security related to market operations and financial derivatives.*
[3)] *Net interest-bearing debt: Gross interest-bearing liabilities – bank deposits, cash and cash equivalents and similar excluding restricted funds – short-term financial investments.*

# INVESTMENTS AND PROJECTS

Total investments in the quarter amounted to NOK 1261 million. Maintenance investments and other investments were primarily related to Nordic hydropower and advanced metering system (AMS) in Skagerak Nett. Investments in new capacity were mainly related to construction of hydropower plants in Albania and wind power projects in Norway.

| NOK million | Fourth quarter 2017 | The year 2017 | The year 2016 |
|---|---|---|---|
| **Maintenance investments and other investments** | | | |
| European flexible generation | 325 | 1 053 | 1 154 |
| Market operations | - | 5 | 2 |
| International power | 108 | 173 | 162 |
| Wind power | - | 12 | - |
| District heating | 4 | 7 | 13 |
| Industrial ownership | 212 | 566 | 387 |
| Other activities | -10 | 4 | 44 |
| **Total** | 640 | 1 820 | **1 763** |
| **Investment in new capacity** | | | |
| European flexible generation | 8 | 117 | 582 |
| Market operations | 84 | 103 | 4 |
| International power | 207 | 794 | 1 250 |
| Wind power | 136 | 500 | 1 457 |
| District heating | 36 | 130 | 142 |
| Industrial ownership | 83 | 320 | 301 |
| **Total** | 554 | 1 964 | **3 736** |
| **Investment in shareholdings** | | | |
| Market operations | 67 | 91 | 56 |
| International power | - | - | 30 |
| Wind power | - | - | 32 |
| Other activities | - | 19 | 39 |
| **Total** | 67 | 111 | **158** |

## Projects in consolidated operations

| Fourth quarter | Project | Country | New capacity (MW) [1] | Statkraft's ownership share | Planned completion | |
|---|---|---|---|---|---|---|
| **Main construction projects** | | | | | | |
| Hydropower | Øvre Røssåga | Norway | - | 100% | 2018 | Q4 |
| | Devoll - Moglice | Albania | 184 | 100% | 2019 | Q2 |
| | Songa and Trolldalen Dams | Norway | - | 100% | 2020 | Q4 |
| Solar power | Rundedal | Netherlands | 14 | 100% | 2018 | Q1 |
| Wind power | Fosen - Roan | Norway | 256 | 52% | 2018 | Q4 |
| | Fosen - Hitra II | Norway | 94 | 52% | 2019 | Q3 |
| | Fosen - Storheia | Norway | 288 | 52% | 2019 | Q4 |
| | Fosen - Geitfjellet | Norway | 155 | 52% | 2020 | Q3 |
| | Fosen - Harbaksfjellet | Norway | 108 | 52% | 2020 | Q3 |
| | Fosen - Kvenndalsfjellet | Norway | 101 | 52% | 2020 | Q3 |

[1] *Total for project, incl. partners' share.*

# Segments

The Group's 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 corporate management and used as a basis for resource allocation and key performance review.

The segment International hydropower changed name to International power in 2017.

| Fourth quarter | Statkraft AS Group | European flexible generation | Market operations | International power | Wind power | District heating | Industrial ownership | Other activities | Group items |
|---|---|---|---|---|---|---|---|---|---|
| **From income statement** | | | | | | | | | |
| Gross operating revenues, underlying | **18 442** | 4 805 | 9 604 | 911 | 414 | 261 | 2 743 | 265 | -561 |
| Net operating revenues, underlying | **7 188** | 4 019 | 654 | 752 | 402 | 187 | 1 216 | 265 | -307 |
| | | | | | | | | | |
| EBITDA, underlying | **4 786** | 2 815 | 396 | 490 | 282 | 120 | 749 | -95 | 29 |
| Depreciation, amortisation and impairments, underlying | **-949** | -437 | -3 | -201 | -94 | -44 | -154 | -15 | -1 |
| Operating profit, underlying | **3 837** | 2 378 | 393 | 289 | 188 | 76 | 595 | -110 | 28 |
| Operating profit, booked | **8 408** | 3 957 | 330 | 281 | 3 251 | 75 | 595 | -110 | 29 |
| | | | | | | | | | |
| EBITDA-margin (%), underlying | **26.0** | 58.6 | 4.1 | 53.8 | 68.0 | 46.0 | 27.3 | n/a | n/a |
| | | | | | | | | | |
| Maintenance investments and other investments | **640** | 325 | - | 108 | - | 4 | 212 | -10 | - |
| Investments in new capacity | **554** | 8 | 84 | 207 | 136 | 36 | 83 | - | - |
| Investments in shareholdings | **67** | - | 67 | - | - | - | - | - | - |
| | | | | | | | | | |
| **Production** | | | | | | | | | |
| Production, volume sold (TWh) | **17.3** | 13.8 | - | 1.2 | 0.7 | - | 1.7 | - | - |
| - hydropower (TWh) | **15.8** | 13.0 | - | 1.0 | - | - | 1.7 | - | - |
| - wind power (TWh) | **0.8** | - | - | 0.1 | 0.7 | - | - | - | - |
| - gas power (TWh) | **0.7** | 0.7 | - | - | - | - | - | - | - |
| - bio power (TWh) | **0.1** | 0.1 | - | - | - | - | - | - | - |
| Production, district heating (TWh) | **0.4** | - | - | - | - | 0.3 | 0.0 | - | - |

## EUROPEAN FLEXIBLE GENERATION

| NOK million | Fourth quarter 2017 | Fourth quarter 2016 | The year 2017 | The year 2016 |
|---|---|---|---|---|
| Sales revenues, underlying | 4 603 | 4 818 | 16 333 | 15 015 |
| Share of profit/loss in equity accounted investments | - | - | - | - |
| Other operating revenues, underlying | 202 | 259 | 751 | 764 |
| **Gross operating revenues, underlying** | **4 805** | **5 077** | **17 084** | **15 779** |
| **Net operating revenues, underlying** | **4 019** | **4 613** | **14 508** | **14 187** |
| **EBITDA, underlying** | **2 815** | **3 245** | **10 151** | **9 454** |
| **Operating profit, underlying** | **2 378** | **2 802** | **8 447** | **7 701** |
| Unrealised value changes from energy derivatives | 665 | 342 | 1 173 | -370 |
| Gain/loss from acquisitions/divestments of business activities | - | - | - | - |
| Impairments and related costs | 914 | - | 1 084 | -2 802 |
| **Operating profit, booked** | **3 957** | **3 144** | **10 704** | **4 529** |
| Maintenance investments and other investments | 325 | 182 | 1 053 | 1 154 |
| Investments in new capacity | 8 | 140 | 117 | 582 |
| Investments in shareholdings | - | - | - | - |
| Production, volume sold (TWh) | 13.8 | 16.0 | 50.4 | 54.4 |

### Highlights in the quarter

- → Statkraft has entered into a new long-term sales contract with a total volume of 8 TWh from 2021-2030.
- → Increased need for flexibility in the German market and improved outlook for future gas to power margin has led to a reversal of impairments of NOK 914 million for German gas-fired power plants.

### Quarterly financial performance

- → The decrease in underlying EBITDA was mainly driven by lower generation and lower Nordic power prices. Operating expenses decreased, mainly due to lower property taxes in Norway and Sweden.

### Quarterly investments

- → Investments in maintenance and other projects were mainly related to Øvre Røssåga power plant and Tunsbergdalsdammen reservoir.

### Financial performance for the year

- → The increase in underlying EBITDA was mainly due to higher Nordic power prices, this was partly offset by lower generation. Operating expenses decreased, mainly due to lower property taxes in Norway and Sweden.

## MARKET OPERATIONS

| NOK million | Fourth quarter 2017 | Fourth quarter 2016 | The year 2017 | The year 2016 |
|---|---|---|---|---|
| Sales revenues, underlying | 9 577 | 8 401 | 33 621 | 25 735 |
| Share of profit/loss in equity accounted investments | 2 | -1 | 2 | -2 |
| Other operating revenues, underlying | 25 | 36 | 105 | 110 |
| **Gross operating revenues, underlying** | **9 604** | **8 436** | **33 727** | **25 843** |
| **Net operating revenues, underlying** | **654** | **499** | **1 985** | **980** |
| **EBITDA, underlying** | **396** | **342** | **1 070** | **156** |
| **Operating profit, underlying** | **393** | **339** | **1 059** | **142** |
| Unrealised value changes from energy derivatives | -63 | -121 | 116 | -900 |
| Gain/loss from acquisitions/divestments of business activities | - | - | - | - |
| Impairments and related costs | - | - | - | - |
| **Operating profit, booked** | **330** | **217** | **1 175** | **-758** |
| Maintenance investments and other investments | - | -1 | 5 | 2 |
| Investments in new capacity | 84 | 4 | 103 | 4 |
| Investments in shareholdings | 67 | 52 | 91 | 56 |
| Production, volume sold (TWh) | - | - | - | - |

### Highlights in the quarter

- → Statkraft started trading activities at the Polish power exchange Towarowa Gielda Energii SA and entered into 3 power purchase agreements (PPAs) for Polish wind farms.

### Quarterly financial performance

- → The increase in underlying EBITDA was mainly due to higher contribution from market access activities in UK and Germany, partly offset by lower contribution from Continental trading and long-term contracts.

### Quarterly investments

- → Investments in new capacity were related to the 13.9 MW solar PV project Rundedal in the Netherlands.

### Financial performance for the year

- → The increase in underlying EBITDA was mainly due to higher contribution from market access activities in the UK, origination and long-term contracts in Brazil, partly offset by lower contribution from Continental trading.

## INTERNATIONAL POWER

| NOK million | Fourth quarter 2017 | Fourth quarter 2016 | The year 2017 | The year 2016 |
|---|---|---|---|---|
| Sales revenues, underlying | 681 | 644 | 2 557 | 2 501 |
| Share of profit/loss in equity accounted investments | 198 | 192 | -744 | 16 |
| Other operating revenues, underlying | 31 | -7 | 73 | 42 |
| **Gross operating revenues, underlying** | **911** | **829** | **1 886** | **2 559** |
| **Net operating revenues, underlying** | **752** | **740** | **1 400** | **2 234** |
| **EBITDA, underlying** | **490** | **432** | **418** | **1 195** |
| **Operating profit, underlying** | **289** | 267 | **-350** | 557 |
| Unrealised value changes from energy derivatives | - | - | - | - |
| Gain/loss from acquisitions/divestments of business activities | - | - | 2 167 | - |
| Impairments and related costs | -7 | -133 | -1 392 | -1 377 |
| **Operating profit, booked** | **281** | **134** | **425** | **-819** |
| Maintenance investments and other investments | 108 | 38 | 173 | 162 |
| Investments in new capacity | 207 | 333 | 794 | 1 250 |
| Investments in shareholdings | - | - | - | 30 |
| Production, volume sold (TWh) | 1.2 | 1.0 | 4.5 | 4.3 |

### Highlights in the quarter

- The Kargi hydropower plant in Turkey was back in full operation after a tunnel repair. The plant had been out of operation since September 2016.
- The La Confluencia hydropower plant in Chile was back in full operation after outage due to a flooding event in February 2017.

### Quarterly financial performance

- The increase in underlying EBITDA was mainly a result of lower costs due to reduced number of employees and positive one-off effects.
- The one-off effects were primarily related to insurance payment related to the flooding event in Chile and settlement with the contractor for La Higuera in Chile, insurance settlement related to the Cheves hydropower plant in Peru and updated assessment of provisions in current and previous periods in Brazil.

### Quarterly investments

- The investments were mainly related to the construction of the Devoll hydropower project in Albania.

### Financial performance for the year

- The decrease in underlying EBITDA was primarily related to impairments in equity accounted investments in Chile as a result of a negative development in Statkraft's long-term price expectations due to declining technology costs.

## WIND POWER

| NOK million | Fourth quarter 2017 | Fourth quarter 2016 | The year 2017 | The year 2016 |
|---|---|---|---|---|
| Sales revenues, underlying | 245 | 250 | 733 | 649 |
| Share of profit/loss in equity accounted investments | 156 | 98 | 213 | 41 |
| Other operating revenues, underlying | 13 | 40 | 29 | 96 |
| **Gross operating revenues, underlying** | **414** | **388** | **974** | **786** |
| **Net operating revenues, underlying** | **402** | **375** | **929** | **743** |
| **EBITDA, underlying** | **282** | **243** | **447** | **176** |
| **Operating profit, underlying** | **188** | **160** | **81** | **-191** |
| Unrealised value changes from energy derivatives | - | - | - | - |
| Gain/loss from acquisitions/divestments of business activities | 3 063 | -4 | 3 319 | 16 |
| Impairments and related costs | - | - | -187 | -606 |
| **Operating profit, booked** | **3 251** | **156** | **3 213** | **-781** |
| Maintenance investments and other investments | - | -7 | 12 | - |
| Investments in new capacity | 136 | 125 | 500 | 1 457 |
| Investments in shareholdings | - | - | - | 32 |
| Production, volume sold (TWh) | 0.7 | 0.6 | 2.2 | 1.9 |

### Highlights in the quarter

- Statkraft divested its 40% share in Sheringham Shoal wind farm to the UK fund manager Equitix and recognised a gain of NOK 2 634 million.
- Statkraft divested its 50% share in the Triton Knoll offshore wind project to innogy and recognised a gain of NOK 426 million.
- Statkraft signed an agreement to divest its 30% share in Dudgeon wind farm to a consortium led by China Resources Company Limited for GBP 555 million. The transaction is expected to be closed in the first quarter in 2018.

### Quarterly financial performance

- The increase in underlying EBITDA was mainly driven by new capacity from Dudgeon.
- The contribution from Nordic wind farms decreased mainly due to lower el-cert prices in Sweden.
- Operating expenses decreased due to reduced number of employees.

### Quarterly investments

- The investments in new capacity were mainly related to the Fosen project portfolio in Norway.

### Financial performance for the year

- The increase in underlying EBITDA was primarily due to new capacity in UK and lower operating expenses.

## DISTRICT HEATING

| NOK million | Fourth quarter 2017 | Fourth quarter 2016 | The year 2017 | The year 2016 |
|---|---|---|---|---|
| Sales revenues, underlying | 259 | 252 | 785 | 761 |
| Share of profit/loss in equity accounted investments | - | - | - | - |
| Other operating revenues, underlying | 1 | 2 | 4 | 6 |
| **Gross operating revenues, underlying** | **261** | **254** | **789** | **767** |
| **Net operating revenues, underlying** | **187** | **190** | **580** | **552** |
| **EBITDA, underlying** | **120** | **118** | **326** | **279** |
| **Operating profit, underlying** | **76** | **76** | **155** | **111** |
| Unrealised value changes from energy derivatives | - | - | - | - |
| Gain/loss from acquisitions/divestments of business activities | - | - | - | - |
| Impairments and related costs | -1 | -1 | -4 | -22 |
| **Operating profit, booked** | **75** | **76** | **151** | **89** |
| Maintenance investments and other investments | 4 | 2 | 7 | 13 |
| Investments in new capacity | 36 | 47 | 130 | 142 |
| Investments in shareholdings | - | - | - | - |
| Production, volume sold (TWh) | 0.3 | 0.3 | 0.9 | 0.9 |

### Quarterly financial performance

- → The underlying EBITDA was on par with the same quarter in 2016.
- → The segment had high availability and good fuel mix.

### Quarterly investments

- → The investments were primarily related to the reconstruction of the heating plant at Gardermoen and pipelines in existing activities.

### Financial performance for the year

- → The underlying EBITDA increased primarily due to better district heating price, higher revenues from waste handling and lower operating expenses due to improvement of existing business.

## INDUSTRIAL OWNERSHIP[1)]

| NOK million | Fourth quarter 2017 | Fourth quarter 2016 | The year 2017 | The year 2016 |
|---|---|---|---|---|
| Sales revenues, underlying | 2 578 | 2 192 | 8 095 | 6 741 |
| Share of profit/loss in equity accounted investments | 114 | 85 | 480 | 432 |
| Other operating revenues, underlying | 51 | 64 | 177 | 194 |
| **Gross operating revenues, underlying** | **2 743** | **2 340** | **8 752** | **7 367** |
| **Net operating revenues, underlying** | **1 216** | **944** | **4 101** | **3 364** |
| **EBITDA, underlying** | **749** | **478** | **2 443** | **1 803** |
| **Operating profit, underlying** | **595** | **336** | **1 868** | **1 261** |
| Unrealised value changes from energy derivatives | - | - | - | - |
| Gain/loss from acquisitions/divestments of business activities | - | - | 11 | - |
| Impairments and related costs | - | - | - | -2 |
| **Operating profit, booked** | **595** | **336** | **1 879** | **1 259** |
| Maintenance investments and other investments | 212 | 121 | 566 | 387 |
| Investments in new capacity | 83 | 94 | 320 | 301 |
| Investments in shareholdings | - | - | - | - |
| Production, volume sold (TWh) | 1.7 | 1.3 | 5.4 | 5.5 |

*[1)] 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

- → The shareholders in Fjordkraft have initiated a process aiming for an Initial Public Offering (IPO).
- → Agder Energi decided to invest in the Åseral Nord project in Vest-Agder. The generation is expected to increase by 42 GWh.
- → BKK divested the 300/420 kV powerlines Mongstad-Kollsnes and Fana-Kollsnes to Statnett for NOK 1430 million with effect from January 2018.

### Quarterly financial performance

- → The increase in underlying EBITDA was mainly due to higher revenues from generation and grid activities in Skagerak Energi, in addition to negative unrealised value changes from energy contracts in Skagerak Energi in the fourth quarter in 2016.

### Quarterly investments

- → Investments were mainly related to transmission grid and advanced metering system (AMS) for grid customers in Skagerak.

### Financial performance for the year

- → The increase in underlying EBITDA was mainly related to increased revenues from generation, end-user and grid activities.

# OTHER ACTIVITIES

| NOK million | Fourth quarter 2017 | Fourth quarter 2016 | The year 2017 | The year 2016 |
|---|---|---|---|---|
| Sales revenues, underlying | - | 15 | - | 40 |
| Share of profit/loss in equity accounted investments | -8 | -5 | -23 | -13 |
| Other operating revenues, underlying | 273 | 257 | 987 | 950 |
| **Gross operating revenues, underlying** | **265** | **267** | **964** | **976** |
| **Net operating revenues, underlying** | **265** | **266** | **964** | **975** |
| **EBITDA, underlying** | **-95** | **-166** | **-398** | **-307** |
| **Operating profit, underlying** | **-110** | **-187** | **-464** | **-381** |
| Unrealised value changes from energy derivatives | - | - | - | - |
| Gain/loss from acquisitions/divestments of business activities | - | - | -16 | - |
| Impairments and related costs | - | - | - | - |
| **Operating profit, booked** | **-110** | **-187** | **-480** | **-381** |
| Maintenance investments and other investments | -10 | 4 | 4 | 44 |
| Investments in new capacity | - | -1 | - | - |
| Investments in shareholdings | - | 1 | 19 | 39 |
| Production, volume sold (TWh) | - | - | - | - |

## Quarterly financial performance

→ The increase in underlying EBITDA was mainly related to a provision for refurbishment of dams in Statkraft Tofte recognised in the fourth quarter in 2016.

## Financial performance for the year

→ The underlying EBITDA was lower mainly due to increased salary cost from personnel transferred from other segments in the Group.

# Outlook

Efficient operations and development of Norwegian and Swedish hydropower assets continue to be a key priority. Statkraft's flexible hydropower plants and large reservoir capacity enables Statkraft to optimise the power generation based on the hydrological situation and power prices. Statkraft has a high share of long-term contracts that have a stabilising effect on revenues and net profit. The majority of these long term contracts will expire in 2021 and Statkraft has therefore started to enter into new long-term contracts. Another key priority is to successfully deliver the construction of the Fosen wind project on time and within budget.

Statkraft will continue to develop new business opportunities in Norway such as advanced biofuel and hyperscale data centres. New opportunities in Europe, South-America and India are also being explored and developed within hydro, wind and solar power.

The owner's new long-term dividend expectation and Statkrafts exit from offshore wind power has significantly contributed to improve the investment capacity. Statkraft has a solid foundation for further growth in renewable energy.

Oslo, 14 February 2018
The Board of Directors of Statkraft AS

# Statkraft AS Group Interim Financial Statements

| | Fourth quarter | | The year | |
|---|---|---|---|---|
| NOK million | 2017 | 2016 | 2017 | 2016 |
| **COMPREHENSIVE INCOME** | | | | |
| **PROFIT AND LOSS** | | | | |
| Sales revenues | 18 318 | 16 528 | 62 550 | 49 448 |
| Share of profit/loss in equity accounted investments | 462 | 368 | -73 | 474 |
| Other operating income | 3 327 | 335 | 6 490 | 1 065 |
| **Gross operating revenues and other income** | **22 107** | **17 231** | **68 968** | **50 987** |
| Energy purchase | -10 851 | -9 395 | -37 546 | -29 093 |
| Transmission costs | -402 | -322 | -1 326 | -1 273 |
| **Net operating revenues and other income** | **10 854** | **7 514** | **30 097** | **20 621** |
| Salaries and payroll costs | -1 011 | -993 | -3 707 | -3 648 |
| Depreciation and amortisation | -949 | -795 | -3 662 | -3 452 |
| Impairments | 906 | -134 | -500 | -4 808 |
| Property tax and licence fees | -353 | -438 | -1 341 | -1 733 |
| Other operating expenses | -1 038 | -1 301 | -3 846 | -3 894 |
| **Operating expenses** | **-2 445** | **-3 661** | **-13 056** | **-17 535** |
| **Operating profit/loss** | **8 408** | **3 854** | **17 041** | **3 086** |
| Financial income | 141 | 111 | 456 | 380 |
| Financial expenses | -358 | -258 | -1 449 | -1 411 |
| Net currency effects | -1 468 | -678 | -2 079 | 2 847 |
| Other financial items | 80 | -472 | 1 724 | 321 |
| **Net financial items** | **-1 606** | **-1 297** | **-1 347** | **2 137** |
| **Profit/loss before tax** | **6 803** | **2 556** | **15 693** | **5 223** |
| Tax expense | -1 486 | -1 808 | -3 961 | -5 402 |
| **Net profit/loss** | **5 317** | **748** | **11 732** | **-178** |
| Of which non-controlling interest | 101 | 91 | -94 | -61 |
| Of which owners of the parent | 5 216 | 657 | 11 826 | -117 |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| **Items in other comprehensive income that recycle over profit/loss:** | | | | |
| Changes in fair value of financial instruments | -58 | -110 | -200 | 1 235 |
| Income tax related to changes in fair value of financial instruments | -16 | 11 | 42 | -320 |
| Items recorded in other comprehensive income in equity accounted investments | 10 | 220 | -170 | 445 |
| Recycling of financial instruments related to cash flow hedges and net investment hedges | 0 | - | 1 470 | - |
| Income tax from recycling of financial instruments related to cash flow hedges and net investment hedges | 0 | - | -355 | - |
| Reclassification currency translation effects related to foreign operations disposed of in the year | 17 | 0 | -2 491 | 6 |
| Currency translation effects | 1 484 | 2 086 | 667 | -4 851 |
| **Items in other comprehensive income that will not recycle over profit/loss:** | | | | |
| Estimate deviation pensions | -211 | 253 | -96 | -52 |
| Income tax related to estimate deviation pensions | 89 | -117 | 49 | -17 |
| **Other comprehensive income** | **1 315** | **2 343** | **-1 084** | **-3 555** |
| **Comprehensive income** | **6 632** | **3 091** | **10 648** | **-3 734** |
| Of which non-controlling interest | 131 | 357 | -465 | 217 |
| Of which owners of the parent | 6 524 | 2 734 | 11 113 | -3 951 |

| NOK million | 31.12.2017 | 31.12.2016 |
|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | | |
| **ASSETS** | | |
| Deferred tax assets | 962 | 675 |
| Intangible assets | 3 313 | 3 858 |
| Property, plant and equipment | 103 193 | 103 303 |
| Equity accounted investments | 13 410 | 19 438 |
| Other non-current financial assets | 4 368 | 8 961 |
| Derivatives | 4 023 | 3 047 |
| **Non-current assets** | **129 269** | **139 282** |
| Inventories | 2 871 | 2 653 |
| Receivables | 15 372 | 10 219 |
| Short-term financial investments | 918 | 532 |
| Derivatives | 6 537 | 6 637 |
| Cash and cash equivalents (included restricted cash) | 14 217 | 7 308 |
| **Current assets** | **39 914** | **27 349** |
| **Assets** | **169 183** | **166 630** |
| **EQUITY AND LIABILITIES** | | |
| Paid-in capital | 59 219 | 58 411 |
| Retained earnings | 28 966 | 17 360 |
| Non-controlling interest | 3 591 | 7 747 |
| **Equity** | **91 776** | **83 519** |
| Deferred tax | 9 814 | 9 446 |
| Pension liability | 2 539 | 2 247 |
| Provisions allocated to capital employed | 2 799 | 3 423 |
| Other provisions | 598 | 4 079 |
| Long-term interest-bearing liabilities | 36 285 | 31 886 |
| Derivatives | 1 101 | 1 805 |
| **Long-term liabilities** | **53 136** | **52 885** |
| Short-term interest-bearing liabilities | 3 694 | 8 407 |
| Taxes payable | 4 010 | 4 764 |
| Interest-free liabilities allocated to capital employed | 9 086 | 10 531 |
| Other interest-free liabilities | 593 | 1 387 |
| Derivatives | 6 888 | 5 137 |
| **Current liabilities** | **24 271** | **30 226** |
| **Equity and liabilities** | **169 183** | **166 630** |

| NOK million | Paid-in capital | Other reserves | Other equity | Accumulated translation differences | Retained earnings | Total majority | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **STATEMENT OF CHANGES IN EQUITY** | | | | | | | | |
| **Balance as of 01.01.2016** | **57 111** | -2 993 | 14 622 | 11 158 | **22 787** | 79 898 | 8 443 | 88 340 |
| Net profit/loss | - | - | -117 | - | **-117** | -117 | -62 | -179 |
| **Items in other comprehensive income that recycles over profit/loss:** | | | | | | | | |
| Changes in fair value of financial instruments | - | 1 198 | - | - | **1 198** | 1 198 | 37 | 1 235 |
| Income tax related to changes in fair value of financial instruments | - | -309 | - | - | **-309** | -309 | -11 | -320 |
| Items recorded in other comprehensive income in equity accounted investments | - | 445 | - | - | **445** | 445 | - | 445 |
| Reclassification currency translation effects related to foreign operations disposed of in the year | - | - | - | 6 | **6** | 6 | - | 6 |
| Currency translation effects | - | - | - | -5 101 | **-5 101** | -5 101 | 250 | -4 851 |
| **Items in OCI that will not recycle over profit/loss:** | | | | | | | | |
| Estimate deviation pensions | - | - | -59 | - | **-59** | -59 | 7 | -52 |
| Income tax related to estimate deviation pensions | - | - | -13 | - | **-13** | -13 | -4 | -17 |
| **Total comprehensive income for the period** | - | 1 333 | -189 | -5 095 | **-3 951** | -3 951 | 217 | -3 734 |
| Dividend and Group contribution | - | - | -1 604 | - | **-1 604** | -1 604 | -226 | -1 830 |
| Changes in provision in connection with equity instruments over non-controlling interests | - | - | 245 | - | **245** | 245 | - | 245 |
| Transactions with non-controlling interests | - | - | -138 | - | **-138** | -138 | 138 | - |
| Reclassification of loan to non-controlling interests [1)] | - | - | - | - | **-** | - | -825 | -825 |
| Capital increase in joint ventures from other shareholders | - | - | 20 | - | **20** | 20 | - | 20 |
| Capital increase | **1 300** | - | - | - | **-** | 1 300 | - | 1 300 |
| **Balance as of 31.12.2016** | **58 411** | -1 660 | 12 957 | 6 063 | **17 360** | 75 771 | 7 747 | 83 519 |
| Net profit/loss | - | - | 11 826 | - | **11 826** | 11 826 | -94 | 11 732 |
| **Items in OCI that recycle over profit/loss:** | | | | | | | | |
| Changes in fair value of financial instruments | - | -201 | - | - | **-201** | -201 | 1 | -200 |
| Income tax related to changes in fair value of financial instruments | - | 42 | - | - | **42** | 42 | - | 42 |
| Items recorded in other comprehensive income in equity accounted investments | - | -170 | - | - | **-170** | -170 | - | -170 |
| Recycling of financial instruments related to cash flow hedges and net investment hedges | - | 1 470 | - | - | **1 470** | 1 470 | - | 1 470 |
| Income tax from recycling of financial instruments related to cash flow hedges and net investment hedges | - | -355 | - | - | **-355** | -355 | - | -355 |
| Reclassification currency translation effects related to foreign operations disposed of in the year | - | - | - | -2 491 | **-2 491** | -2 491 | - | -2 491 |
| Currency translation effects | - | - | - | 1 063 | **1 063** | 1 063 | -396 | 667 |
| **Items in OCI that will not recycle over profit/loss:** | | | | | | | | |
| Estimate deviation pensions | - | - | -133 | - | **-133** | -133 | 37 | -96 |
| Income tax related to estimate deviation pensions | - | - | 61 | - | **61** | 61 | -12 | 49 |
| **Total comprehensive income for the period** | - | 786 | 11 755 | -1 428 | **11 113** | 11 113 | -465 | 10 648 |
| Dividend and Group contribution | **-1 332** | - | -3 018 | - | **-3 018** | -4 350 | -1 036 | -5 386 |
| Change in option recognised in equity | - | - | 890 | - | **890** | 890 | - | 890 |
| Business combinations/divestments | - | - | - | - | **-** | - | -36 | -36 |
| Transaction with non-controlling interests | - | - | 2 620 | - | **2 620** | 2 620 | -2 620 | - |
| Capital increase | **2 140** | - | - | - | **-** | 2 140 | - | 2 140 |
| **Balance as of 31.12.2017** | **59 219** | -874 | 25 204 | 4 635 | **28 966** | 88 185 | 3 591 | 91 776 |

[1)] *Statkraft reassessed its arrangements with one non-controlling shareholder and 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 | | Fourth quarter 2017 | Fourth quarter 2016 | The year 2017 | The year 2016 |
|---|---|---|---|---|---|
| **STATEMENT OF CASH FLOW** | | | | | |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | | | |
| Profit before tax | | 6 802 | 2 556 | 15 693 | 5 223 |
| Profit/loss on disposal of non-current assets | | 31 | 2 | 186 | -15 |
| Depreciation, amortisation and impairments | | 43 | 929 | 4 162 | 8 260 |
| Profit/loss from the sale of business | | -3 | - | -330 | - |
| Profit/loss from the sale of shares and equity accounted investments | | -3 046 | -4 | -5 151 | -8 |
| Share of profit/loss in equity accounted investments | | -462 | -368 | 73 | -474 |
| Realised currency effect from internal loans [1)] | | -96 | 100 | -1 144 | -1 216 |
| Unrealised changes in value | | 1 622 | 1 196 | 1 169 | 300 |
| Changes in long term items | | -150 | -144 | -148 | -368 |
| Changes in short term items | | -3 391 | -578 | -1 810 | -1 312 |
| Dividend from equity accounted investments | | - | 1 | 558 | 545 |
| Taxes | | -1 937 | -73 | -4 843 | -2 564 |
| **Cash flow from operating activities** | **A** | **-586** | **3 617** | **8 415** | **8 371** |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | | | |
| Investments in property, plant and equipment and intangible assets [2)] | | -1 043 | -1 042 | -3 610 | -5 331 |
| Proceeds from sale of non-current assets | | 4 | 25 | 88 | 31 |
| Reclassifiaction of joint arrangement | | - | - | - | -404 |
| Business divestments net liquidity inflow to the Group [3)] | | 5 226 | - | 7 309 | 25 |
| Business combinations and asset purchase, net liquidity outflow from the Group | | - | - | - | -59 |
| Loans to third parties | | -498 | -172 | -1 616 | -1 526 |
| Repayment of loans from third parties | | 1 928 | 138 | 2 248 | 593 |
| Considerations regarding investments in other companies | | -68 | -48 | -110 | -148 |
| **Cash flow from investing activities** | **B** | **5 549** | **-1 102** | **4 309** | **-6 817** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | | | |
| New debt | | 701 | 1623 | 5 250 | 4642 |
| Repayment of debt | | -1 374 | -5467 | -7 941 | -7632 |
| Dividend paid to Statkraft SF | | - | - | -2 052 | - |
| Dividend and capital decrease in subsidiary related to non-controlling interests | | -107 | -120 | -1 037 | -226 |
| **Cash flow from financing activities** | **C** | **-780** | **-3 964** | **-5 780** | **-3 217** |
| **Net change in cash and cash equivalents** | **A+B+C** | **4 184** | **-1 448** | **6 945** | **-1 663** |
| Currency exchange rate effects on cash and cash equivalents | | 43 | 79 | -36 | -85 |
| Cash and cash equivalents 01.10/01.01 | | 9 991 | 8 678 | 7 308 | 9 056 |
| Cash and cash equivalents 31.12 [4)] | | 14 217 | 7 308 | 14 217 | 7 308 |
| Unused commited credit lines | | | | 10 083 | 11 016 |
| Unused overdraft facilities | | | | 2 041 | 2 015 |
| Restricted cash | | | | 70 | 58 |

[1)] *Includes reclassification of currency translation differences of NOK 2003 million related to transfer of loan portfolio. See note 9 for further details.*
[2)] *Investments in property, plant and equipment and intangible assets in the cash flow year to date are NOK 175 million lower than investments shown in the segment reporting. This is due to capitalised borrowing costs of NOK 76, capitalised decommissioning liabilities of NOK 33 million and timing differences between capitalisation and payment date of NOK 66 million.*
[3)] *Statkraft received both cash and the 18.1% shareholding in Statkraft IH Invest AS for the sale of SN Power. The amount in the cash flow statement is the net cash effect. See note 12 for more information.*
[4)] *Included in cash and cash equivalents are NOK 129 million related to joint operations.*

| NOK million | Statkraft AS Group | European flexible generation | Market operations | International power | Wind power | District heating | Industrial ownership | Other activities | Group items |
|---|---|---|---|---|---|---|---|---|---|
| **SEGMENTS** | | | | | | | | | |
| **4th quarter 2017** | | | | | | | | | |
| Operating revenue external, underlying | 17 980 | 4 728 | 9 576 | 685 | 55 | 260 | 2 612 | 30 | 34 |
| Operating revenue internal, underlying | - | 77 | 26 | 28 | 203 | 1 | 17 | 243 | -595 |
| Share of profit/loss from associates and joint ventures | 462 | - | 2 | 198 | 156 | - | 114 | -8 | - |
| **Gross operating revenues, underlying** | 18 442 | **4 805** | **9 604** | **911** | **414** | **261** | **2 743** | **265** | **-561** |
| **Net operating revenues, underlying** | 7 188 | **4 019** | **654** | **752** | **402** | **187** | **1 216** | **265** | **-307** |
| **Operating profit/loss, underlying** | 3 837 | **2 378** | **393** | **289** | **188** | **76** | **595** | **-110** | 28 |
| Unrealised value change energy derivatives | 602 | 665 | -63 | - | - | - | - | - | - |
| Gain/loss from acquisition/divestments of business activities | 3 063 | - | - | - | 3 063 | - | - | - | - |
| Impairments and related costs | 906 | 914 | - | -7 | - | -1 | - | - | - |
| **Operating profit/loss** | 8 408 | **3 957** | **330** | **281** | **3 251** | **75** | **595** | **-110** | **29** |
| **The year 2017** | | | | | | | | | |
| Operating revenue external, underlying | 62 241 | 16 824 | 33 720 | 2 522 | 55 | 788 | 8 219 | 134 | -21 |
| Operating revenue internal, underlying | - | 260 | 5 | 108 | 706 | 1 | 53 | 853 | -1 986 |
| Share of profit/loss in equity accounted investments | -73 | - | 2 | -744 | 213 | - | 480 | -23 | -1 |
| **Gross operating revenues, underlying** | 62 168 | **17 084** | **33 727** | **1 886** | **974** | **789** | **8 752** | **964** | **-2 008** |
| **Net operating revenues, underlying** | 23 296 | **14 508** | **1 985** | **1 400** | **929** | **580** | **4 101** | **964** | **-1 171** |
| **Operating profit/loss, underlying** | 10 770 | **8 447** | **1 059** | **-350** | **81** | **155** | **1 868** | **-464** | **-26** |
| Unrealised value change energy derivatives | 1 289 | 1 173 | 116 | - | - | - | - | - | - |
| Gain/loss from acquisition/divestments of business activities | 5 481 | - | - | 2 167 | 3 319 | - | 11 | -16 | - |
| Impairments and related costs | -500 | 1 084 | - | -1 392 | -187 | -4 | - | - | -1 |
| **Operating profit/loss** | 17 041 | **10 704** | **1 175** | **425** | **3 213** | **151** | **1 879** | **-480** | **-26** |
| **Balance sheet 31.12.2017** | | | | | | | | | |
| Equity accounted investments | 13 410 | - | 86 | 1 821 | 1 771 | - | 9 715 | 14 | 3 |
| Other assets | 155 774 | 58 533 | 289 | 25 287 | 6 394 | 3 510 | 15 734 | 16 227 | 29 800 |
| **Total assets** | 169 184 | **58 533** | **375** | **27 108** | **8 165** | **3 510** | **25 449** | **16 241** | **29 803** |
| Depreciations, amortisation and impairments | -4 162 | -620 | -12 | -2 160 | -553 | -175 | -575 | -66 | -1 |
| Maintenance investments and other investments | 1 820 | 1 053 | 5 | 173 | 12 | 7 | 566 | 4 | - |
| Investments in new generating capacity | 1 964 | 117 | 103 | 794 | 500 | 130 | 320 | - | - |
| Investments in other companies | 111 | - | 91 | - | - | - | - | 19 | 1 |
| **4th quarter 2016** | | | | | | | | | |
| Operating revenue external, underlying | 16 646 | 5 007 | 8 455 | 607 | 48 | 253 | 2 237 | 54 | -15 |
| Operating revenue internal, underlying | - | 70 | -18 | 30 | 242 | 1 | 18 | 218 | -561 |
| Share of profit/loss from associates and joint ventures | 368 | - | -1 | 192 | 98 | - | 85 | -5 | -1 |
| **Gross operating revenues, underlying** | 17 014 | **5 077** | **8 436** | **829** | **388** | **254** | **2 340** | **267** | **-577** |
| **Net operating revenues, underlying** | 7 297 | **4 613** | **499** | **740** | **375** | **190** | **944** | **266** | **-330** |
| **Operating profit/loss, underlying** | 3 771 | **2 802** | **339** | **267** | **160** | **76** | **336** | **-187** | -22 |
| Unrealised value change energy derivatives | 220 | 342 | -121 | - | - | - | - | - | -1 |
| Gain/loss from acquisition/divestments of business activities | -4 | - | - | - | -4 | - | - | - | - |
| Impairments and related costs | -134 | - | - | -133 | - | -1 | - | - | - |
| **Operating profit/loss** | 3 854 | **3 144** | **217** | **134** | **156** | **76** | **336** | **-187** | **-22** |
| **The year 2016** | | | | | | | | | |
| Operating revenue external, underlying | 51 767 | 15 545 | 25 953 | 2 429 | 78 | 765 | 6 877 | 165 | -45 |
| Operating revenue internal, underlying | - | 234 | -108 | 114 | 667 | 2 | 58 | 824 | -1 791 |
| Share of profit/loss in equity accounted investments | 474 | - | -2 | 16 | 41 | - | 432 | -13 | - |
| **Gross operating revenues, underlying** | 52 241 | **15 779** | **25 843** | **2 559** | **786** | **767** | **7 367** | **976** | -1 836 |
| **Net operating revenues, underlying** | 21 875 | **14 187** | **980** | **2 234** | **743** | **552** | **3 364** | **975** | -1 160 |
| **Operating profit/loss, underlying** | 9 148 | **7 701** | **142** | **557** | **-191** | **111** | **1 261** | **-381** | -52 |
| Unrealised value change energy derivatives | -1 270 | -370 | -900 | - | - | - | - | - | - |
| Gain/loss from acquisition/divestments of business activities | 16 | - | - | - | 16 | - | - | - | - |
| Impairments and related costs | -4 808 | -2 802 | - | -1 377 | -606 | -22 | -2 | - | 1 |
| **Operating profit/loss** | 3 086 | **4 529** | **-758** | **-819** | **-781** | **89** | **1 259** | **-381** | -52 |
| **Balance sheet 31.12.2016** | | | | | | | | | |
| Equity accounted investments | 19 438 | - | 55 | 5 860 | 3 522 | - | 9 979 | 18 | 4 |
| Other assets | 147 189 | 57 240 | 124 | 27 896 | 9 138 | 3 521 | 15 381 | 24 042 | 9 846 |
| **Total assets** | 166 627 | **57 240** | **179** | **33 756** | **12 660** | **3 521** | **25 360** | **24 060** | **9 850** |
| Depreciations, amortisation and impairments | -8 260 | -4 554 | -14 | -1 910 | -973 | -190 | -544 | -74 | -1 |
| Maintenance investments and other investments | 1 763 | 1 154 | 2 | 162 | - | 13 | 387 | 44 | 1 |
| Investments in new generating capacity | 3 736 | 582 | 4 | 1 250 | 1 457 | 142 | 301 | - | - |
| Investments in other companies | 158 | - | 56 | 30 | 32 | - | - | 39 | 1 |

# Selected notes to the accounts

## 1. FRAMEWORK AND MATERIAL ACCOUNTING POLICIES

The consolidated financial statements for the fourth quarter of 2017, closed on 31 December 2017, 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 2016. 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.

In 2017, there have been changes in presentation of the Statement of Financial Position. It shows a more detailed specification as a result of changes in the definition of capital employed. The new presentation leads to a more transparent reconciliation between the Statement of Financial Position and capital employed. The comparative figures are restated. See Alternative Performance Measures for more details.

## 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 2016.

In preparing the consolidated financial statements for the fourth 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 2016.

## 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.

The segment International hydropower changed name to International power in 2017.

## 5. UNREALISED EFFECTS PRESENTED IN THE INCOME STATEMENT

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

| | Fourth quarter 2017 | | | The year 2017 | | |
|---|---|---|---|---|---|---|
| NOK million | Unrealised | Realised | Total | Unrealised | Realised | Total |
| **UNREALISED EFFECTS REPORTED IN P&L** | | | | | | |
| Generation | 517 | 6 169 | **6 686** | 1 023 | 21 033 | **22 056** |
| Sales and trading | -522 | 817 | **295** | -2 015 | 5 471 | **3 456** |
| Customers | -61 | 10 746 | **10 685** | 144 | 34 603 | **34 747** |
| Other | - | 651 | **651** | - | 2 291 | **2 291** |
| **Total sales revenues** | **-66** | **18 383** | **18 318** | **-848** | **63 398** | **62 550** |
| Generation | - | -517 | **-517** | - | -1 408 | **-1 408** |
| Sales and trading | -304 | -46 | **-351** | 472 | -3 276 | **-2 804** |
| Customers | 20 | -9 802 | **-9 782** | -1 | -32 567 | **-32 568** |
| Other | - | -201 | **-201** | - | -766 | **-766** |
| **Total energy purchase** | **-285** | **-10 566** | **-10 851** | **471** | **-38 016** | **-37 546** |
| Net currency effects | -1 303 | -165 | **-1 468** | -109 | -1 970 | **-2 079** |
| Other financial items | 32 | 47 | **80** | -681 | 2 406 | **1 724** |
| **Total financial items** | **-1 270** | | | **-791** | | |
| **Total unrealised effects** | **-1 621** | | | **-1 168** | | |

| | Fourth quarter 2016 | | | The year 2016 | | |
|---|---|---|---|---|---|---|
| NOK million | Unrealised | Realised | Total | Unrealised | Realised | Total |
| **UNREALISED EFFECTS REPORTED IN P&L** | | | | | | |
| Generation | 311 | 6 084 | 6 395 | -426 | 19 402 | 18 976 |
| Sales and trading | -86 | 1 606 | 1 520 | -493 | 4 128 | 3 634 |
| Customers | -251 | 8 314 | 8 063 | -849 | 25 762 | 24 913 |
| Other | - | 549 | 549 | - | 1 925 | 1 925 |
| **Total sales revenues** | **-26** | **16 553** | **16 528** | **-1 768** | **51 216** | **49 448** |
| Generation | - | -95 | -95 | - | -368 | -368 |
| Sales and trading | -3 | -1 321 | -1 324 | 338 | -3 586 | -3 249 |
| Customers | 37 | -7 816 | -7 779 | 66 | -24 963 | -24 897 |
| Other | - | -198 | -198 | - | -579 | -579 |
| **Total energy purchase** | **34** | **-9 429** | **-9 395** | **404** | **-29 497** | **-29 093** |
| Net currency effects | -934 | 256 | -678 | 557 | 2 290 | 2 847 |
| Other financial items | -270 | -201 | -472 | 507 | -186 | 321 |
| **Total financial items** | **-1 205** | | | **1 064** | | |
| **Total unrealised effects** | **-1 196** | | | **-300** | | |

# 6. NORWEGIAN HYDROPOWER AND RELATED BUSINESS

This note discloses selected financial figures from Norwegian hydropower and related business. Please see note 4 in the annual report of 2016 for further information.

| NOK million | Statkraft AS Group | "Norwegian hydropower" from: Statkraft Energi AS | Skagerak Kraft Group | Sum "Norwegian hydropower, excluding related business" | Associated regional companies | Sum "Norwegian hydropower and related business" |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| Share of profit/loss in equity accounted investments | -73 | - | - | - | 477 [1] | 477 |
| Gross operating revenues | 68 968 | 15 666 | 1 651 | 17 303 | 477 | 17 780 |
| Net operating revenues | 30 097 | 12 943 | 1 571 | 14 514 | 477 | 14 991 |
| Operating profit/loss | 17 041 | 9 303 | 955 | 10 258 | 477 | 10 735 |
| Net financial items | -1 347 | -136 | -83 | -218 | | -218 |
| Tax expense | -3 961 | -4 687 | -522 | -5 210 | | -5 210 |
| Profit/loss after tax | 11 732 | 4 480 | 350 | 4 830 | 477 | 5 307 |
| Profit/loss after tax (majority share) | 11 826 | 4 480 | 232 | 4 711 | 477 | 5 188 |
| Paid dividend and group contribution to Statkraft | | 3 758 [2] | 76 [3] | 3 834 | 528 [3] | 4 362 |
| **Balance sheet 31.12.17** | | | | | | |
| Equity accounted investments | 13 410 | - | 1 | 1 | 9 559 [1] | 9 561 |
| Other assets | 155 774 | 37 930 | 5 356 | 43 287 | | 43 287 |
| Total assets | 169 184 | 37 930 | 5 358 | 43 288 | 9 559 | 52 847 |
| EBITDA | 21 203 | 10 066 | 1 146 | 11 212 | 477 | 11 688 |
| Depreciation, amortisation and impairment | -4 162 | -763 | -191 | -954 | | -954 |
| Maintenance investments and other investments | 1 820 | 950 | 95 | 1 046 | | 1 046 |
| Investments in new production capacity | 1 964 | 22 | 4 | 26 | | 26 |
| Investments in shares | 111 | - | - | - | | - |

[1] Statkrafts share.
[2] Dividend and group contribution after tax paid from Statkraft Energi AS.
[3] Dividend paid to Statkraft.

| NOK million | Statkraft AS Group | "Norwegian hydropower" from: Statkraft Energi AS | Skagerak Kraft Group | Sum "Norwegian hydropower, excluding related business" | Associated regional companies | Sum "Norwegian hydropower and related business" |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| Share of profit/loss in equity accounted investments | 474 | - | 1 | 1 | 434 [1] | 435 |
| Gross operating revenues | 50 987 | 14 186 | 1 239 | 15 411 | 434 | 15 846 |
| Net operating revenues | 20 621 | 11 774 | 1 146 | 12 924 | 434 | 13 358 |
| Operating profit/loss | 3 086 | 6 985 | 527 | 7 513 | 434 | 7 947 |
| Net financial items | 2 138 | -239 | -88 | -327 | | -327 |
| Tax expense | -5 402 | -4 177 | -355 | -4 531 | | -4 531 |
| Profit/loss after tax | -178 | 2 570 | 85 | 2 655 | 434 | 3 090 |
| Profit/loss after tax (majority share) | -117 | 2 570 | 57 | 2 627 | 434 | 3 062 |
| Paid dividend and group contribution to Statkraft | | 5 038 [2] | 59 [3] | 5 097 | 525 [3] | 5 622 |
| **Balance sheet 31.12.16** | | | | | | |
| Equity accounted investments | 19 438 | - | 23 | 23 | 9 890 [1] | 9 913 |
| Other assets | 147 192 | 38 000 | 5 431 | 43 431 | | 43 431 |
| Total assets | 166 630 | 38 000 | 5 454 | 43 454 | 9 890 | 53 344 |
| EBITDA | 11 346 | 8 529 | 716 | 9 245 | 434 | 9 679 |
| Depreciation, amortisation and impairment | -8 260 | -1 544 | -188 | -1 732 | | -1 732 |
| Maintenance investments and other investments | 1 763 | 1 070 | 103 | 1 173 | | 1 173 |
| Investments in new production capacity | 3 736 | 452 | 1 | 453 | | 453 |
| Investments in shares | 158 | - | - | - | | - |

[1] Statkrafts share.
[2] Dividend and group contribution after tax paid from Statkraft Energi AS.
[3] Dividend paid to Statkraft.

## 7. INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

| NOK million | 31.12.2017 | 31.12.2016 |
|---|---|---|
| **INTANGIBLE ASSETS** | | |
| **Balance as of 01.01.** | 3 858 | 4 524 |
| Additions | 65 | 92 |
| Reclassifications | 25 | -452 |
| Disposals | -3 | -175 |
| Currency translation effects | -168 | 311 |
| Amortisation | -157 | -180 |
| Impairment | -307 | -262 |
| **Balance as of end of period** | 3 313 | 3 858 |
| **PROPERTY, PLANT AND EQUIPMENT** | **31.12.2017** | **31.12.2016** |
| **Balance as of 01.01.** | 103 303 | 111 207 |
| Additions | 3 643 | 5 489 |
| Reclassifications | -25 | 24 |
| Disposals | -577 | -2 629 |
| Capitalised borrowing costs | 76 | 139 |
| Currency translation effects | 470 | -3 109 |
| Depreciation | -3 505 | -3 411 |
| Impairment | -193 | -4 407 |
| **Balance as of end of period** | 103 193 | 103 303 |

Accounting policies, judgement and assumptions for impairment are described in note 14 in the annual report 2016.

Impairments in equity accounted investments are presented as a part of share of profit/loss in equity accounted investments in the comprehensive income statement. However, these impairments are described in this note.

Chile: An impairment loss of NOK 2354 million was recognised on hydropower plants. NOK 1219 million was related to consolidated business and NOK 1135 million was related to equity accounted investments. The impairments are a result of lower expected long-term prices. In addition, a shareholder loan to an equity accounted investment was impaired with NOK 117 million presented as financial expense in the comprehensive income statement. All impairment losses in Chile were recognised in the third quarter.

Germany: A reversal of impairments of NOK 914 million was recognised on gas-fired power plants in the fourth quarter. The reversal is a result of increased need for flexibility in the German market and improved outlook for future gas to power margin. In addition, an impairment loss of NOK 197 million was recognised in the third quarter on a pump-storage hydropower plant.

Norway: A verdict in the Supreme Court states that Statkraft is not the taxable owner of Sønnå Høy power plant. A reversal of impairment loss of NOK 386 million was recognised in the third quarter due to the verdict and, in addition, the market developement. See note 13 in quarterly and half year report Q2/2017 for more information.

Brazil, Peru and India: An impairment loss of NOK 219 million was recognised on hydropower plants and wind farms. NOK 167 million was related to consolidated business and NOK 52 million was related to equity accounted investments. The impairments are mainly a result of lower expected long-term prices. All impairments were recognised in the third quarter.

Other: An impairment loss of NOK 217 million was recognised on other projects. This was mainly related to wind power in the Nordics.

## 8. CURRENCY EFFECTS ON INTERNAL LOANS

Net currency effects on internal loans for the year amounted to NOK -281 million, of which NOK 579 million was unrealised and NOK -860 million was realised. The negative effects were mainly due to NOK weakning against EUR and GBP.

## 9. HEDGE ACCOUNTING

Statkraft has used hedge accounting in 2017 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 for parts of the net investments in Statkraft Treasury Centre SA 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 loss of NOK 263 million in 2017 was recognised in other comprehensive income instead of in the income statement.

On April 24, the major business activities in Statkraft Treasury Centre SA were transferred to Statkraft AS. The net investment hedge was discontinued on this date. As a result of the transfer of the loan portfolio, cumulative currency translation effects (NOK 2003 million) and effects from the net investment hedge (NOK -1484 million) were reclassified from other comprehensive income to profit and loss.

## 10. BRAZIL

On 13 July 2015, Statkraft acquired controlling interest in the Brazilian company Desenvix Energias Renováveis S.A. which subsequently changed name to Statkraft Energias Renováveis (SKER). 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. Based on the investigation, the company has contacted Brazilian authorities. It is at this stage not possible to predict if the outcome could have potential negative financial effects.

The Brazilian Federal Prosecutor has been investigating potential crimes committed by representatives of the four main pension funds in Brazil and representatives of companes in which the pension funds invested, as well as any other individual who may have been involved in the alleged scheme, related to historical investments made by the pension funds, including FUNCEF, which invested in Desenvix (now SKER) in 2009 and 2010, and now owns 18.7% of SKER. The Prosecutor has concluded the investigation in relation to FUNCEF and filed the criminal lawsuit against the individuals, including the shareholders of Jackson and former officers of FUNCEF. In August, the Federal Judge in charge of the criminal investigation issued a resolution stating that no information had been found relating SKER with the alleged illicit activities and therefore decided to release guarantees and other precautionary measures imposed on SKER. Additionally, a civil lawsuit has been filed against the pension funds and companies and individuals related to the pension fund's investments, including SKER. SKER has recently also received a request for information from the Securities and Exchange Commission of Brazil (CVM) related to these historical investments. It is at this stage not possible to predict if the outcome of the case could have potential negative effects on SKER.

## 11. DRAFT DECISION RELATED TO PREVIOUS YEARS TAX

On 9 October, Statkraft AS received a draft decision of a tax reassessment from the Norwegian tax authorities. The reassessment regards the income tax returns for the fiscal years 2008-2014 related to the investment in the Statkraft Treasury Centre SA (STC) in Belgium. The main issue relates to STC's capital structure and its compliance with the arm's length principle.

Statkraft strongly disagrees that there is a legal basis for any reassessment, and has made no provisions related to this case.

If all arguments from the Norwegian tax authorities would prevail, the financial exposure for the period 2008-2017 is estimated to NOK 4 billion as additional payable tax and interest expenses.

On 24 April, the major business activities in STC were transferred to Statkraft AS. All business activities in STC have been closed down.

## 12. TRANSACTIONS

On 23 March, Statkraft divested its shares in the joint operation Forewind Ltd. which includes the Dogger Bank offshore wind project in the UK. This resulted in a gain of NOK 256 million recognised as other operating revenue.

On 11 July, Statkraft divested its shares in Cetin hydropower project in Turkey. This resulted in a gain of NOK 76 million, mainly related to currency, recognised as other operating revenues in the third quarter. As part of the sales agreement, there is a contingent earn-out. The earn-out will be recognised when payments are received.

On 25 September, an agreement was entered into between Statkraft and Norfund where Statkraft acquired the remaining 18.1% share in SKIHI and disposed the 50% share in SN Power. In addition, Statkraft received a cash payment of NOK 1717 million. A gain of NOK 2091 million, which includes a deferred gain from an earlier restructuring and currency effects, was recognised as other operating revenues in the third quarter.

On 10 October, Statkraft divested its 50% share in the joint venture Triton Knoll Offshore Wind Farms Ltd. to innogy Renewables UK Ltd. The transaction included a loan of NOK 331 million from Statkraft UK provided to the joint venture. Total cash inflow from the transaction was NOK 765 million. The transaction resulted in a gain of NOK 426 million recognised as other operating revenues in the fourth quarter.

On 14 December, Statkraft signed an agreement to divest its 40% share in the joint venture Scira Offshore Energy Ltd. which includes the Sheringham Shoal offshore wind project in the UK. The transaction was closed later in December and included a loan of NOK 1403 million from Statkraft AS provided to the joint venture. Total cash inflow from the transaction was NOK 6192 million. The transaction resulted in a gain of NOK 2634 million from sale of shares recognised as other operating revenues and a gain of NOK 43 million from settlement of loans recognised as financial items in the fourth quarter.

On 29 December, Statkraft divested its shares in the subsidiary Vindpark EM AB and the windfarm Tollarpabjär in the southern part of Sweden. This resulted in a gain of NOK 3 million recognised as other operating revenues.

Statkraft has signed an agreement to sell its 30% share in the joint venture Dudgeon Offshore Wind Ltd. to a consortium led by China Resources Company Limited. The agreed purchase price for the shares is GBP 555 million. The transaction is expected to be closed in the first quarter of 2018.

## 13. SUBSEQUENT EVENTS

No subsequent events in the fourth quarter.

## 14. IFRS STANDARDS ISSUED BUT NOT YET EFFECTIVE

The IASB has issued three new standards that are particularly relevant for Statkraft: IFRS 16 Leases, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

The nature of the impending change from each new standard is discussed below.

**IFRS 9 Financial Instruments** Issued by the IASB in 2014. IFRS 9 applies to financial instruments and has replaced IAS 39. The standard is effective from 1 January 2018.

Statkraft has finalised its analysis on the effects of the new standard and has concluded that it will not have significant impact on its financial instruments. There was no need for restating comparative figures or adjusting the opening balances from implementing IFRS 9.

The categories of financial assets have changed. The categories relevant for Statkraft are:

- Amortised cost
- Fair value through profit/loss
- Fair value through other comprehensive income

The new categories have no impact on measurement of financial assets. This has only an impact on the classification of financial instruments in the disclosures.

Shares previously classified as “available for sale” were measured at fair value through other comprehensive income under IAS 39. In IFRS 9 there is an option to choose whether changes in fair value shall be recognised in profit/loss or in other comprehensive income. Statkraft will continue to recognise changes in fair value through other comprehensive for its existing shares. For future investments this will be assessed share by share.

The new standard opens for more possibilities on applying hedge accounting. However, Statkraft has no changes from applying IFRS 9.

There will be a change going from an incurred loss model to an expected loss model. Credit losses on receivables will be recognised at an earlier point in time under IFRS 9. The impact was not significant for Statkraft.

**IFRS 15 Revenue from Contracts with Customers** was issued by the IASB in 2014. IFRS 15 applies to contracts with customers, and must be applied for fiscal years beginning on 1 January 2018. The main principle under IFRS 15 is to recognise revenue at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. To achieve this, IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. The new revenue standard will supersede all current revenue recognition requirements under IFRS, including IAS 18.

Statkrafts main activity is generation of power and such sale is within the scope of the new standard. When assessing sale of power from generation on exchanges, e.g. Nord Pool, we have not identified impact from implementing IFRS 15 with respect to recognition, measurements and presentation.

Statkraft has identified contracts which are significantly impacted by the implementation of IFRS 15 with respect of:

- Presentation of gross operating revenues from sale to customers (Impacts the segments Market Operations and Industrial Ownership)
- Recognition of monetary contributions from customers related to infrastructure (Impacts the segments District Heating and Industrial Ownership)

Presentation of certain contracts in Market Operations and Industrial Ownership:

IFRS 15 focuses on performance obligations and control whereas IAS 18 focuses on risk and reward. IFRS 15 also provides new guidance to assess the entities’ role as an agent or principal. During our assessment, we have identified contracts which will lead to significant reduction in gross operating revenues from customers and a reduction in energy purchase. Such change has no impact on net operating revenues.

Market Operation has entered into contracts with external generators of renewable energy. For some of these contracts, Statkraft pays the producers compensation based on both spot price and a market premium. The market premium is associated with an incentive scheme to increase production of renewable energy in Germany. Statkraft subsequently collects the market premium from the grid companies. Under IAS 18, Statkraft has included the market premium component as revenue and energy purchase, i.e. gross presentation. Under IFRS 15 we have determined that the market premium component of the contracts does not meet the requirements described in Step 1 and 2 in the “Five-step model” as we have not identified a performance obligation. Hence the market premium does not represent gross operating revenue for Statkraft. For 2017 the market premium recognised as part of gross operating revenues amounts to NOK 7 807 million. When preparing the financial statements for 2018, the comparative figures for 2017 will be restated.

Industrial Ownership has a subsidiary in Norway which has entered into agreements to arrange for both purchase of production from producers of renewable energy and for delivery of energy to the producers' own end-user customers. Under IFRS 15, we have determined that Statkraft is an agent and that these contracts should be presented net in the income statements. For 2017 gross operating revenues related to these arrangements amount to approximately NOK 990 million. When preparing the financial statements for 2018, the comparative figures for 2017 will be restated.

Recognition monetary contributions from customers related to infrastructure
The Group receives monetary contributions from customers in different jurisdiction in aid of construction of infrastructure connecting the customer to the grid for electricity or to district heating. As IFRS 15 replaces IAS 18 and IFRIC 18, we have assessed whether such customer contributions should be accounted for as a reduction in the cost of the asset or if the contribution should be accounted for as revenue, either on the day it is received, or over time.

Our preliminary assessment is that Statkraft owns the infrastructure and that the total cost should be recognized as an asset in line with IAS 16. Further, our preliminary assessment is that the contribution from the customer does not constitute a separate performance obligation. Rather, we have tentatively concluded that the contributions to infrastructure asset represent payments which are to be evaluated together with pricing of future deliveries by Statkraft to the customer and should be recognized as revenue over time. Under this presumption, our preliminary estimate, which is based on a recognition over estimated lifetime of the relationship with the customer, indicates a decrease in equity of approximately NOK 80 million and increase in assets of approximately NOK 10 million. The estimate only reflects consolidated subsidiaries as information from associates is not yet available. Note, however, that several issues regarding the accounting for contributions from customers are still being debated in industry, including the assessment of performance obligations and the pattern of revenue recognition. Hence, our tentative conclusion is subject to uncertainty and might have to be changed depending on the outcome of those discussions.

Implementation method IFRS 15
Statkraft will adopt IFRS 15 in 2018 using the full retrospective method. This imply that the 2017 financial statements will be restated to become comparable with the 2018 financial statement presentation.

**IFRS 16 Leases** The IASB issued IFRS 16 in 2016. IFRS 16 replaces IAS 17 and its interpretations, including IFRIC 4. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. Statkraft will continue analysing the effects on the Group's financial statements from IFRS 16 in 2018.

# Alternative Performance Measures

As defined in ESMAs 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 amended the definition of its underlying operating profit/loss with effect from the first quarter in 2017. The main update relates to the item “Unrealised value changes from energy derivatives”. From 2017, the only unrealised items that will be adjusted for are “Embedded derivatives in energy contracts” and “Derivatives acquired for risk reduction purposes” where the related items are carried at cost. In addition, the underlying operating profit will be adjusted for “Impairment loss and reversals of impairment loss” and “Gain/loss from acquisition/divestment of business activities”. The main reason for amending the definition is to report figures more in line with how management follow up the business activities. The unrealised items that are adjusted for are described more in detail on the next page.

From 2017, Statkraft has also amended the definition of capital employed. In the new definition, deferred tax assets and liabilities, pension liabilities, and liabilities related to equity instruments are no longer defined as capital employed. Further, there are some other minor items that are either allocated or deallocated to capital employed. The main reason for amending the definition of capital employed is to ensure more consistency of the elements in the calculation of Return on Average Capital Employed (ROACE). Comparable figures are restated.

From 2018, Statkraft will integrate underlying EBIT into the Group’s statement of comprehensive income. Furthermore, Statkrafts share of profit and loss in equity accounted investments will from 2018 be recognised below the operating profit/loss on a separate financial statement line item in the statement of comprehensive income.

Statkraft uses the following APMs:

**EBITDA** is defined as operating profit/loss before depreciation and amortisation. The APM is used to measure performance from operational activities. EBITDA should not be considered as an alternative to operating profit/loss and profit/loss before tax as an indicator of the company’s operations in accordance with generally accepted accounting principles. Nor is EBITDA an alternative to cash flow from operating activities in accordance with generally accepted accounting principles.

**EBIT** is defined as operating profit/loss. The APM is used to measure performance from operational activities.

**Items excluded from underlying operating profit/loss:**
Statkraft adjusts for the following three items when reporting underlying operating profit/loss:

1. **Unrealised value changes from energy derivatives**
   - → **Embedded derivatives** are excluded from underlying operating profit/loss since they only represent part of an energy contract and the other parts of these energy contracts are not reported based on fair market values.
   - → **Derivatives acquired for risk reduction purposes** are excluded. This is done to ensure that these hedges are reported consistently with the positions that are being hedged.

2. **Impairments and related costs** are excluded from underlying operating profit/loss 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.

3. **Gain/loss from acquisitions/divestments of business activities** is eliminated from the measure since the gain or loss does not give an indication of future performance or periodic performance from operating activities. Such a gain or loss is related to the cumulative value creation from the time the asset is acquired until it is sold.

Equity accounted investments are not adjusted for any of the three items described above.

**ROACE** is defined as underlying EBIT, excluding share of profit/loss in equity accounted investments, divided by capital employed. ROACE is calculated on a rolling 12 month average and is used to measure return from the Group’s operational activities as well as benchmarking performance.

**Capital employed** is the capital allocated to perform operational activities and is presented in a table on the next page.

**Net interest bearing debt** is used to measure indebtedness. The components are presented in a table on the next page.

**Net cash income** is defined as cash flow from operating activities excluding taxes paid and cash effects from equity accounted investments. This is used to measure cash flow from operations from consolidated business in the Group.

**Net interest bearing debt-equity ratio** is calculated as net interest bearing debt relative to equity.

**EBITDA margin, underlying (%)** is calculated as underlying EBITDA relative to underlying gross operating revenues.

**Production cost, hydropower generation (Øre/kWh)** is an APM that is used to measure the production cost per kWh for hydropower assets in the segment European flexible generation. The APM is calculated only for consolidated hydropower assets in the Nordics, Germany and the UK. Total production cost is divided by seven year average output from power plants under own management in the segment. The production cost does not include sales cost, net financial items or tax related to the assets. Nor is cost related to other technologies in segment European flexible generation or equity accounted investments included in the APM.

| | Fourth quarter | | Year to date | |
|---|---|---|---|---|
| NOK million | 2017 | 2016 | 31.12.2017 | 31.12.2016 |
| **ALTERNATIVE PERFORMANCE MEASURES** | | | | |
| **RECONCILIATION OF BOOKED GROSS OPERATING REVENUES TO UNDERLYING** | | | | |
| **Gross operating revenues, booked** | 22 107 | 17 231 | 68 968 | 50 987 |
| - Unrealised value changes from energy derivatives | 602 | 220 | 1 289 | -1 270 |
| - Gain from acquistions/divestments of business activities | 3 063 | -4 | 5 511 | 16 |
| **Gross operating revenues, underlying** | 18 442 | **17 014** | 62 168 | **52 241** |
| **RECONCILIATION OF BOOKED NET OPERATING REVENUES TO UNDERLYING** | | | | |
| **Net operating revenues, booked** | 10 854 | 7 514 | 30 097 | 20 621 |
| - Unrealised value changes from energy derivatives | 602 | 220 | 1 289 | -1 270 |
| - Gain from acquistions/divestments of business activities | 3 063 | -4 | 5 511 | 16 |
| **Net operating revenues, underlying** | 7 188 | **7 297** | 23 296 | **21 875** |
| **RECONCILIATION OF OPERATING PROFIT/LOSS TO EBITDA** | | | | |
| **Operating profit/loss (EBIT), booked** | 8 408 | **3 854** | 17 041 | **3 086** |
| Items excluded from underlying operating profit/loss [1)] | 4 571 | 83 | 6 270 | -6 062 |
| **Operating profit/loss (EBIT), underlying** | 3 837 | **3 771** | 10 770 | **9 148** |
| Depreciation and amortisation, underlying | 949 | 900 | 3 662 | 3 557 |
| **EBITDA, underlying** | 4 786 | **4 671** | 14 432 | **12 705** |
| **EBITDA-margin (%)** | 26.0 | 27.5 | 23.2 | 24.3 |
| **RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES TO NET CASH INCOME** | | | | |
| Cash flow from operating activities | -586 | 3 617 | 8 415 | 8 371 |
| - Taxes paid | -1 937 | -73 | -4 843 | -2 564 |
| - Dividend from equity accounted investments | - | 1 | 558 | 545 |
| **Net cash income** | 1 351 | **3 689** | 12 700 | **10 390** |
| **FINANCIAL STATEMENT LINE ITEMS INCLUDED IN CAPITAL EMPLOYED** | | | | |
| Intangible assets | | | 3 313 | 3 858 |
| Property, plant and equipment | | | 103 193 | 103 303 |
| Other non-current financial assets | | | 4 368 | 8 961 |
| *- Loans to equity accounted investments* [2)] | | | -2 223 | -6 740 |
| *- Bonds and other long-term investments* [2)] | | | -299 | -79 |
| *- Pension assets* [2)] | | | -480 | -300 |
| *- Other shares and shareholdings* [2)] | | | -299 | -338 |
| Inventories | | | 2 871 | 2 653 |
| Receivables | | | 15 372 | 10 219 |
| *- Receivables related to cash collateral* [3)] | | | -1 931 | -1 313 |
| *- Short-term loans to equity accounted investments* [3)] | | | -3 959 | -381 |
| *- Other receivables not part of capital employed* [3)] | | | -15 | 5 |
| Provisions allocated to capital employed | | | -2 799 | -3 423 |
| Taxes payable | | | -4 010 | -4 764 |
| Interest-free liabilities allocated to capital employed | | | -9 086 | -10 532 |
| **Capital employed** | | | 104 017 | **101 130** |
| **Average capital employed** [4)] | | | 102 791 | **104 153** |
| **RECONCILIATION OF TOTAL ASSETS TO CAPITAL EMPLOYED** | | | | |
| **Capital employed** | | | 104 017 | **101 130** |
| Deferred tax assets | | | 962 | 675 |
| Equity accounted investments | | | 13 410 | 19 438 |
| Other non-current financial assets [2)] | | | 3 301 | 7 456 |
| Derivatives, long term | | | 4 023 | 3 047 |
| Receivables [3)] | | | 5 905 | 1 689 |
| Short term financial investments | | | 918 | 532 |
| Derivatives, short term | | | 6 537 | 6 637 |
| Cash and cash equivalents (including restricted cash) | | | 14 217 | 7 308 |
| Liabilities allocated to capital employed, see table above | | | 15 894 | 18 718 |
| **Total assets as of the statement of financial position** | | | 169 183 | **166 630** |

| | | |
|---|---|---|
| **RETURN ON AVERAGE CAPITAL EMPLOYED (ROACE)** | | |
| Underlying EBIT, 12 month rolling | 10 843 | 8 673 |
| Average capital employed | 102 791 | 104 153 |
| **ROACE** | 10.5 % | **8.3 %** |

| | | |
|---|---|---|
| **NET INTEREST BEARING DEBT** | | |
| Long-term interest bearing liabilities | 36 285 | 31 886 |
| Short-term interest bearing liabilities | 3 694 | 8 407 |
| Cash and cash equivalents (including restricted cash) | -14 217 | -7 308 |
| Short-term financial investments | -918 | -532 |
| **Net interest bearing debt** | 24 844 | **32 453** |

| | | |
|---|---|---|
| **NET INTEREST BEARING DEBT-EQUITY RATIO** | | |
| Net interest bearing debt | 24 844 | 32 453 |
| Total equity | 91 776 | 83 519 |
| **Net interest bearing debt - equity ratio** | 21.3 % | **28.0 %** |

| | | |
|---|---|---|
| **PRODUCTION COST, HYDROPOWER GENERATION IN SEGMENT EUROPEAN FLEXIBLE GENERATION (EF)** | | |
| Net operating revenues, underlying | 14 508 | 14 187 |
| - operating profit, underlying | 8 447 | 7 701 |
| Operating expenses, underlying | 6 062 | 6 486 |
| - items in EF not related to hydropower generation [5] | 1 476 | 2 071 |
| = Production cost hydropower generation | 4 586 | 4 415 |
| 7 year average generation (GWh) | 48 407 | 48 457 |
| **= Production cost, hydropower generation in EF (Øre/kWh)** | 9.5 | **9.1** |

[1] *See page 7 for further details on the items.*
[2] *The item is a part of other non-current financial assets in the statement of financial position, but not a part of capital employed.*
[3] *The item is a part of receivables in the statement of financial position, but not a part of capital employed.*
[4] *Average capital employed is based on the average for the last four quarters.*
[5] *Includes cost related to other technologies, sales cost and other cost not directly related to hydropower generation.*

Interim Report
Q4/2017
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