Statkraft AS
Annual Report 2017

CONTENT

Dörverden hydropower plant, Germany

Powering a green future

Rooted in Norwegian nature and founded on clean hydropower, Statkraft now spans three continents and focuses on three core energy sources. We generate power from the forces of nature; water, wind and the sun.

Global market operations make up an important part of our value creation and innovation.

Highlights of 2017: Official openings of Ringedalen hydropower plant in Norway and Andershaw wind farm in UK. The annual Statkraft conference and the international Exchange conference gathered Norwegian and international executives. Statkraft and Norfund agreed to swap shares in the jointly owned international hydropower assets. Continuous dialogue with stakeholders was upheld, like in Turkey where downstream impacts were discussed with local farmers. A new outlet from Nedre Røssåga hydropower plant has given new life to areas that have been dry for 60 years. Statkraft and Södra decided to build a demonstration plant for advanced biofuel, through their joint venture Silva Green Fuel.

Letter from the CEO

Another year with record high global growth within renewable energy has passed. Global climate challenges have forced technological, economic and political changes that together contribute to this growth and create great business opportunities.

Founded on Norwegian nature and clean hydropower, Statkraft is well positioned to take part in this development and to significantly contribute to the realisation of the climate related UN Sustainable Development Goals. A profitable and eventful 2017 gave further contributions to a solid foundation for growth.

2017 was characterised by significant management and employee engagement and proactive attitude towards health and safety. Our commitment towards caring for people, which is at the core of Statkraft's culture, has been reinforced. The operational performance was good in 2017, but we had too low availability for some of the power plants.

In 2016 we introduced a performance improvement programme to reduce costs and improve efficiency. The programme has realised substantial cost savings in 2017 and I am confident that we will reach the target of NOK 800 million in reduced annual costs. The success of the programme is based on high involvement of employees.

In the Nordics, we are reinvesting in our hydropower assets to safeguard the value and flexibility of these plants. At the same time, Statkraft eyes new business opportunities like advanced biofuel, hyperscale data centres and charging infrastructure for electrical vehicles.

Another key priority for us is to successfully deliver the construction of the Fosen project, Europe's largest onshore wind project to date, in a socially responsible manner and on time and budget.

In line with our strategy, we are about to complete the exit from offshore wind through the divestment of the wind farms Sheringham Shoal and Dudgeon and the two projects Dogger Bank and Triton Knoll. These transactions significantly improve our investment capacity.

After 15 years of cooperation, Statkraft and Norfund have agreed to proceed separately. For Statkraft, this means further development of generation assets in South America and South Asia within hydro, wind and solar power, well adapted to local market conditions and supported by own market operations.

Statkraft's owner issued a new long-term dividend expectation which entails that Statkraft will pay a dividend of 85 per cent of realised profit from Norwegian hydropower activities and 25 per cent of realised profit from other business activities. This change is positive for the strategic development of Statkraft and will improve the predictability and investment capacity in the years to come.

Based on these developments, Statkraft has started a process to revise our strategy and investment plans. Our commitment to act in a sustainable, ethical and socially responsible manner will continue to be a foundation for our strategy. In the years to come, I expect Statkraft to play an even stronger role in the transition to a low-carbon future and increased electrification of societies based on green, smart and profitable energy solutions.

Christian Rynning-Tønnesen

Christian Rynning-Tønnesen
President and CEO

Statkraft in facts and figures

Statkraft in facts and figures shows that the Group delivered strong results from operations. Statkraft's power generation was back to a more normal level after record high generation in 2016. Higher Nordic power prices and contribution from market activities were the main drivers behind the increase in both the underlying EBITDA and the ROACE.

Significant gains from transactions further contributed to a solid profit before tax for the year. In accordance with the strategy, the project activity level has been scaled down in recent years and this was reflected in the level of investments for the year.

Statkraft had no fatal accidents or serious environmental incidents in 2017, but there was a slight increase in the TRI-rate.

Power generation (TWh)

62.6
2017

66.0
2016

Statkraft's production is determined by production capacity, demand, access to resources (hydrological balance and wind), spark spread (margin between power and gas price) and energy management. In 2017 the Group's power production was at a normal level and totalled 62.6 TWh, plus 1.1 TWh of district heating.

Serious environmental incidents

0
2017

0
2016

There were no serious environmental incidents in the Group in 2017. However, 187 minor environmental incidents were registered (233 for 2016). Most of the minor environmental incidents in 2017 were related to minor breaches of emission regulations for biomass plants and minor oil spills to water and ground with little or no impact on the environment.

Injuries (per million hours worked)

5.2
2017

4.9
2016

In 2017 there were no fatal accidents in relation to work for Statkraft. 48 serious incidents (incidents with, or with the potential for, serious consequences) were registered (1 and 40 for 2016, respectively). The indicator for total recordable injuries (TRI) per million hours worked was 5.2 in 2017, an increase of 6% compared to 2016.

ROACE, underlying (per cent)

10.5 ↑ 8.3

2017 2016

The Group had a return on average capital employed (ROACE) of 10.5% in 2017, 2.2 percentage points higher than in 2016. The improvement was primarily related to higher operating profit, mainly due to higher Nordic power prices and increased contribution from market activities.

EBITDA, underlying (NOK billion)

14.4 ↑ 12.7

2017 2016

EBITDA (operating profit before interest, tax, depreciation and amortisation) was NOK 14.4 billion in 2017, an increase of NOK 1.7 billion compared to 2016. The increase in EBITDA from 2016 was primarily related to higher Nordic power prices and higher contribution from market activities.

Capital employed (NOK billion)

104.0 ↑ 101.1

2017 2016

Capital employed was NOK 104.0 billion in 2017, an increase of NOK 2.9 billion compared to 2016.

Profit/loss before tax (NOK billion)

15.7 ↑ 5.2

2017 2016

The Group's financial result was NOK 15.7 billion in 2017, an increase of NOK 10.5 billion compared to 2016. Gains from divestmens and positive unrealised value changes from energy derivatives were the main drivers of the increase.

Investments (NOK billion)

3.9 ↓ 5.7

2017 2016

In total, the Group invested NOK 3.9 billion in 2017. Approximately half of the total investments were made in new generating capacity, predominantly related to the Fosen onshore wind farms in Norway and the Devoll hydropower plants in Albania. Maintenance investments were primarily made in connection with hydropower in the Nordic region.

Cash flow from operations (NOK billion)

8.4 ↑ 8.4

2017 2016

Higher taxes paid in 2017 offset the increase in underlying EBITDA. Thus, cash flow from operations was NOK 44 million higher than in 2016.

Net interest bearing debt (NOK billion)

24.8 ↓ 32.5

2017 2016

Net interest bearing debt totalled NOK 24.8 billion at the end of the year compared to NOK 32.5 billion at the beginning of the year.

Power plants and district heating plants

POWER GENERATION	Pro-rata[1] No. of plants	Pro-rata[1] Capacity (MW)	Consolidated power plants No. of plants	Consolidated power plants Capacity (MW)
Hydropower	**331**	**15 656**	**261**	**14 099**
Norway	231	12 899	170	11 612
Sweden	59	1 267	59	1 267
Germany	10	262	10	262
UK	3	49	3	49
Albania	1	72	1	72
Turkey	2	122	2	122
Brazil	10	159	5	155
Peru	9	442	9	442
Chile	3	213	1	57
Nepal	1	34	1	60
India	2	136	-	-
Wind power	**15**	**991**	**12**	**947**
Norway	3	245	3	245
Sweden	4	546	4	546
Brazil	4	98	4	120
UK	4	103	1	36
Gas power	**5**	**2 390**	**5**	**2 390**
Germany	5	2 390	5	2 390
Bio power	**2**	**43**	**2**	**43**
Germany	2	43	2	43
Total power generation	**353**	**19 080**	**280**	**17 478**

DISTRICT HEATING	No. of locations	Capacity (MW)	No. of locations	Capacity (MW)
Norway	13	625	13	671
Sweden	4	164	4	164
Total district heating	**17**	**789**	**17**	**835**

[1] Statkraft equity share in all power plants (pro-rata share of direct and indirect ownership), including those in partly-owned companies

Statkraft around the world

TOTAL NUMBER OF POWER PLANTS/ FACILITIES

Power generation 353

District heating 17

STATKRAFT'S CAPACITY

Power generation 19 080 MW

District heating 789 MW

SYMBOLS:

= Hydropower

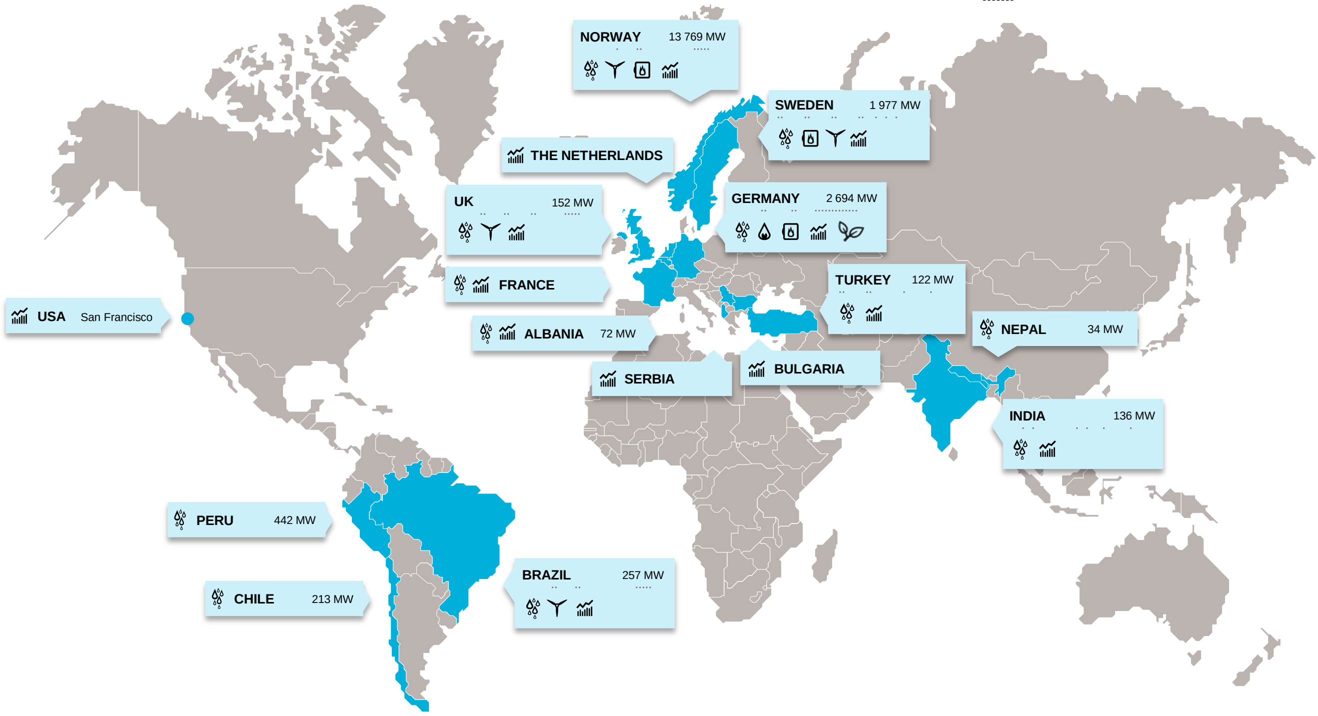
= Wind power

= Gas power

= Bio power

= District heating

=Trading and origination



Statkraft can trace its origins back to 1895, and has developed from a national company, focused on developing Norwegian hydropower resources, into an international company diversifying also into other sources of renewable energy. Today, with a total consolidated power generation of 63 TWh in 2017, Statkraft is the second largest power generator in the Nordics and Europe's largest supplier of renewable energy.

The Group's 353 power plants have a total installed capacity of 19 080 MW (Statkraft's share). Hydropower is still the dominant technology, followed by natural gas and wind power. Most of the installed capacity is in Norway. Statkraft also owns shares in 17 district heating facilities in Norway and Sweden with a total installed capacity of 789 MW.

The overview of consolidated plants shows the capacity of the plants that Statkraft fully consolidates in its financial reporting according to IFRS. The difference between consolidated capacity and direct ownership (the pro-rata columns in the table) is mainly due to Statkraft's investments in the companies BKK and Agder Energi, all classified as equity accounted investments according to IFRS.

The Board of Directors of Statkraft

From the left: Vilde Eriksen Bjerknes, Halvor Stenstadvold, Ingelise Arntsen, Asbjørn Sevlejordet, Thorhild Widvey, Peter Mellbye, Bengt Ekenstierna, Hilde Drønen and Thorbjørn Holøs

Thorhild Widvey
Born 1956, Norwegian

Member since: 2016, chair of the board
Member of the Compensation Committee
Current board positions: Board member: Kværner, Pacific Lutheran University in Tacoma.
Main work experience: Minister of Culture. Minister of Petroleum and Energy.
The Ministry of Foreign Affairs: State Secretary.
The Minister of Fisheries: State Secretary.

Halvor Stenstadvold
Born 1944, Norwegian

Member since: 2003, vice chair of the board
Chair of the Audit Committee
Main work experience: Orkla: EVP. Oslo Stock Exchange, Borregaard, Orkla Media, The Research Council of Norway: chair. The Ministry of Government Administration and Consumer Affairs: State secretary.

Hilde Drønen
Born 1961, Norwegian

Member since: 2014, board member
Member of the Audit Committee
Current board positions: Board member: DOF Subsea and various subsidiaries in the DOF ASA Group.
Main work experience: DOF ASA: CFO (present).
Bergen Yards AS (today Bergen Group ASA): CFO.
Møgster Group: various positions.

Peter Mellbye
Born 1949, Norwegian

Member since: 2016, board member
Member of the Compensation Committee
Current board positions: Chair: Wellesley petroleum, Otovo. Board member: TechnipFMC, Qinterra, Competentia, Halfwave, Resoptima.
Main work experience: Statoil: EVP. Norwegian Export Council, Norwegian Ministry of Trade and Commerce: various positions.

Bengt Ekenstierna
Born 1953, Swedish

Member since: 2016, board member
Current board positions: Chair: Wrams Gunnarstorp Castle. Board member: Adamsson Kommunikation.
Main work experience: Beken: Senior advisor (present). Several CEO positions within E.ON Group; E.ON ES, E.ON Gas, Sydkraft Bredband and Baltic Cable. Sydkraft Elnät: COO.

Ingelise Arntsen
Born 1966, Danish

Member since: 2017, board member
Member of the Audit Committee
Current board positions: Board member: Export Credit Norway, Nammo. Chair of the nomination committee of Innovation Norway.
Main work experience: Aibel: EVP. Sway Turbine: CEO. Statkraft: EVP. Arthur Andersen Business Consulting/ Bearing Point: Director: Sogn og Fjordane Energiverk: CEO. Kværner Fjellstrand: CFO and various positions.

Vilde Eriksen Bjerknes
Born 1975, Norwegian

Member since: 2014, employee-elected board member
Employee in Statkraft since: 2001
Current work position: Statkraft: Vendor Manager IT.

Thorbjørn Holøs
Born 1957, Norwegian

Member since: 2002, employee-elected board member
Member of the Audit Committee
Employee since: 1976, Skagerak Energi
Current board positions: Chair: EL og IT Forbundet Vestfold/Telemark. Vice chair: LO/Grenland
Current work position: Skagerak Energi: Head union representative.

Asbjørn Sevlejordet
Born 1960, Norwegian

Member since: 2014, employee-elected board member
Member of the Compensation Committee
Employee in Statkraft since: 1978
Current work position: Statkraft: Head union representative, Mechanical maintenance worker.

Report from the Board of Directors

Statkraft had a solid underlying EBITDA of NOK 14.4 billion in 2017, an increase of 14% from 2016. The increase was driven by higher Nordic power prices and contribution from market activities. The power generation returned to a more normal level from the record high level seen in the preceding year. 2017 was positively influenced by significant gains from transactions, and profit before tax ended at NOK 15.7 billion and a net profit of NOK 11.7 billion was recognised.

Key points

- Higher Nordic power prices and contribution from market activities drives underlying performance
- Significant gains from divestments boosts net profit
- New dividend expectation and exit from offshore wind improve investment capacity

Health, safety and environment

To act in a sustainable, ethical and socially responsible manner is a foundation for Statkraft's strategy and the company works continuously towards the goal of zero injuries and avoiding environmental incidents.

Statkraft works systematically to avoid injuries and damage in all activities. All serious incidents are subject to investigation and results from these are used to facilitate and transfer learning across the organisation. In 2017 there were no fatal accidents in relation to work for Statkraft.

The Group experienced no serious environmental incidents in 2017.

Values

The values shall govern Statkraft's actions as a business and provide guidance for the employee conduct:

- Competent. Use knowledge and experience to achieve ambitious goals and to be recognised as a leader.
- Responsible. Create value, whilst showing respect for employees, customers, the environment and society.
- Innovative. Creative thinking, identify opportunities and develop effective solutions.

These core values apply to all employees and others who represent Statkraft.

Strategy

Statkraft has its headquarters in Oslo, Norway, and has grown from being a supplier of energy to Norwegian industry and general consumption to become Europe's largest generator of renewable energy, with a presence in several international markets. Statkraft has established hydropower generation positions in Europe, South America and India/Nepal, wind power generation in the Nordic market, the UK and Brazil, and gas power in Germany. Statkraft aims to expand the portfolio to include more wind and solar power, as well as hydropower. Statkraft has a strong position within market operations in Europe, and has also trading activities in Brazil and India. Statkraft is an important partner for the Norwegian power-intensive industry and a significant player within district heating.

Foundation for profitable growth

Falling technology costs and an increasing deployment of solar and wind power with very low marginal costs have had a large impact in many energy markets. Most markets are characterised by an increasingly competitive environment where new players and new business models are entering the sector. In order to adapt to new market conditions and provide a basis for further growth, a main focus for Statkraft is to consolidate activities in order to improve performance and competitive strength. A performance improvement programme is currently being undertaken to strengthen competitiveness. A key objective is to improve performance and reduce controllable costs by 15% by the end of 2018, compared with the actual cost levels in 2015. Substantial cost reductions have already been achieved, providing confidence that the target of NOK 800 million will be reached.

Statkraft is close to completing the exit from offshore wind. The offshore wind activities have been profitable, but further development would have required a larger financial capacity than Statkraft currently has. The exit will allow for stronger focus on other renewable energy sources in the future.

During the last 15 years, Statkraft and Norfund have developed hydropower in emerging markets through the joint venture SN Power. SN Power is currently focusing on selected Southeast Asian markets, Africa and Panama. In 2017, this cooperation was concluded through an asset swap whereby Statkraft acquired Norfund's minority position in Statkraft's activities in South America and India/Nepal, whilst Norfund acquired Statkraft's 50% share in SN Power. The transaction provides Statkraft with a stronger geographical focus on selected regions and is part of the strategy to build industrial scale in international operations.

Changing markets

The global demand for electricity is increasing, primarily driven by economic growth in emerging markets. Traditionally, fossil fuels have dominated the electricity sector in most countries. However, the share of renewables is growing, and more than half of the new generation capacity is expected to be based on renewable technologies in the coming decade. A key driver for the growth in renewable technologies is reduced costs for solar and wind power, which make these technologies increasingly competitive compared with conventional ones.

In 2015, the process towards a global response to climate change took a major step forward with the Paris Agreement, which introduced voluntary greenhouse gas emission obligations for nearly all countries, including emerging economies. Whilst the current US administration has announced its intention to step out of the agreement, the commitment is strong in all other parts of the world. The EU is planning to strengthen the European emission trading system, and China is gradually taking a leading role on the international scene. Meeting the Paris obligations will require a higher use of renewable energy, so whilst only a few countries dominated the renewables scene up to a few years ago, renewable solutions are now a major part of investments and energy policy in all markets.

The competition in the power sector is increasing. Competitive auctions are more frequently used to contract new capacity, and the modular nature of solar energy is increasingly paving the way for distributed power generation. Around 50% of the global solar capacity added over the next five years is expected to be distributed. In addition, low cost IT systems have accelerated the pace of innovation related to consumer-centric business models, and more specialised players have emerged within the distributed energy value chain. This is challenging the business model of traditional utilities, which need to increase cost efficiency and adapt to the new market conditions in order to remain competitive.

Statkraft's competitive position

Unique hydropower assets

Statkraft's power plants have low variable costs and long lifespans. The average production cost for the European hydropower assets is well below the cost of other conventional technologies. These plants are highly flexible and have a total hydro reservoir capacity of about 40 TWh, equating to 23% of the total European reservoir capacity. Based on solid market knowledge and integrated business processes, the power plants enable Statkraft to optimise power generation in relation to short, medium and long-term price fluctuations in the power market.

Statkraft is a major hydropower generator and has expertise in key technical disciplines, especially within operation and maintenance. The Group is a large buyer of electro-mechanical hydropower equipment, providing opportunities for economies of scale. Statkraft has considerable upgrading activities, in which the company has broad experience and comprehensive expertise.

Strong wind power position

Statkraft is the largest owner and operator of wind power generation facilities in the Nordic region and has substantial experience within development, construction and operation of wind power plants. Statkraft also has wind power assets in the UK and in Brazil.

Integrated business model and market expertise

Statkraft has extensive experience from deregulated European power markets and has developed leading expertise within market analysis, production optimisation of flexible power plants and energy trading. Statkraft has a comprehensive system for collection and processing of hydrological and other market data in the European power market. Efficient data collection, models, systems and processes to prepare forecasts and utilise market variations provide important competitive advantages. Statkraft has an integrated business model whereby market analyses form the basis for maintenance planning, power optimisation and market operations, both in the short and the long term. The purpose of this is to utilise Statkraft's market expertise in combination with the flexibility of the power plants to maximise generation when power prices are high.

Statkraft's market presence in Continental Europe and the UK provides market information and insight which is important also in order to understand power prices in the Nordics, as the markets are becoming increasingly connected. The international position is therefore important in order to optimise Norwegian and Swedish hydropower plants.

Statkraft has developed a market-oriented organisation with broad experience from deregulated markets. Within market operations, Statkraft has demonstrated that the company is able to adapt to changes in market conditions. Statkraft has established a significant position within market access services for wind and solar generators and is currently a leading player within this field in Germany, the UK and the Nordic market.

Attractive positions in growth markets

Statkraft has succeeded in establishing positions in several markets with high power consumption growth, and where renewable energy is expected to cover a major part of this growth.

Strategic focus areas

Statkraft's ambition is to strengthen its position as a leading international supplier of renewable energy. The strategy for each strategic focus area is outlined below.

European flexible generation

European flexible generation consists of the majority of the Group's hydropower business in the Nordic region, continental Europe and the UK, as well as gas fired power plants in Germany. Statkraft will operate, maintain and develop its existing hydropower portfolio to maximise the long-term value of the assets. A considerable share of the Nordic hydropower plants are ageing, and large reinvestments are planned to safeguard the quality and value of these plants.

Market operations

The European power market is undergoing major changes and new specialised companies are entering other parts of the value chain with new value propositions to the customer. In the future, Statkraft expects to see changes in the value chain with increasing requirements to remain competitive. Statkraft does not have large end-customer activities, but in the UK and Germany Statkraft is testing business models within electricity retail and distributed energy. Statkraft intend to increase the company's energy trading activities and explore new business opportunities in a changing European market. Statkraft also aims to develop market operations in selected international markets where it owns assets.

International power

Statkraft has restructured the Group's international power activities and established integrated operations for the activities in Southeast Europe, South America and India/Nepal. The objective of this is to exploit the Group's competitive advantage in operations, maintenance, power optimisation and energy trading. Statkraft will focus on profitable growth and achieving scale in selected markets which will enable effective deployment of Statkraft's core capabilities. Investments in hydropower, onshore wind and solar power will be evaluated.

Wind power

Statkraft has an attractive position within onshore wind power in the Nordics and in the UK. A key priority is to successfully deliver the construction of the Fosen project, Europe's largest onshore wind project to date, on time and within budget. The focus going forward is to ensure excellence in operations and maintenance of wind farms.

District heating

Statkraft delivers more than 1 TWh per year from 13 locations in Norway and four in Sweden. Statkraft will continue to develop the profitability of the existing portfolio and expand deliveries from existing plants in Norway and Sweden.

New business development in Norway
Statkraft is exploring commercial opportunities arising from the energy transition to reduce greenhouse gas emissions in Norway. The transport sector emissions will need to be reduced significantly. Two of Statkraft's initiatives are focused on this area. Statkraft and Agder Energi hold a majority ownership share in the fast charger operator Grønn Kontakt. In a partnership between Statkraft and Södra, Silva Green Fuel is developing a demonstration plant for industrial scale production of second generation biofuels. Initially, the plant will use feedstock from the forestry industry, but all biodegradable material may potentially be used. Statkraft is also facilitating establishment of hyperscale data centres in Norway.

In addition to these focus areas, Statkraft is also an active owner of regional energy companies in Norway and will support development of sustainable energy solutions and value creating restructuring processes.

Power markets and generation

Most of Statkraft's power generation is in the Nordic region where 88% of the generation took place in 2017. In addition, the Group has consolidated generation[1] in Germany, the UK, Turkey, Albania, Brazil, Peru, Chile and Nepal. Statkraft is also involved through associated companies and joint ventures in several of these countries.

All these markets are influenced by global trends such as fuel prices, climate policies and climate change, lower costs for solar and wind power and increasing potential for distributed energy.

The European power market

Power markets in Europe are influenced by stagnating demand and subsidy schemes. This has triggered considerable new renewable capacity in markets where the demand has stagnated.

The average system price on Nord Pool for the year was 29.4 EUR/MWh, 9% higher than in 2016 and close to the average price for 2012-2016. Whereas the price of fuel and continental power prices lifted the ***Nordic*** prices, the effect was partly offset by inflow approximately 7% above normal and a strengthened hydro balance, especially towards the end of the year. Due to low temperatures during the spring and delayed snow melting, the prices were relatively high during parts of April and May. Prices fell towards the second half of the second quarter, due to a combination of high inflow and wind power generation. During the second half of the third quarter, the system price had a significant increase as Swedish nuclear power generation was low, at around 50% of installed capacity at its lowest. While there were some spikes in the fourth quarter, due to a combination of low wind power generation and low temperatures, the overall price was relatively low as a result of a strong hydrological balance.

German power prices increased in 2017, mainly driven by higher fuel prices. Particularly January saw strong power prices as low wind and cold weather coincided with reduced nuclear power generation. For the year as a whole, power prices increased less than the marginal cost for coal and gas plants. This was mainly due to a substantial increase in German wind power generation compared with 2016. The average spot price (base) for 2017 was 34.2 EUR/MWh, 18% higher than in 2016, and almost on par with the average in 2012-2016.

The power prices in ***the UK*** increased in 2017 compared with 2016 due to higher fuel prices. The power prices increased less than the fuel prices. This was mainly due to a strong growth in renewables production in 2017. The average spot price (base) for 2017 was 51.7 GBP/MWh, 5% higher than in 2016 but 5% lower than the average in 2012-2016. The pound sterling continued to weaken against the euro and was on average 7% weaker compared with 2016.

Power consumption in the Nordic region is relatively high per capita compared with other European countries. This is due to a combination of cold winters, high share of electrical heating and a relatively large percentage of power intensive industry. The demand for power in 2017 was slightly higher than in 2016, both in Norway and the Nordic region. Total generation was 148 TWh in Norway, on par with 2016. The total generation in the Nordic region was up 2% to 398 TWh. Norway had a net export of power corresponding to about 10% of generation, while the Nordic region overall had a net export of about 3%.

Other power markets

The generation mix of the ***Turkish*** power system remains dominated by gas and coal producers. The power price for base-load was 164 TRY/MWh in 2017, which was an increase of 15% compared with previous year. However, because of continuing depreciation of the Turkish lira against the euro, the base-load price decreased from 42 EUR/MWh in 2016 to 39.9 EUR/MWh in 2017.

The ***Albanian*** power generation remains fully based on hydropower. The hydrological year in the country and region was very dry. Albanian power balance was dependent on the import of electricity, which for some period exceeded 75% of the local power demand. Hence, the electricity was traded with a significant premium against the markets in central Europe, resulting in price levels of 55-60 EUR/MWh. The expected launch of the Albanian power market in 2017 was postponed by the government to the end of 2018.

In ***Brazil***, a dry hydrological situation led to significantly higher spot prices, averaging 323 BRL/MWh in 2017 (101 USD/MWh). This was more than treble the average price in 2016 (94 BRL/MWh, 27 USD/MWh). Statkraft assets were negatively affected by the weak hydrology, with below average generation resulting in a need to purchase power to meet contractual obligations on long-term PPAs.

The spot prices in ***Peru*** continued at low levels due to overcapacity and limited demand growth. The average price in 2017 of approximately 9.7 USD/MWh was more than 10 USD/MWh lower than in 2016, by far the lowest on record. The production from Statkraft's assets was, however, hedged at higher prices. Economic and electricity demand growth expectations remain conservative as a consequence of a slowdown in the mining sector.

[1] Consolidated generation: The generation from investments which Statkraft fully consolidates in the financial statements.

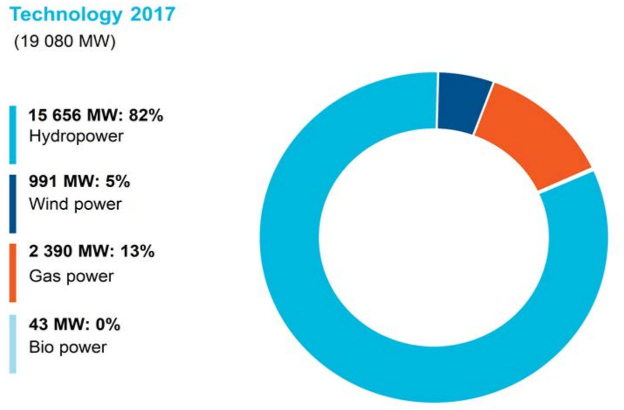
The dry hydrological situation in ***Chile*** improved somewhat during 2017, but reservoirs were still below normal levels. Despite continued dry hydrological conditions, increasing penetration of solar and wind power put pressure on the spot prices in the Central Interconnected System. The average price for 2017 was 59 USD/MWh, slightly lower than for 2016 (61 USD/MWh), and significantly lower than in 2015 (91 USD/MWh). Statkraft's generation was partially sold through long-term contracts at higher price levels.

Power prices in ***India*** increased almost 25% to around 43 USD/MWh in 2017, from 34 USD/MWh in 2016. The market faced increased demand combined with supply constraints due to shortages in coal supply during the second half of the year. This resulted in higher prices. The generation from Statkraft's assets were mainly hedged for the wet season, but some additional value was extracted from the price increase.

Statkraft's power generation

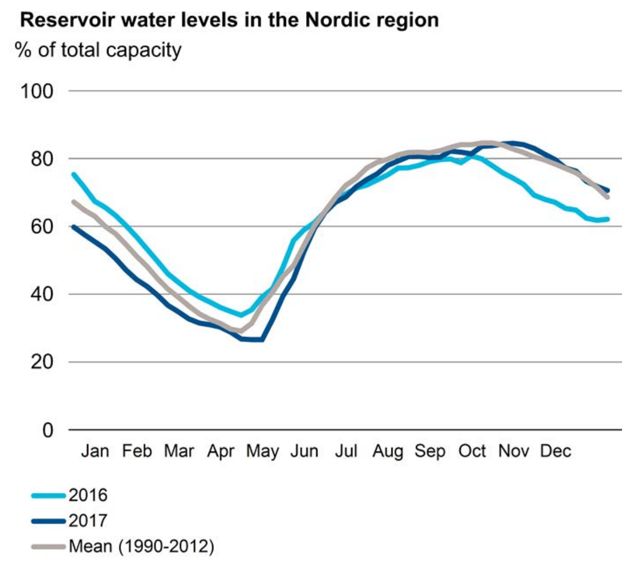
Statkraft is the largest power generator in Norway and the second largest in the Nordic region. Statkraft is also Europe's largest supplier of renewable energy.

Statkraft-owned generation capacity
- direct and indirect ownership shares



Statkraft's generation is determined by capacity, demand, access to resources (hydrological balance and wind), spark spread (margin between power and gas price) and energy management. At the end of 2017, the consolidated installed capacity[2] was 18 313 MW, with hydropower contributing 14 099 MW, gas power 2390 MW, wind power 947 MW, bio power 43 MW and district heating was 835 MW. Furthermore, Statkraft has ownership interests in associated companies and joint operations with generation capacity. In total, the Group has ownership interests in plants with a total installed capacity of 19 080 MW power generation and 789 MW district heating (Statkraft's pro-rata share of direct and indirect ownership).

The demand for power varies throughout the day and year, and the power markets are dependent on capacity that can be adjusted according to the demand. Statkraft has a large percentage of flexible generation capacity, and combined with extensive analysis and generation expertise, this contributes to consistent management of the Group's water resources. The Group has an advanced energy management process and aims to have generation capacity available in periods with high demand. Statkraft's large reservoir capacity with a combination of seasonal and multiple-year reservoirs enable the Group to manage the water resources in a perspective spanning more than one year. Accordingly, generation can be kept high in peak-price periods and lower in low-price periods.



Inflow above normal led to a strengthening of the Nordic hydrological resource situation during 2017. At year-end, the overall reservoir water levels in the Nordic region were 103% of the normal level. This corresponded to 86 TWh, which is 71% of the maximum reservoir capacity of 121 TWh.

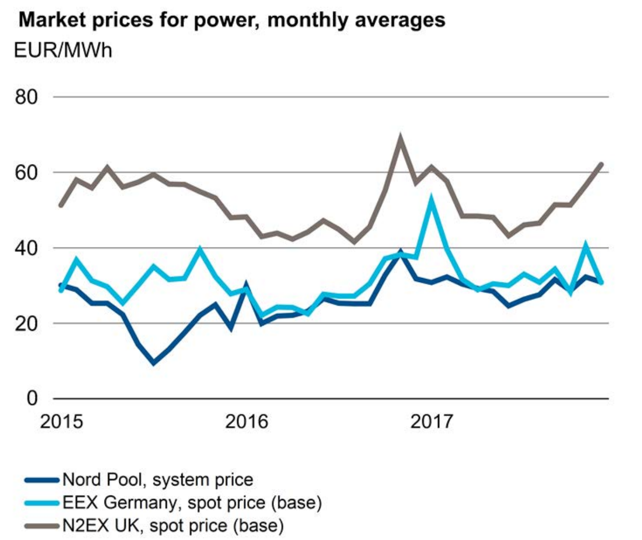
In 2017, the Group's power generation totalled 62.6 TWh (66.0 TWh), plus 1.1 TWh of district heating (1.1 TWh). Hydropower generation totalled 57.4 TWh, which was 6% lower than the record high level in 2016. Wind power generation increased by 15% from the preceding year. Gas power and bio power generation was unchanged.

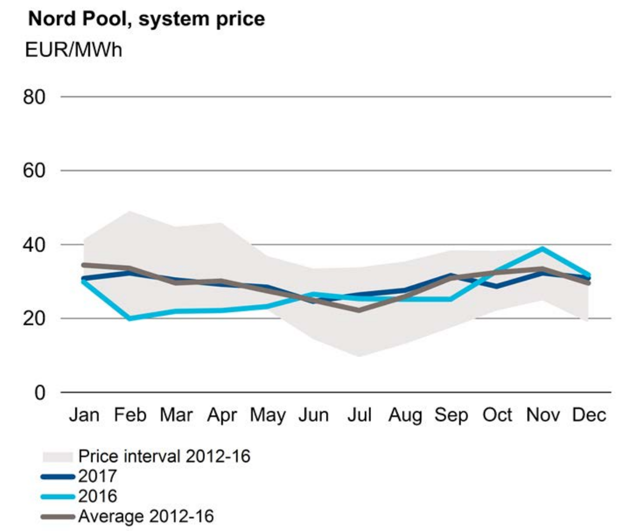
37.6 TWh (40.3 TWh) of the power generation was sold in the spot market. This corresponds to 60% of the total generation in 2017 (61%).

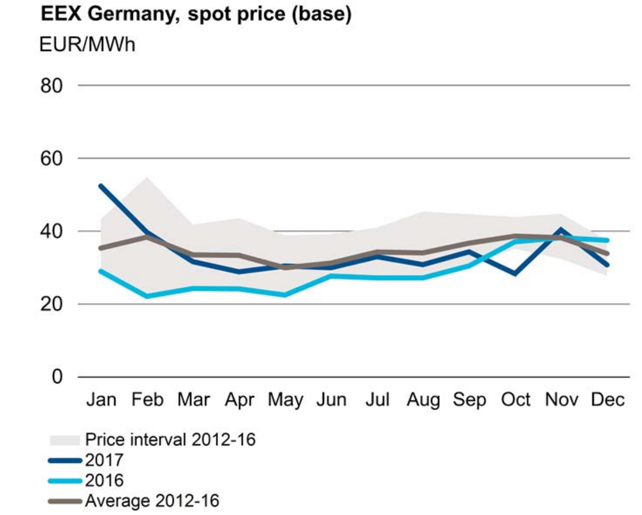
Statkraft is a major supplier to the power intensive industry. In 2017, the volume delivered under long-term contracts amounted to 21.7 TWh, 35% of total generation, of which the majority was delivered to industries in the Nordic region. The high contract coverage has a stabilising effect on Statkraft's revenues. Most of the contract volume for Nordic industries runs until 2021.

In Norway, Statkraft is required to cede a share of the power generation to counties and municipalities where the power is produced, so-called concessionary power. Explained briefly, the price for this power corresponds to the average production cost with a small margin, which is significantly lower than the market price for power. The concessionary power volume amounted to 3.3 TWh (3.5 TWh) in 2017. This corresponds to 7% of the Norwegian hydropower generation in 2017.

[2] Consolidated installed capacity: The capacity that Statkraft fully consolidates in the financial statements.


Market prices for power, monthly averages
EUR/MWh
80
60
40
20
0
2015
2016
2017
Nord Pool, system price
EEX Germany, spot price (base)
N2EX UK, spot price (base)


Nord Pool, system price
EUR/MWh
80
60
40
20
0
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Price interval 2012-16
2017
2016
Average 2012-16


EEX Germany, spot price (base)
EUR/MWh
80
60
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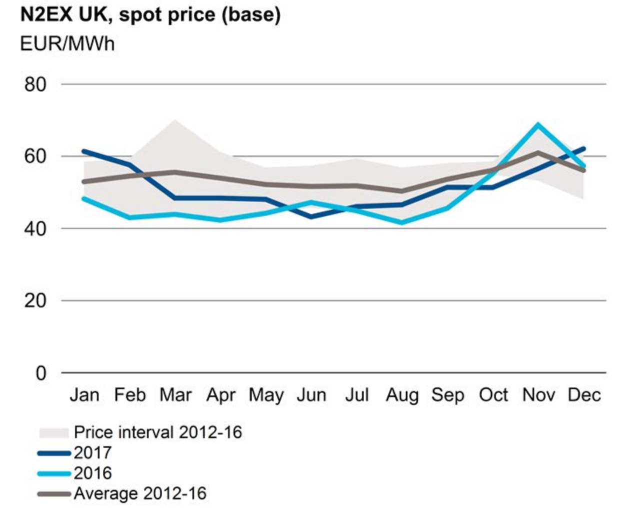
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Price interval 2012-16
2017
2016
Average 2012-16


N2EX UK, spot price (base)
EUR/MWh
80
60
40
20
0
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Price interval 2012-16
2017
2016
Average 2012-16

Statkraft's activities

Key figures - consolidated operations

	Statkraft Group	European flexible generation	Market operations	International power	Wind power	District heating	Industrial ownership	Other activities	Group items
Power production									
Installed capacity (MW) [5]	17 478 [1), 2), 3), 4)]	14 281 [1), 2), 3)]	-	1 028	827	-	1 342 [2), 4)]	-	-
Production (TWh) [5]	62.6	50.4	-	4.5	2.2	-	5.4	-	-
District heating									
Installed capacity (MW)	835	-	-	-	-	697	138 [4)]	-	-
Delivered volume (GWh)	1 045	-	-	-	-	925	120	-	-
End-user sales									
Energy delivered, through grid to end-user (TWh)	7.3	-	-	-	-	-	7.3	-	-
Volume delivered, to electricity customers (TWh)	15.5	-	- -	-	-		15.5	-	-
Income statement (NOK mill.)									
Net operating revenues, underlying	23 296	14 508	1 985	1 400	929	580	4 101	964	-1 170
EBITDA, underlying	14 432	10 151	1 070	418	447	326	2 443	-398	-25
Operating profit/loss, underlying	10 770	8 447	1 059	-350	81	155	1 868	-464	-25
Operating profit/loss	17 040	10 704	1 175	425	3 213	151	1 879	-480	-25
Balance sheet (NOK mill.)									
Total assets	169 183	58 533	375	27 108	8 165	3 510	25 449	16 241	29 803
Investments	3 895	1 170	199	967	512	137	886	23	1

[1)] *Excluding Baltic Cable (600 MW).*
[2)] *Excluding pumped-storage hydropower.*
[3)] *Including Emden 4 and Robert Frank which are in cold reserve.*
[4)] *Skagerak Energi's share.*
[5)] *Includes the share of consolidated companies.*

Based on the revised strategy, International hydropower changed its name to International power from the start of 2017.

The Group's operating segments are in accordance with how the CEO makes, follows up and evaluates decisions. The operating segments are based on the internal management information that is periodically reviewed and used as a basis for resource allocation and key performance review.

Areas not shown as separate segments are presented under the heading Other activities.

European flexible generation

European flexible generation is by far the largest segment measured in terms of installed capacity, assets, net operating revenues and results. The assets are generally flexible with the majority of the capacity related to hydropower in Norway and Sweden. The segment also includes plants in Germany, the UK and Baltic Cable - the interconnector between Sweden and Germany.

The segment's revenues stem primarily from sales in the spot market and from long-term contracts, mainly to power intensive industry in Norway. The segment also delivers concessionary power. Multiple-year reservoirs in Norway and the flexibility of the power plants enable optimisation of the power generation based on the hydrological situation and power prices. Norwegian hydropower is therefore optimised over longer time periods than one year. In order to mitigate risk in relation to uncertainty of future prices and generated volumes, Statkraft hedges generation revenues through physical bilateral contracts and financial power trading. The hedged percentage of generation varies with market development expectations and generation volumes.

The volume sold in the spot market can vary significantly between years, depending on the hydrological situation, e.g. inflow and reservoir filling, and generation optimisation decisions. The management of multi-year reservoirs and flexible power plants normally enable Statkraft to achieve a higher average price for the power produced than other companies in Norway. The energy management is measured through the key performance indicator "Realised price margin Norwegian Hydropower", which measures the volume weighted average price achieved by Statkraft compared to the other producers in Norway. The results have historically shown energy management performance to be approximately 5% better than the competitors over a rolling five-year period.

Production costs in connection with hydropower are relatively low in comparison with other types of power generation facilities. The low production costs are partly offset by higher tax rates for Norwegian hydropower generation through resource rent taxation of 34.3% in 2017 and relatively high property taxes in Sweden. To ensure that Statkraft maintains its long-term competitiveness, costs are followed up through benchmarking and key performance indicators measuring cost per kWh. In 2017, the operating cost for all assets in the segment / seven-year average generation was 12 øre/kWh.

Availability is an important factor in optimising hydropower revenues, and Statkraft uses the key performance indicator "Market-adjusted availability"[3] to measure whether Statkraft's power plants are available to produce when it is most profitable to do so. The most critical factor affecting this KPI which can be influenced is how effectively plant maintenance and refurbishments are planned and executed. Inflow and market prices are important external factors affecting the results. The market adjusted availability for the hydropower in the segment generally varies between 96 and 99%.

Important events in 2017

- Statkraft opened the Ringedalen hydropower plant in Norway. It has an installed capacity of 23 MW and will generate around 60 GWh renewable energy annually.
- Statkraft has entered into a new long-term sales contract with Eramet in Norway. The contract run from 2021 to 2030 with a total volume of 8 TWh.
- Increased need for flexibility in the German market and improved outlook for future gas to power margin has led to a reversal of impairment of NOK 914 million for gas-fired power plants.
- It was decided to decommission the gas-fired power plant at Kårstø in Norway.
- The Supreme Court concluded on the Sønnå Høy case with the consequence that AS Saudefaldene is the taxable owner of the hydropower plant. The Supreme Court verdict led to a reversal of previously expensed payable income tax, resource rent tax, property tax and related interest.

Financial performance

Higher Nordic power prices, good energy management and availability and lower property tax had a positive impact on the segment's underlying EBITDA which increased by 7% compared with 2016, to NOK 10 151 million.

The segment's underlying net operating revenues increased by NOK 322 million compared with 2016 despite 7% lower generation. The increase was primarily driven by higher Nordic power prices. On average the Nordic system price was 9% higher than in 2016. While the segment had a record-high Norwegian hydropower generation in 2016, the generation was back to a more normal level in 2017. The lower Norwegian hydropower generation was partly offset by higher generation in Sweden.

The segments total generation was 50.4 TWh in 2017 (54.4 TWh), of which 47.6 TWh from the Nordic hydropower plants (51.6 TWh). 29.5 TWh, 59% of total generation, was sold in the spot market. A large share of the generation is sold on long-term contracts and this has a stabilising effect on the segment's revenues. In 2017, contracted volume was 18.1 TWh, on par with 2016 and corresponding to 36% of total the generation. The remaining volume was concessionary sales at statutory prices.

The underlying operating expenses were 7% lower than in 2016. The main reason for the decrease was lower 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.

The segment showed an operating profit for the year of NOK 10 704 million, an increase of NOK 6175 million from 2016. The operating profit was positively impacted by reversal of previous year's impairment for gas-fired power plants and Saudefaldene hydropower plant totalling NOK 1300 million and positive unrealised value changes from energy derivatives amounting to NOK 1173 million. Impairment for German pump-storage hydro plant and increased dismantling provision for the Kårstø gas-fired power plant had a negative impact amounting to NOK 216 million. The operating profit for 2016 was negatively impacted by impairments of assets of NOK 2802 million and negative unrealised value changes from energy derivatives of NOK 371 million.

[3] Market adjusted availability: $1-(\Sigma \text{lost production}_i \text{ [MWh]}/\Sigma \text{ installed capacity}_i \text{ [MWh]}) \times (1/\text{reporting period [h]})$

Market operations

Market operations is Statkraft's interface to markets where energy and energy-related products are traded. The segment is also responsible for developing new customer-oriented business models in Europe and in selected countries where Statkraft owns assets. Market operations includes trading, origination and market access activities, as well as a dynamic asset management portfolio holding a varying amount of asset-backed positions to generate profit. This business has grown over the last years and has led to a significant geographical expansion with presence in many European countries, Brazil, Peru, USA (California) and India.

Trading activities include trading standard financial contracts and structured products, whilst origination includes customised agreements for industry and commerce. Statkraft monitors performance in trading and origination through the key performance indicator "Trading and origination ROCE". The return in 2017 was higher than both the target and the 2016 result.

The dynamic asset management portfolio is monitored at Group level and the portfolio outperformed the added value target for 2017. The contribution was also at a higher level than in 2016.

The segment provides market access services for Statkraft's own assets in Europe, as well as to external generators of renewable energy. The aim of these services is generation and revenue optimisation.

Statkraft's analysis activities play an important role for Market operations. The analysis activities are based on collection and processing of hydrological, meteorological and market data. This data is used to estimate future market prices.

Market operations is also responsible for exploring and developing new business models, primarily targeting customer solutions in the distributed energy market.

Important events in 2017

- Statkraft closed its first power purchase agreement (PPA) under the new French support mechanism for renewable energy.
- Statkraft started trading activities at the Polish power exchange Towarowa Gielda Energii and entered into three power purchase agreements (PPAs) for Polish wind farms.

Financial performance

The segment's underlying EBITDA of 1070 MNOK was 914 MNOK higher than in 2016. The increase 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.

The segment's operating expenses increased 10% compared with 2016, primarily as a provision for an onerous contract recorded in 2015 was reversed in 2016.

The segment showed an operating profit for the year of NOK 1175 million (operating loss of NOK 758 million).

International power

International power operates in markets with anticipated high growth and an increasing need for energy. Statkraft is focusing on selected markets where Statkraft can add value in a clear industrial role. Statkraft aims to expand the portfolio to include more wind and solar power, as well as hydropower. The segment has assets in Southeast Europe, South America and South Asia. Some of the investments are made in collaboration with local partners or international investors.

Important events in 2017

- Statkraft and Norfund swapped shares in their jointly owned assets. Statkraft bought Norfund's 18.1% shareholding in Statkraft IH Invest and sold the 50% shareholding in SN Power to Norfund with a gain of NOK 2091 million. The gain included a deferred gain from an earlier restructuring and currency effects.
- Statkraft sold the shares in the Turkish project company Çetin Enerji with a gain of NOK 76 million. The project has previously been impaired.
- Statkraft's long-term price expectations for certain markets have seen a negative development due to declining technology costs. This led to impairments for the segment of NOK 1188 million in equity accounted investments and NOK 1362 million in consolidated operations, of which only the latter is adjusted for in the underlying figures. The impairments were predominantly related to assets in Chile.

Financial performance

The underlying EBITDA was NOK 418 million, a decrease of NOK 777 million compared with 2016. The decrease was primarily related to the impairments in equity accounted investments.

The segment's net operating revenues decreased by NOK 834 million to NOK 1400 million due to impairments in equity accounted investments, production stop for the Kargi hydropower plant in Turkey and negative market effects from dry hydrology in Brazil. The decrease was partly offset by improved contribution from SN Power, full-year effect of the Banja hydropower plant in Albania and improved hydrology in Turkey, Nepal and Chile.

The power generation was 4.5 TWh in 2017, an increase of 5% compared with 2016. More than 80% of the generation was sold on long-term contracts. The large share of contracted volume has a stabilising effect on the segment's revenues.

The underlying operating expenses were 4% higher than in 2016, mainly as a result of an increase in depreciation due to full-year effect of the Banja hydropower plant in Albania that came into production in the second half of 2016 and revised estimates of useful lifetime for assets in Nepal and Peru. The increase in depreciation was partly offset by reduced number of employees.

The segment's showed an operating profit for 2017 of NOK 425 million (operating loss of NOK 819 million). The figure in 2016 was negatively impacted by impairments of NOK 1377 million.

Wind power

The wind power segment focuses on onshore wind power, and has operational wind farms in Norway, Sweden and the UK. The revenues come from power sales and support schemes.

The production costs associated with wind power are followed up through the target figure "Variable cost per kWh"[4]. The cost in 2017 was within the target.

Availability is followed up through the target figure «Market-adjusted availability»[5]. The availability in 2017 was slightly lower than the target.

Important events in 2017

- Statkraft divested the 40% shareholding in the Sheringham Shoal offshore wind farm with a gain of NOK 2634 million.
- Statkraft divested the 50% shareholding in the Triton Knoll offshore wind project with a gain of NOK 426 million.
- Statkraft divested the 25% ownership interest in the Dogger Bank offshore wind projects with a gain of NOK 256 million.
- Statkraft signed an agreement to divest the 30% shareholding in the Dudgeon offshore wind farm for GBP 555 million. The transaction is expected to be closed in the first quarter in 2018 and will complete the offshore wind exit strategy.

Financial performance

The segment had an underlying EBITDA of NOK 447 million in 2017, an increase of NOK 271 million compared with 2016. The EBITDA was influenced by higher generation and lower operating expenses.

The underlying net operating revenues were NOK 929 million in 2017, 25% higher than in 2016. The consolidated generation increased by 18% to 2.2 TWh. The majority of the increase was related to the Nordic wind farms, in addition to the full year effect from the Andershaw wind farm in Scotland. Share of profit in equity accounted investments contributed to the operating revenues with NOK 213 million, an increase of NOK 172 million, primarily due to the Dudgeon offshore wind farm that came into operation in 2017.

Operating expenses decreased 9% compared with 2016, mainly due to reduced manning.

The segment showed an operating profit for the year of NOK 3213 million (operating loss of NOK 781 million). The operating profit was positively impacted by the gains from the divestments of offshore wind assets.

[4] Variable cost per kWh: All variable production costs/normalised production volume.
[5] Market Adjusted Availability is calculated as the reduction from 100% availability that the estimated lost production relative to the maximum theoretical production represents.

District heating

District heating operates in Norway and Sweden and distribute heating and cooling to 13 000 customers. The revenues are in general influenced by power prices, waste prices, grid tariffs and taxes. Waste, biomass, oil and gas are the energy sources in the production of district heating.

At Group level, performance is measured through the key performance indicator "EBITDA margin". In 2017, the margin was slightly below the target.

Important events in 2017

- A new contract with the municipality of Trondheim for waste handling of 40 000 tons per year was signed.

Financial performance

The segment's underlying EBITDA continued the growth seen over the past few years and the underlying EBITDA for 2017 ended at NOK 326 million, an increase of 17% compared with 2016. The increase was due to a combination of higher district heating prices, higher revenues from waste handling and lower operating expenses.

Both the delivered district heating volume and the waste handled volume was on par with 2016, but higher achieved prices on both factors contributed to an improvement in net operating revenues of NOK 28 million, an increase of 5%.

Operating expenses were 5% lower than in 2016, primarily due to improvement of existing business.

The segment showed an operating profit for the year of NOK 151 million (NOK 89 million).

Industrial ownership

Industrial ownership includes management and development of Statkraft's shareholdings in Norway, and includes the companies Skagerak Energi, Fjordkraft, BKK, Agder Energi and Istad. The first two companies are included in the consolidated financial statements, whilst the other three companies are reported as associated companies. Skagerak Energi's activities are concentrated around power generation, distribution grid operations, district heating operations, electrical entrepreneur activities and natural gas distribution. Fjordkraft's activities are primarily related to the sale of electricity to private households and companies.

Important events in 2017

- The shareholders in Fjordkraft 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 per year.
- BKK divested the 300/420 kV powerlines Mongstad-Kollsnes and Fana-Kollsnes to Statnett for NOK 1430 million with effect from January 2018.
- Skagerak Energi sold 51% of Skagerak Naturgass.

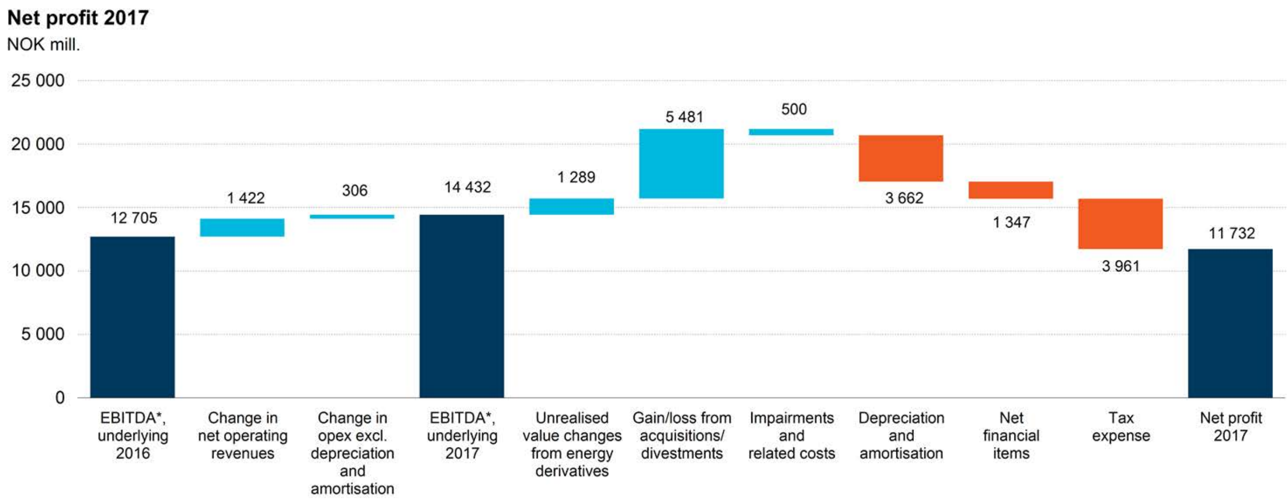
Financial performance

The segment's underlying EBITDA of NOK 2443 million was 35% higher than in 2016. The increase was primarily due to higher power prices and higher revenue from end-user and grid activities.

The segment's consolidated power generation in 2017 was 5.4 TWh, slightly lower than in 2016. However, this was more than offset by higher power prices and increased revenues from grid activities in Skagerak Energi and end-user activities in Fjordkraft. The net operating revenues increased 22% compared with 2016 to NOK 4101 million.

Operating expenses increased 6% compared with 2016, primarily related to increased activity in Fjordkraft.

The segment showed an operating profit for the year of NOK 1879 million (NOK 1259 million).



* Adjusted for unrealised value changes from energy derivatives and gain/loss from acquisitions/divestments of business activities.

Financial performance[6]

An increase in Nordic power prices, combined with higher contribution from market activities, led to an improvement in the Group's underlying EBITDA. The positive effect of this was partly offset by lower generation as the Norwegian hydropower generation returned to a more normal level after record high generation in 2016. Operating expenses were slightly lower due to lower property taxes in Norway and Sweden.

Gains from divestments and positive unrealised value changes from energy derivatives impacted the result for the year and 2017 ended with a profit before tax of NOK 15 693 million and a net profit of NOK 11 732 million. At the end of 2017, the Group's equity was NOK 91 776 million, NOK 8257 million higher than at the end of 2016.

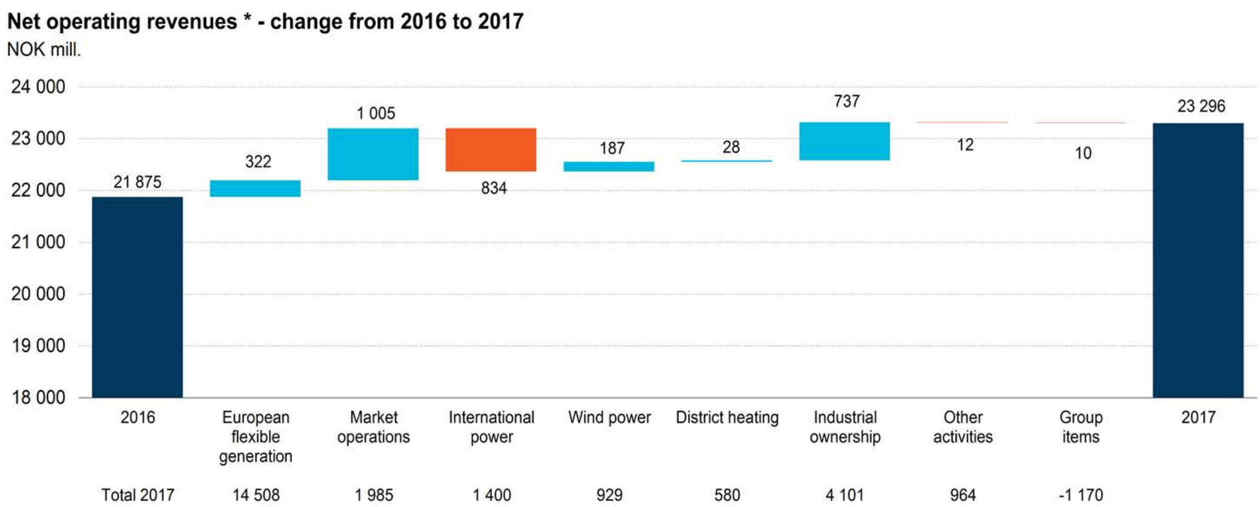
In the following, the emphasis will be on presentation of the result from the underlying operations for items up to and including the operating profit. Unrealised value changes from energy derivatives, gains/losses from acquisitions/divestments of business activities and impairments and related costs are explained in the section "Items excluded from the underlying operating profit". Income statement elements after the operating profit are analysed in accordance with the recorded result.

Return on investments

Statkraft achieved a return on average capital employed (ROACE)[7] of 10.5% in 2017. This was 2.2 percentage points higher than in 2016. The improvement was primarily related to higher operating profit, mainly due to higher Nordic power prices and increased contribution from market activities. The average capital employed was on par with 2016.

Underlying operating revenues

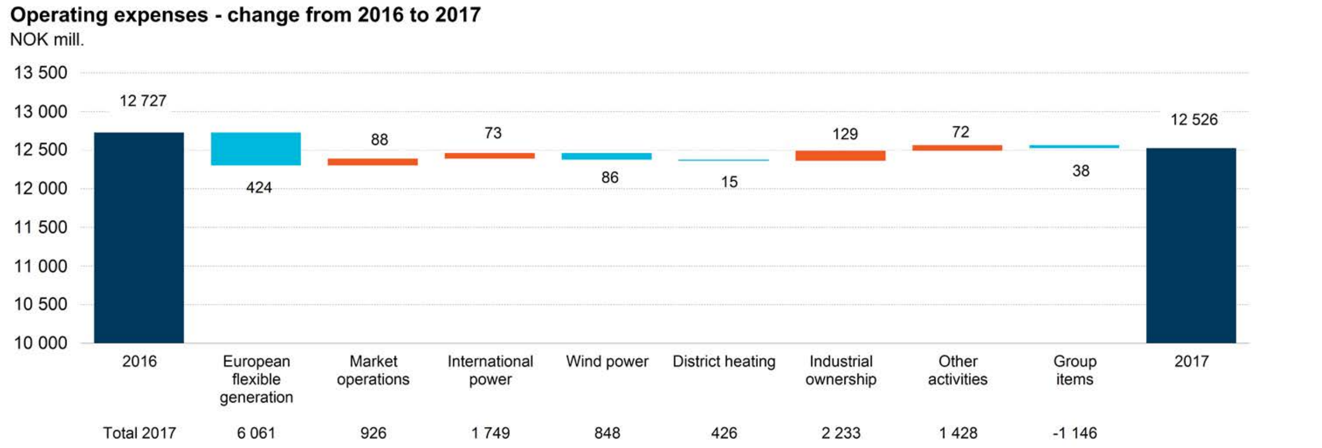
Statkraft's revenues are generated through spot sales, contractual sales to the industry, financial trading, grid activities, district heating and power sales to end-users. In addition, the group delivers concessionary power. The fundamental basis for Statkraft's revenues comprises power prices, energy optimisation and generation. The generation revenues are optimised through financial power trading, and the Group engages in trading activities and energy trading.

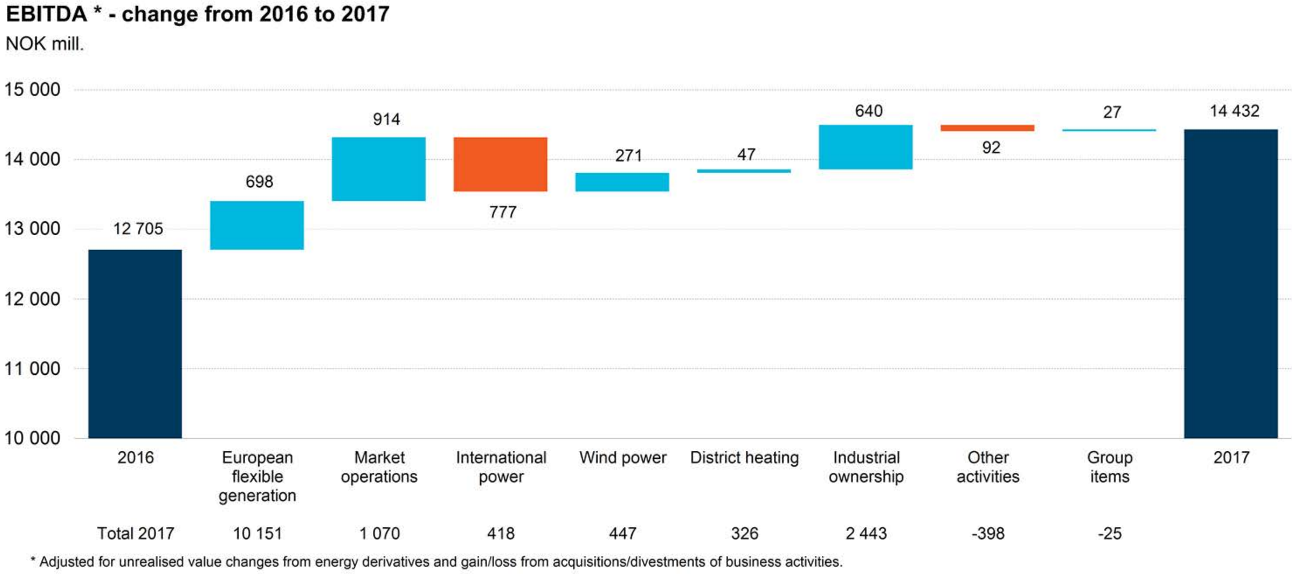


* Adjusted for unrealised value changes from energy derivatives and gain/loss from acquisitions/divestments of business activities.

6) Figures in parentheses show comparable figures for 2016

7) ROACE (%): (Operating profit adjusted for unrealised value changes from energy derivatives, gains/losses from acquisitions/divestments of business activities and impairments and related costs x 100 / average capital employed.





Net operating revenues totalled NOK 23 296 million in 2017, 6% higher than in 2016. The Market operations segment had a substantial increase due to better results for market access activities, origination and long-term contracts in Brazil. The two segments with Nordic hydropower production, European flexible generation and Industrial ownership, increased their net operating revenues as a result of the higher Nordic power prices. The Wind power segment had a positive development due to new wind power capacity in the UK, whereas the District heating segments' revenues increased as a result of better prices on both heating and waste handling. International power had a decrease in net operating revenues as impairments in equity accounted investments in Chile were recognised in 2017.

Underlying operating expenses

In total, the Group's operating expenses decreased by 2% compared with 2016. The decrease was primarily related to lower costs of 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.

Underlying EBITDA and underlying operating profit

Underlying EBITDA increased 14% from 2016 and underlying operating profit increased 18%, to NOK 14 432 million and NOK 10 770 million, respectively. The Group's EBITDA and operating profit are to a large degree generated by the European flexible generation segment, which contributed 70% (74%) and 78% (84%) of the total, respectively.

Items excluded from the underlying operating profit

Items excluded from the underlying operating profit

NOK mill.	2017	2016
Unrealised value changes from energy derivatives	1 289	-1270
Gain/loss from acquisitions/divestments of business activities	5 481	16
Impairments and related costs	-500	-4 808
Total adjustments	6 270	-6 062

In total, unrealised value changes from energy derivatives, gains/losses from acquisitions/divestments of business activities and impairments and related costs had a positive effect in 2017 of NOK 6270 million (NOK -6062 million).

Unrealised value changes from energy derivatives adjusted for in the underlying operating profit amounted to NOK 1289 million (NOK -1270 million). The primary contributors to the positive effect were embedded derivatives for bilateral industry contracts, which showed a positive development of NOK 1173 million as a result of a weaker NOK against EUR. Derivatives acquired for risk reduction purposes had a positive development of NOK 116 million, primarily as a result of lower UK forward prices at the start of the year and realisation during 2017.

Gains/losses from acquisitions/divestments of business activities excluded from the underlying profit amounted to NOK 5481 million in 2017 (NOK 16 million). The gains were predominantly related to the divestment of offshore assets in the Wind power segment totalling NOK 3319 million and divestment in the International power segment amounting to NOK 2167 million. In addition, there were divestments in other parts of the group with a total negative effect of NOK 5 million.

Net effect of impairments and related costs excluded from the underlying profit were NOK -500 million in 2017 (NOK -4808 million).This was mainly related to impairments of assets in International power totalling NOK -1392 million. Impairments amounting to NOK -187 million were recognised in the Wind power segment. The net effect of impairments and reversal of previous year's impairments for the European flexible generation segment had a positive effect of NOK 1084 million. The district heating segment had a small impairment of NOK 4 million.

Financial items

Financial items

NOK mill.	2017	2016
Interest income	374	323
Other financial income	83	58
Financial income	456	380
Interests expense	-1 234	-1 301
Other financial expenses	-214	-110
Financial expenses	-1 449	-1 411
Net currency effects	-2 079	2 847
Other financial items	1 724	321
Net financial items	-1 347	2 137

Net currency effects

NOK mill.	2017	2016
Currency hedging contracts and short term currency positions	-348	1 600
Loans in foreign currency	-1 502	939
Internal loans, joint ventures and associates	-229	308
Net currency effects	-2 079	2 847

The increase in financial income was primarily related to increased interest income from loans to equity accounted investments and dividend from a financial investment in Brazil.

Financial expenses were higher, mainly due to reversal of a financial obligation in 2016, partly offset by lower interest rates.

Net currency effects were negative, predominantly as a result of a weaker Norwegian krone against euro and pound sterling.

Other financial items included gains from obligations linked to equity instruments and recycling of accumulated foreign currency effects from transfer of the major business activities in Statkraft Treasury Centre in Belgium to Statkraft AS in Norway.

Taxes

The recorded tax expense was NOK 3961 million (NOK 5402 million). The tax expense was reduced mainly due to lower results from net currency effects, and changes in unrecognised deferred tax assets. The majority of Statkraft's tax expense was related to Norway.

The pre-tax result in 2017 was NOK 15 693 million, an increase of NOK 10 470 million compared with 2016. The increase was driven by the following items without effect on the tax expense:

- Gains from divestments of business activities
- Gains from reclassification of currency translation effects from other comprehensive income
- Gains related to changes in value of equity instruments
- Reversal of impairment in Germany

Income tax payable amounted to NOK 1804 million, a decrease of NOK 958 million compared with 2016. This was mainly due to lower result from net currency effects. Resource rent tax payable amounted to NOK 2451 million, an increase of NOK 202 million. This was mainly due to higher Nordic power prices and higher tax rate. The majority of Statkraft's tax expense was related to Norway.

The effective tax rate was 25.2%. Effects from tax exempt gains and changes in unrecognised deferred tax assets were offset by resource rent tax levied on Norwegian hydropower production.

Cash flow

The Group generated a cash flow from operating activities of NOK 8415 million in 2017 (NOK 8371 million).

Net cash income[8] 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[9] 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 joint ventures and associates 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.

Statkraft monitors its ability to meet future liabilities through the target figure "Short-term liquidity"[10], and at the end of 2017, the target figure was within the target range of 1.5 to 4.0.

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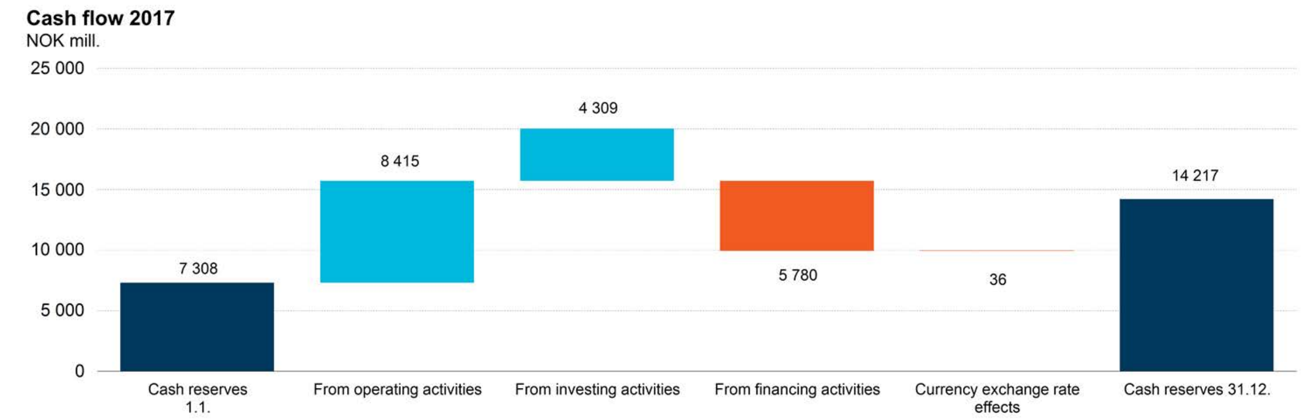
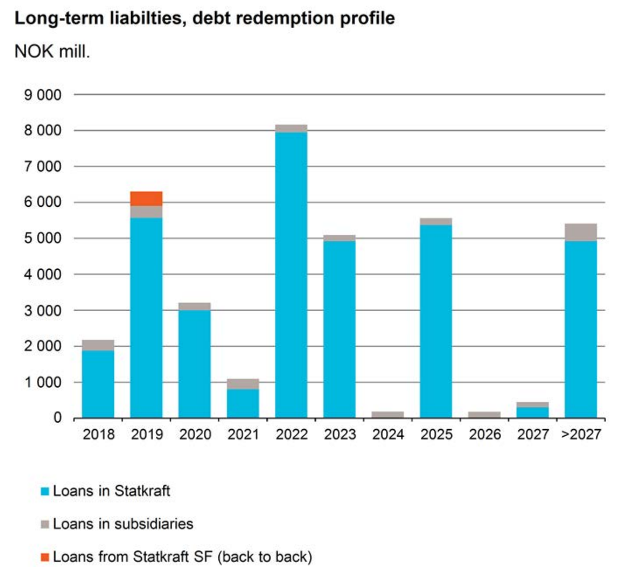
[8] Net cash income: Cash flow from operating activities excluding taxes paid and cash effects from equity accounted investments.
[9] Cash collateral: Security related to market operations and financial derivatives.
[10] Short-term liquidity: (OB liquidity capacity + forecast incoming payments next 6 months) / (debt due and dividend next 6 months + (limit x forecast disbursements from operations / Investments next 6 months).



Financial structure

The main objectives of the Group's capital structure management are to maintain a reasonable balance between solidity and the ability to expand, and to maintain a strong credit rating. The most important target figure for the Group's management of capital structure is the long-term credit rating.



At the end of 2017, net interest-bearing debt[11] amounted to NOK 24 844 million, compared with NOK 32 453 million at the beginning of the year.

Long-term interest-bearing debt from Statkraft SF to Statkraft AS amounted to NOK 400 million at the end of the year.

Current assets, excluding cash and cash equivalents, amounted to NOK 25 697 million (NOK 20 041 million) and short-term interest-free debt was NOK 9679 million (NOK 11 918 million) at the end of 2017.

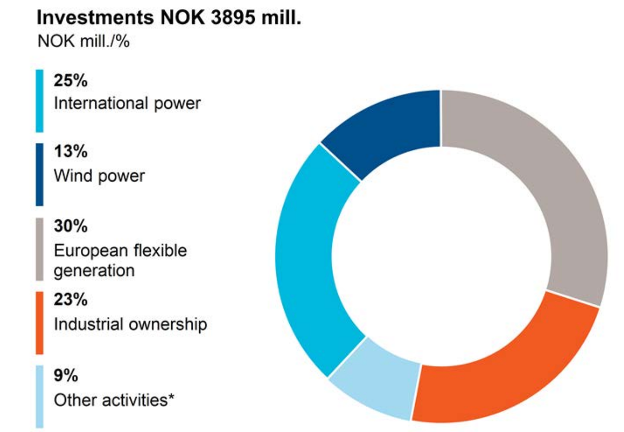
At the end of the year, Statkraft's equity totalled NOK 91 776 million, compared with NOK 83 519 million at the start of the year. This corresponds to 54% of total assets (50%).

Financial strength and rating

It is important for Statkraft to maintain its credit rating with the two major rating agencies Standard & Poor's and Moody's. Statkraft AS has a current credit rating of A- (stable outlook) from Standard & Poor's and Baa1 (stable outlook) from Moody's. See note 6.

Investments

In accordance with the Group's strategy, the project activity level has been scaled down in the last couple of years.



* Includes Market operations, District heating and Other activities.

In total, Statkraft invested NOK 3895 million in 2017 (NOK 5657 million), of which approximately 60% was invested in Norway. Approximately half of the total investments were made in new generating capacity. Maintenance investments were primarily made in connection with hydropower in the Nordic region. Investments in new capacity were predominantly related to the Fosen onshore wind farms in Norway and the Devoll hydropower plants in Albania.

[11] Net interest-bearing debt: Gross interest-bearing liabilities – bank deposits, cash and cash equivalents and similar excluding restricted funds – short-term financial investments.

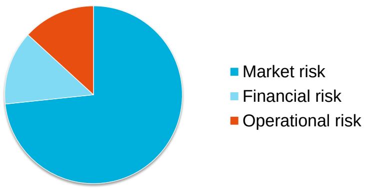
Risk management

Statkraft is exposed to risk throughout the value chain. The most important risks are related to prices, operation and maintenance activities, project execution, financial risk and financing, regulatory frameworks and technology development.

Corporate risk process

Risk management is an integrated part of Statkraft's governance model through a risk-based approach to target setting, prioritisations and follow-up of the business and staff areas. The day to day risk management is a line responsibility. The Group's overall risks are reviewed and followed-up by the corporate management and are reported to the Board of Directors. Statkraft has a central Investment Review Unit that performs an independent quality assessment prior to investments, sales and acquisitions.

Financial impact of key uncertainty factors



Key uncertainty factors with impact on Statkraft's financial performance. Projections for a typical year based on historical variance. The diagram does not cover non-financial impacts.

Market risk in energy markets

Statkraft is exposed to significant market risk in relation to the generation and trading of power:

- Both power prices and generation volumes are impacted by weather conditions and precipitation volumes plus generation, consumption and transmission conditions in the electricity markets.
- Power prices are also affected by fuel prices such as gas, coal and oil, in addition to the price of carbon emission quotas, support schemes, demand growth and the introduction of new technologies.

Statkraft mitigates market risk in the energy markets by trading physical and financial instruments in multiple markets, as well as entering into bilateral long-term power contracts. Increased integration of the energy markets is having a significant impact on business models and risk management. Consequently, Statkraft places significant emphasis on identifying the relationships between the various markets. The Group's hedging strategies are regulated by defined limits on the positions' volume and value, and by criteria for evaluating new contracts against expected revenues and downside risk. The portfolio is constantly adjusted in relation to updated perceptions of future prices and the company's own generation capacity.

Statkraft's activities in energy trading and services consist of both trading with standard products on energy exchanges and sale of services or products adapted to the individual customer. Risk is handled through mandates covering raw materials, geographical areas and duration. A risk management function ensures objectivity in the assessment and handling of risk.

District heating operations are also exposed to market risk due to fluctuations in fuel prices (biofuel, electric power, gas, oil, industrial waste-heat recovery) and the price to customers. In Norway, the customer price is influenced by the alternative price of power, so that net exposure to price changes is relatively limited. In Sweden, all customers have a heat product where the price is adjusted according to an index combined by the bio index, oil index and consumer price index.

Financial risk

The central treasury department coordinates and manages the financial risk associated with foreign currencies, interest rates and liquidity, including refinancing and new borrowing. The Group is exposed to currency risk through:

- Integration between the Nordic and the Continental power markets
- The Group's energy trading in different currencies
- Financing
- Other cash flows related to foreign subsidiaries and associated companies

Currency and interest risk are regulated by means of mandates. Forward currency contracts, interest rate swaps, forward interest rate agreements and debt in foreign currency are the most important instruments when mitigating these risks. The liquidity risk in Statkraft is related to the deviation between the maturity profile of financial liabilities and the cash flows generated by the assets. The liquidity risk is mainly handled through preferential borrowing sources, credit facilities and minimum requirements for the Group's cash and cash equivalents.

Statkraft is exposed to credit and counterparty risk through energy trading, long-term contracts and investment of surplus liquidity. The credit rating of all counterparties is evaluated before contracts are signed, and exposure vis-à-vis individual counterparties are limited by mandates based on their credit rating. Market risk in the energy markets and other financial risk, as well as exposure in connection with the issued mandates, are followed up by independent middle-office functions and regularly reported to the Corporate Management and the Board of Directors.

Operational risk

All processes throughout the value chain are exposed to operational risk. The operational risk is highest within implementation of our investment projects and operational activities. This may result in:

- Injury to employees, contractors or third parties
- Harm to the environment
- Compliance breaches and weakened reputation
- Damage and losses related to own and third-party production plants and other assets
- Financial loss

Statkraft's first priority is to execute development activities and operations in a responsible manner. Statkraft does not tolerate any act of economic crime and works actively to counter it. A series of prevention activities against corruption and fraud are being implemented to build a strong compliance culture with high ethical performance. Implementing risk management in the early stages of the development of an investment project is an important success factor. Statkraft has insurance coverage for all significant types of damage or injury, in part through the Group's own insurance company Statkraft Forsikring. Statkraft manages operational risk through detailed procedures for activities in all operational units and various types of contingency plans. Furthermore, Statkraft has a comprehensive system for registering and reporting risks, hazardous conditions, undesirable incidents and damage and injuries. Such cases are analysed continuously to prevent and limit any consequences, and to ensure that we can follow up causes and implement the necessary measures.

All projects in Statkraft carry out systematic risk assessments. This takes place through each project by:

- Having an allocated project reserve for larger investments
- Implementing follow-up and reporting of factors of importance for both project development and execution
- Evaluating and planning measures to manage risk in the project

Major attention is devoted to the development of sound systems for learning, establishing barriers and ensuring compliance to avoid delays, cost overruns and undesirable incidents during project planning and execution.

Estimates of the possible financial consequences of the total operational risk, as well as significant individual risks that are central drivers to the Group's overall risk profile, are included in the reporting of overall risk at Group level.

Regulatory, country and partner risk

Statkraft's activities in Norway are influenced by framework conditions such as taxes, fees, concessions, grid regulations, changes in mandatory minimum water level and other requirements stipulated by the Norwegian Water Resources and Energy Directorate (NVE). In addition there are the general terms and conditions stipulated for the energy industry that must be adhered to. These framework conditions can influence Statkraft's generation, costs and revenues.

The framework conditions in the individual countries in Europe are a result of international processes that will be important for Norwegian and other European power plants. With its international involvement, Statkraft is also directly exposed to national framework conditions, tax levels, licence terms and public regulation in those countries in which it operates. Statkraft therefore emphasises the uncertainty in relation to the future development of these factors when making investment decisions. Possible changes in the political landscape are considered, and maintaining an open dialogue with decision-makers in relevant arenas is highly prioritised.

Statkraft is also exposed to significant country risk, especially in emerging countries and partner risk. Statkraft assesses risk for each country individually and compares countries in each region. Partner risk is assessed at an early stage in order to confirm the necessary integrity and management structure. Statkraft is committed to ensuring that all parts of the Group comply with the Group's policy and procedures, and all employees are responsible for proper corporate conduct. The standards have been set out and made available in the management system "The Statkraft Way". The standards are also communicated to all partners and suppliers. Corruption is a risk in several of the countries where Statkraft is present. Statkraft strives to ensure compliance in all activities and has zero tolerance for corruption.

Changing environment

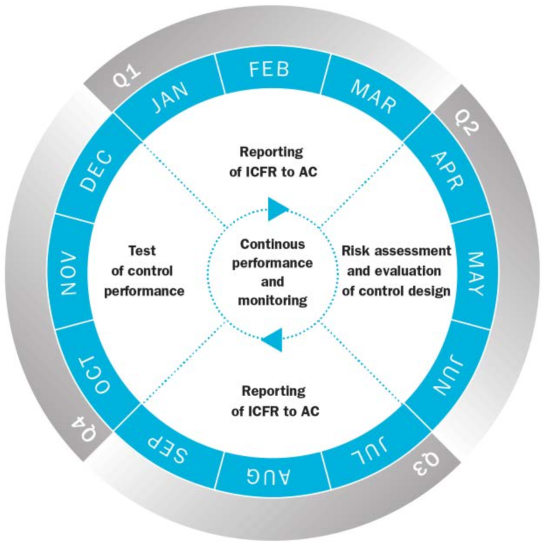
Climate change, technological development and changed consumer behaviour is of importance for all the risks described above and are important drivers for changes in framework conditions and political decisions. The increased uncertainties of the energy markets represent both threats and opportunities. To exploit these opportunities, Statkraft strives to adapt to the changing environment by:

- Developing skilled leaders
- Having sufficient flexibility and adaptability in the business models and decision processes
- Continuously monitoring technology development and identifying potential business opportunities or threats.

Internal control

Statkraft's management system, "The Statkraft Way", ensures a good control environment and contributes to achieving the Group's goals. Internal control requirements have been incorporated into the relevant internal control area, e.g. HSE, ethics, corporate responsibility, ICT and financial reporting.

Annual process for internal control over financial reporting



Internal control over financial reporting

Statkraft has a system to ensure reliable and timely financial information in the monthly, quarterly and annual reports (Internal Control over Financial Reporting - ICFR). The ICFR is based on the COSO 2013 framework for internal control, published by the Committee of Sponsoring Organizations of the Treadway Commission.

All subsidiaries are required to comply with the ICFR requirements as described in "The Statkraft Way" and in Statkraft's finance manual. The same applies for associated companies, joint operations and joint ventures where Statkraft is responsible for the bookkeeping and financial reporting. If a third party is responsible for the bookkeeping and the statutory reporting of the partly owned company, the responsible segment shall perform compensating controls.

The Board of Directors has the overall responsibility for a well-functioning ICFR system in the Group. The activities related to ICFR are performed in the Group's Governance, Risk and Compliance (GRC) system, BWise, which was implemented in 2015. BWise makes it possible to efficiently monitor real time status of control performance throughout the entire organisation.

The main elements of the ICFR system are:

- Risk assessment and evaluation of control design
- Continuous performance and monitoring
- Testing of control performance
- Reporting of ICFR to the Audit Committee constituted by the Board of Directors

In 2016, Statkraft started implementation of a fraud prevention system to prevent and detect fraud in processes related to procurement, accounting, tax and treasury. The system has a risk-based approach and will make use of methodology already in place for the ICFR system.

New Business Development and R&D

Statkraft runs business development and R&D activities across the company with the clear ambition of utilising and strengthening competitive advantages. The main activities are:

Operational Improvement projects

These projects address daily challenges and usually yield quick results. These projects are run by line management and focus on increasing value capture of existing plants and equipment.

Market Development activities

These activities pursue opportunities that arise in a dynamic energy market, and normally have a short development time. These activities expand our products and services in a market or expand existing business to new geographies.

New Business Development activities

These activities explore areas where Statkraft can establish a new industrial role. The focus is on core markets and Norway in particular. The main initiatives are currently:

- Biofuel, to mature technology for production of second generation biofuel from forest feedstock, in cooperation with Södra. The plan is to build a demonstration plant at Tofte, Norway, and then a commercial scale plant.
- Electric vehicle charging by developing commercial business models based on the ownership in Norway's second largest operator, Grønn Kontakt
- Data centres - developing sites and selling them on to global data centre operators
- Exploring initiatives that utilise Norwegian competitive advantages of affordable, renewable power, such as hydrogen and other power-intensive processes

HydroFlex

Statkraft is part of the NTNU-based project HydroFlex, which has received funding from the EU Commission's Horizon 2020. The four-year project was awarded in competition with over 130 other projects. The aim of the project is to find a solution for hydropower to start its production immediately when the sun does not shine and the wind does not blow, to potentially avoid fossil reserve power plants. Statkraft will head the task "Reference sites" where data from hydropower plants will be collected to provide computational basis for development of turbine, electrical system and for considering environmental impacts. Statkraft will also take part in several other tasks, including energy scenarios tailoring.

Statkraft Ventures

Statkraft Ventures search for investments in new downstream business models, with an annual investment capacity of EUR 10 million. So far, Statkraft Ventures has invested in six start-ups.

In addition to making investments, Statkraft Ventures connects new innovative firms with various business units within Statkraft.

Research and Development programme

Statkraft's Research and Development programme is multi-year and spans across relevant business areas. It focuses on strategic and operational topics within hydro and wind power. The R&D budget was somewhat downscaled in 2017 as part of the ongoing performance improvement programme.

Corporate Responsibility

Statkraft is committed to act in a sustainable, ethical and socially responsible manner. Statkraft carries out activities that support a global transition towards a low-carbon, climate-resilient economy by providing renewable and sustainable energy solutions. Statkraft's goal is to have sustainable and safe operations where people, communities, the environment and the assets are protected.

In order to fulfil these commitments, Statkraft takes guidance from globally recognised initiatives and standards, including the OECD's Guidelines for Multinational Enterprises and the IFC Performance Standards on Environmental and Social Sustainability. Statkraft is a member of the UN Global Compact and adheres to its ten principles relating to human rights, labour rights, environment and anti-corruption.

Statkraft has identified Goal 7 on "Affordable and Clean Energy" and Goal 13 on "Climate Action" as being the UN Sustainable Development Goals (SDGs) to which Statkraft's business aims at contributing the most. Statkraft also contributes to the implementation of several of the other SDGs.

Statkraft's external reporting on initiatives and performance within corporate responsibility is in accordance with the Global Reporting Initiatives (GRI) Standards.

Below is a summary of Statkraft's work and results in the corporate responsibility area in 2017.

Management of corporate responsibility

Corporate responsibility is an integral part of Statkraft's strategy and decision-making. A clear tone from the top and commitment to create a responsible culture in the organisation is the foundation for a sound management of corporate responsibility. The Board has adopted a Code of Conduct which describes fundamental principles for sustainable, ethical and socially responsible behaviour. The Code of Conduct applies to all companies in the Statkraft Group and to all individuals who work for Statkraft, regardless of location. Statkraft's business partners are expected to adhere to equivalent corporate responsibility standards as Statkraft. Statkraft's corresponding requirements for the Group's suppliers are described in Statkraft's Supplier Code of Conduct.

Corporate responsibility is an individual, managerial and line responsibility in Statkraft, and systems are in place to provide employees and managers with necessary guidance and advice to uphold desired behaviour. Principles and requirements related to corporate responsibility are included in Statkraft's management system. The system facilitates a structured and uniform handling of the Group's corporate responsibility. It is regularly reviewed and updated, as appropriate, so as to tailor it to new expectations and challenges. Aspects of corporate responsibility performance are monitored through the use of scorecards at group and business area levels and in regular business reviews. Corporate responsibility issues are also included in the Corporate Audit's scope of work.

Statkraft's employees are requested to report concerns or breaches of the rules through the line organisation or to Corporate Audit. Reporting can be made anonymously through a whistle-blowing channel which is managed by Corporate Audit. The whistle-blowing channel is also available for external parties via Statkraft's web site. In 2017, a total number of 57 (46) concerns were reported. The concerns were mainly related to the areas of business ethics and human resources. The reported concerns are assessed and followed up according to Statkraft's requirements: Of the reported concerns some are closed after an initial evaluation by the line management or by Corporate Audit. Others are further followed up with necessary measures being taken in the relevant line organisation, while in some cases a corporate investigation is needed to clarify facts. Corporate Audit is responsible for performing such investigations in Statkraft. In 2017, Corporate Audit initiated 5 (4) investigations.

Health and safety

Caring for people is at the heart of Statkraft's culture and we work continuously towards the goal of zero injuries. Leadership commitment, a proactive attitude towards health and safety, robust planning of projects and clear safety expectations are crucial to achieving this objective.

In 2017 there were no fatal accidents in relation to work for Statkraft. 48 (40) serious incidents (incidents with, or with the potential for, serious consequences) were registered. The serious incidents resulted in four (five) serious injuries. Serious incidents are investigated according to defined procedures in order to ensure learning across the organisation. Most of the serious accidents and near-accidents in 2017 were associated with driving, energised systems and work performed at heights.

Statkraft's HSE improvement programme, "Powered by Care", continued in 2017 focusing on these key elements:

- Leadership and commitment through Corporate Management's commitment statement and line management's active role in the HSE improvement program
- Implementation of Life-saving rules to improve prevention of serious and fatal injuries.
- Implementation and use of leading KPIs to increase management and employee engagement in health and safety.
- Awarding the CEO's HSE Award for the second time to inspire activities that improve health and safety results.
- Developing and implementing improved HSE training programmes for operations and projects.
- Sharing and learning through a new intranet portal and the HSSE (Health, Safety, Security and Environment) network, enabling more effective HSSE work.

The rate of lost-time injuries (LTI) was 2.8 (3.1) among Statkraft's employees and contractors, while the rate for all types of injuries (TRI) was 5.2 (4.9). In total 124 (128) injuries were registered, of which 67 (81) were lost-time injuries, among the Group's employees and contractors.

Sick leave in Statkraft is at a stable low level and was 3.5% in 2017 (3.0%), which represents a satisfactory result.

Security

Statkraft has a comprehensive approach to security topics and follows international good practice for security management. Countries where Statkraft is present are followed up on security matters through a risk-based approach.

Statkraft works continuously to strengthen efforts within the field of security. Measures include enhanced group alignment within security management and improved reporting of security incidents and observations. Statkraft has also continued to improve its operational abilities to both detect and handle IT security incidents.

198 security incidents were reported in 2017. 156 of these were IT security incidents, whereof nine were high potential incidents that were detected and blocked at an early stage.

Emergency response

Improved processes for emergency response management were implemented in 2017. The continuous strengthening of Statkraft's emergency preparedness, in particular through updates of emergency response plans, training and next-of-kin handling has been a priority in 2017.

Environment and climate

Statkraft's electricity generation is mainly based on hydropower and wind power. Both technologies are known to have low carbon emissions, but as with any form of energy generation, they leave a footprint on ecosystems and the landscape. Terrestrial and aquatic ecosystems may be altered by Statkraft's activities leading in cases to degradation of habitat. For example, bird collisions and habitat degradation due to wind farm development or low water levels in river stretches due to hydropower operations may lead to negative impacts on the environment.

In Norway, the long-term concessions are revised every 30 years with the aim of improving environmental performance in the regulated rivers (Revision of Terms). When concluding on the new concessional terms, Norwegian authorities strive to balance environmental improvements with the potential impacts to flexibility in the national power supply and reduced flood control. During 2017 Statkraft has been engaged in 12 ongoing revision processes. Another 12 revisions involving Statkraft assets may be initiated in the period between 2018 and 2021. The national implementation of the EU Water Framework Directive is one of the relevant inputs for the revisions.

In Sweden, the implementation of the Water Framework Directive (WFD) is linked to an ongoing process aiming at renewing the environmental legislation for hydropower. The new legislation aims at removing the obstacles to the WFD implementation contained in the current legislation. Based on a 2016 cross-parliamentary Energy Agreement, the hydropower industry is expected to finance in total its adaptation to EU WFD requirements. Together with eight other large hydropower companies, Statkraft is running a project to achieve this target by setting up a voluntary Hydro Environmental Fund. The fund owners will over a 20 year period contribute in total SEK 10 billion that will be used to facilitate the implementation of the WFD. The new legislation, and the Water Fund, are expected to enter into force and be established in 2018.

Statkraft undertakes a broad range of environmental initiatives in relation to biodiversity, both in terrestrial and aquatic ecosystems. Examples of such efforts include site specific operation of the power plants taking local environmental impacts into account, such as improving spawning and shelter habitats, fish restocking, roe planting, construction of fish passages and improvement of weirs.

There were no serious environmental incidents in the Group in 2017. However, 187 (233) less serious environmental incidents were registered. Most of these were related to minor breaches of emission regulations for biomass plants and minor oil spills to water and ground with little or no impact on the environment.

Statkraft supports a global transition towards a low-carbon economy by providing renewable and sustainable energy solutions. Statkraft's future growth will be in renewable energy, and Statkraft is climate-neutral through compliance with the European Emission Trading Scheme and according to the UN initiative Climate Neutral Now (CNN). Statkraft has a positive impact on the realisation of the UN SDG 13 on Climate Action, which is a critical pillar to achieving sustainable development and a pre-requisite for the realisation of other SDGs. At the same time, Statkraft manages in a responsible manner the negative impacts that Climate Action related activities may generate.

Statkraft's assets have a high degree of longevity, and the company conducts its core activities with a long-term perspective, including the effects of climate change, which may influence both operations and business opportunities significantly. The possible effects of climate change on Statkraft's Nordic hydropower assets have been thoroughly analysed. Half the effects of climate change, as forecast till 2035, have already manifested themselves and have been adopted into the company's hydrological and price forecasting models. Statkraft has adapted regional climate models to assess future changes in precipitation, temperature and discharge, which will affect water values and generation possibilities.

Climate change impacts outside the Nordics are assessed in hydrological impact studies focusing on future water availability for power generation, expected changes in production profile, ecosystem services and the environmental impacts. Operational and investment decisions in all regions are based on assessments that include climate change considerations.

In 2017, Statkraft's electricity consumption was 944 (918) GWh, and the emissions of greenhouse gases were 818 000 (773 400) tonnes of CO_2 equivalents. CO_2 emissions covered by ETS (Emissions Trading System) are compensated with European Emission Allowances (EUAs). Statkraft's consumption of electricity is neutralised by GoOs (Guarantee of Origin), while CERs (Certified Emission Reduction) are used to compensate for non-ETS emissions of CO_2. The carbon intensity of Statkraft's power generation was 14 kg CO_2/MWh in 2017.

In 2017, Statkraft's operations generated 15 400 (17 000) tonnes of hazardous waste, which was treated in accordance with applicable regulations.

Human rights and social issues

Statkraft's policy commitment on human rights is reflected in its Code of Conduct and the company's work on human rights is based on the internationally recognised United Nation's Guiding Principles on Business and Human Rights.

Statkraft's salient human rights issues relate to local community acceptance, including indigenous peoples, labour rights, health and safety and security arrangements. In 2017, Statkraft continued to prioritise these areas in its work on human rights management. Statkraft continuously works towards strengthening the integration of human rights into governing documents and processes, for instance those relating to social management, procurement and security arrangements. New governing documents and tools were developed in 2017 on rights of indigenous peoples, labour rights in the supply chain, land acquisition or land use, and security arrangements.

A training programme was rolled out in 2017 at senior management and country head levels, as well as for specific functions or geographies that relate to Statkraft's salient human rights issues.

Statkraft became member of the Nordic Business Network for Human Rights, a professional network for global companies, which works with human rights impacts in their organisations and supply chains.

In 2017, Statkraft continued to actively consult and engage in discussions with rights holders and other stakeholders relating to the planned hydropower projects on the Pilmaiquén River in Chile (Osorno and Los Lagos). Statkraft aims at obtaining a better understanding of the potential impacts, and is undertaking further analysis, alongside continuous stakeholder engagement.

Agreement on mitigating measures and compensation for extra works during the construction phase has been entered into with the

Northern Group at Fosen wind farm in Norway. There has been a dialogue also with the Southern Group, but an agreement could not be reached. Court hearings are scheduled in May 2018 for determining compensation to both groups with respect to the operational phase of the respective wind farms, as well as for the construction phase with respect to the Southern Group. The Southern Group disputes the validity of the concession for the Storheia wind farm. The case stands before the courts.

Statkraft works to enhance direct and indirect benefits and development opportunities for stakeholders. Interventions are a result of consultations with all affected stakeholders in accordance with good international practices and standards, based on the IFC Performance Standards on Environmental and Social Sustainability.

In 2017, core activities have included the completion of resettlement and compensation programs for the Banja hydropower project in Albania. This was especially relevant in light of the filling of the reservoir and commencement of operations of the plant. Work continues regarding livelihood restoration for Banja and the upcoming resettlement for the Moglicë hydropower project upstream on the Devoll River. At the Kargi hydropower plant in Turkey, a mitigation programme to improve irrigation systems downstream of the intake dam is being implemented.

Business ethics and anti-corruption work

Statkraft works actively and systematically to prevent corruption and unethical practices in all business activities and further development of the Compliance programme took place in 2017. The Compliance programme covers the areas of corruption, fraud, money-laundering, sanctions and export control, as well as personal data protection and competition law. New governing documents covering all of these areas as well as new practical guidelines were developed in 2017. These have been adapted to the company's risk profile and responds to applicable laws and requirements, as well as relevant international standards.

Compliance related risk assessments are conducted regularly, with the most frequent updates for higher risk business units. In 2017, work was initiated to review and improve the methodology used for compliance risk assessments. In addition, specific risk assessment work was initiated in the area of anti-money laundering and competition law, complementing similar reviews of other topics.

Statkraft has rolled out mandatory business ethics and anti-corruption training to all staff in the Group, with the exception of Skagerak Energi and Fjordkraft which have their own programmes. The Board of Directors has also conducted a similar training programme. In 2017 a new training programme was developed, building on lessons from previous training efforts and results from risk assessments.

A new "tone from the top" initiative was launched in 2017 with a focus on further strengthening management involvement and promotion of an ethical culture. New performance indicators are being introduced, along with more regular lessons learning discussions on compliance in all leadership teams, and more frequent communication by senior managers on the topic of business ethics.

In 2017 a Personal Data Protection project was launched, aimed at strengthening knowledge, competence and the internal control framework needed to ensure an adequate handling of personal data.

Employees and organisation

As part of the ongoing performance improvement programme, Statkraft conducted a workforce restructuring in 2017 including a significant reduction of full-time equivalents and a number of changes in the organisational structure. This was implemented based on transparent processes and in close dialogue with employee representatives with the aim of securing the right competence to deliver on strategy while maintaining fair treatment of all employees. About 200 leaders were trained in change management as part of Statkraft's effort to provide solid support for the employees during this organisational change.

Statkraft's employee engagement survey was conducted in September 2017 with a record high response rate of 92%. The survey showed high and stable motivation and satisfaction. The result on total score for employee engagement was 72% which is the same level as recent years and above the Global Employee and Leadership Index Norway.

Statkraft continued to develop its position as an attractive employer both among graduates and more experienced candidates. Norway is the largest market in terms of employment, and Statkraft has sustained a strong position as the sixth and seventh most attractive employer among engineering and natural sciences students in the Universum Survey and Karrierebarometeret.

In Statkraft's people performance process, the company strategy and targets are structured and cascaded into individual targets or development plans for respective employees or teams. The people performance process is an integral part of how to work in Statkraft and 97% completed the goal and development dialogues in 2017.

Statkraft offers training in core business processes such as operations and maintenance, energy management and project management, as well as business ethics, safety, and leadership through the Statkraft Academy.

As a result of Statkraft's strengthened position in South America, a number of integration activities were implemented in Chile and Brazil during 2017. Building on business and systems integration, these activities contributed to a strengthened implementation of Statkraft's management system, with a special focus on the Code of Conduct, including on compliance and human rights. The programs have been offered to all employees in Brazil and Chile, and will continue throughout 2018.

Statkraft has a structured and close collaboration with local employee representatives and trade unions. In addition to cooperation at the national level, Statkraft has established a works council (Statkraft European Works Council, SEWC), with employee representatives from Norway, Sweden, Germany and the UK.

Wherever it operates, Statkraft supports and respects internationally recognised labour rights. Relevant ILO conventions and EU directives have been included in the SEWC agreement with EPSU (European Federation of Public Service Unions), the federation for European unions within the energy industry. In countries not covered by SEWC, Statkraft respects the employees' freedom of association and collaborates with union representatives in accordance with collective bargaining agreements, legal requirements, international standards and prevailing industry best-practice for each location.

Statkraft aims to foster a diverse workforce, where a strong combination of backgrounds and mind-sets help the company innovate and deliver high performance. Equal treatment is a core tenet of Statkraft's recruitment and HR policy. Statkraft has a recruitment policy that requires diversity among the candidates for all leadership positions, with both men and women represented in final evaluations. Women are prioritised to participate in leadership and talent development measures.

Statkraft will continue to focus on diversity and inclusion in a broad manner in 2018, piloting new initiatives that are tailored to the challenges of our industry and geographic locations. To increase gender diversity, Statkraft has set targets to reach 25% female representation in management positions and 30% in senior management positions by 2020.

At the end of 2017, 25% (25%) of the Group's employees were women, and the share of women in management positions was 22% (22%). The percentage of women in Statkraft's Board of Directors is 44% (44%). The share of women among new employees in 2017 was 22% (24%), and 32% of the employees attending leadership development programs were women. The average salary for women compared to the average salary for men in Statkraft was 0.93 (0.90), and the corresponding figure for managers was 0.92 (0.90).

At the end of 2017, the Group had 3309 (3484) full-time equivalent employees. The Group had employees in 16 (16) countries and 38% (40%) of the employees were located outside of Norway. The average length of service was 12.0 (11.6) years and the employee turnover was 5.7% (6.6%).

Corporate Governance

Efficient and transparent management and control of the business form the basis for creating long-term value for the owner, employees, other stakeholders and society in general, contributing towards sustainable and lasting value creation. The distribution of roles between the Norwegian state as the owner, the Board of Directors and the Management of the company shall inspire confidence among stakeholders through predictability and credibility. Open and accessible communication from the company ensures that the Group maintains a good relationship with society in general and all stakeholders affected by the company's activities in particular.

Statkraft follows the Norwegian State's principles for sound corporate governance, described in the White Paper Meld. St. 27 (2013-2014) "Et mangfoldig og verdiskapende eierskap" ("Diverse and value-creating State ownership"), and is subject to reporting requirements relating to corporate governance according to Section 3-3b of the Accounting Act. Furthermore, Statkraft applies the Norwegian Code of Practice for Corporate Governance (NUES) within the framework established by the company's organisation and ownership.

Reference is also made to the separate description of corporate governance in the annual report.

Corporate Audit

Corporate Audit is an important part of the organisation in terms of evaluating and improving the effectiveness of the organisation's governance, risk management and internal control. The Head of the Corporate Audit reports functionally to the Board of Directors and administratively to the CEO. Corporate Audit's responsibilities are defined by the Board of Directors and its activities are performed with the following objectives:

- Increase awareness and drive continuous improvements related to governance, risk management and internal control
- Anchor responsibility and ownership in such a way that agreed solutions are implemented
- Share experiences across the organisation
- Follow-up implementation of audit recommendations

Corporate Audit is authorised to obtain full, free, and unrestricted access to any of Statkraft records, physical properties and personnel pertinent to carrying out audit engagements. All employees are requested to assist Corporate Audit in fulfilling its roles and responsibilities. The Head of Corporate Audit has free and unrestricted access to the Board of Directors and the Audit Committee. The Audit Committee and the Head of Corporate Audit hold a minimum of one meeting per year without the presence of the Group administration. The Head of Corporate Audit is responsible for Statkraft's whistle-blowing system and is the first recipient of all concerns reported directly through the whistleblower channel. In cases where an investigation is required, this is the responsibility of the Head of Corporate Audit.

The work of the Board of Directors

Ingelise Arntsen joined the board as a new member in June 2017, replacing Helene Biström.

The Board of Statkraft AS held ten board meetings in 2017. The Board has a strong focus on operations and ongoing development projects. A significant part of the work of the Board of Directors in 2017 was discussions and alignment of the Group's strategy.

The Board has an Audit Committee consisting of four board members. The Audit Committee held seven meetings in 2017. The Audit Committee acts as a preparatory and advisory working committee in respect of the Board's administrative and supervisory tasks in the areas of:

- Preparation of the Board's follow-up of the account reporting process and external financial reporting
- Monitoring of the systems for internal control and risk management related to financial reporting, including the financial reporting consequences of the major risk exposures in the company
- Monitor that the Company has adequate compliance processes and procedures to prevent and detect violations of laws, regulations and internal requirements within areas such as fraud and corruption and/or other areas which may have financial reporting consequences.

The Board also has a Compensation Committee consisting of the chair of the Board and two of the board members. The

Compensation Committee held three meetings in 2017. The mandate of the committee is as follows:

- Once a year prepare the board's treatment of items relating to the CEO's salary and conditions of employment
- Prepare the Board's statement on executive pay and other compensation paid to senior executives
- Prepare the Board's treatment of all the fundamental issues relating to salary, bonus systems, pension and employment agreements and similar for the executive management in Statkraft
- Deal with specific issues related to compensation for employees in the Statkraft Group to the extent that the Committee deems that these concern matters of particular importance for the Group's reputation, competitiveness and attractiveness as an employer
- The CEO shall consult the Compensation Committee regarding the salaries for the corporate executives and Head of Corporate Audit before they are decided upon

Going concern

In accordance with the provisions of the Norwegian Accounting Act, the Board of Directors confirms that the annual financial statements have been prepared on the assumption that the company is a going concern, and that it is appropriate to make that assumption.

Profit allocation

The parent company Statkraft AS had a net profit of NOK 19 538 million in 2017 (NOK 1371 million).

The board of Statkraft SF proposes a dividend of NOK 6040 million. The dividend will be disbursed from Statkraft SF, and in order to provide Statkraft SF with sufficient ability to disburse dividend, the Board of Statkraft AS proposes the following allocation of the annual profit in Statkraft AS:

Profit allocation	
Amounts in NOK mill.	
Net annual profit in Statkraft AS' company accounts	19 538
Appropriation of profit for the year and equity transfers:	
Allocated dividend from Statkraft AS to Statkraft SF	6 100
Allocated to other equity	13 438

The proposed dividend is deemed to be prudent based on Statkraft AS' equity and liquidity.

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 Statkraft's exit from offshore wind power has significantly contributed to improve the investment capacity. Statkraft has a solid foundation for further growth in renewable energy.

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

Thorhild Widvey
Chair of the Board

Halvor Stenstadvold
Deputy chair

Hilde Drønen
Director

Peter Mellbye
Director

Ingelise Arntsen
Director

Bengt Ekenstierna
Director

Vilde Eriksen Bjerknes
Director

Thorbjørn Holøs
Director

Asbjørn Sevlejordet
Director

Christian Rynning-Tønnesen
President and CEO

Declaration from the Board and CEO

We confirm to the best of our knowledge that the consolidated financial statements for 2017 have been prepared in accordance with IFRS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that the financial statements for the parent company for 2017 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that the information presented in the financial statements gives a true and fair view of the Company's and Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that the board of directors' report gives a true and fair view of the development, performance and financial position of the Company and Group, and includes a description of the key risks and uncertainties the companies are faced with.

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

Thorhild Widvey
Chair of the Board

Halvor Stenstadvold
Deputy chair

Hilde Drønen
Director

Peter Mellbye
Director

Ingelise Arntsen
Director

Bengt Ekenstierna
Director

Vilde Eriksen Bjerknes
Director

Thorbjørn Holøs
Director

Asbjørn Sevlejordet
Director

Christian Rynning-Tønnesen
President and CEO

Statkraft Group Management

From the left: Irene Egset, Steinar Bysveen, Christian Rynning-Tønnesen, Hallvard Granheim, Hilde Bakken, Jon Vatnaland and Jürgen Tzschoppe.

Christian Rynning-Tønnesen
Born 1959, Norwegian

Group management since 2010
Position: CEO
Employee in Statkraft since 2010-, 1992-2005
Education: MSc NTH, Trondheim
Norwegian Army officer education
Former positions: Norske Skog: CEO and CFO.
Statkraft: CFO and other executive positions.
McKinsey: Consultant.
Esso Norge: Refinery commercial coordinator.
Current board positions: Board member:
Klaveness. Chair: VCOM. Advisory board member:
Det Norske Veritas.

Irene Egset
Born 1966, Norwegian

Group management since 2016
Position: CFO
Employee in Statkraft since 2008
Education: MSc NHH, Bergen
Former positions: Statkraft: EVP Corporate Staff,
SVP Financial Reporting and Strategic Finance,
SVP Finance Wind Power and Technologies.
Statoil: various positions.

Hallvard Granheim
Born 1976, Norwegian

Group management since 2014
Position: EVP Market Operations and IT
Employee in Statkraft since 2012
Education: MSc NHH, Bergen
Former positions: Statkraft: EVP & CFO,
SVP Financial Reporting, Accounting and Tax.
Deloitte: Director, Advisory & Auditor.
Norske Skog: VP Energy Sourcing & Trading.

Hilde Bakken
Born 1966, Norwegian

Group management since 2010
Position: EVP Power Generation
Employee in Statkraft since 2000
Education: MSc NTH, Trondheim and TU Delft,
Netherlands
Former positions: Statkraft: EVP Corporate Staff
and various positions within the Generation and
Market business. Norsk Hydro: various mgmt. and
engineering positions
Current board positions: Board member: Yara
International, Oslo Energy Forum.

Jon Vatnaland
Born 1975, Norwegian

Group management since 2017
Position: EVP Corporate Staff
Employee in Statkraft since 2009
Education: Cand. polit. sociology and Ph.D. innovation
studies, UiO.
Former positions: Statkraft: SVP Strategy in Wind
Power and Technologies, MD Statkraft UK ltd, Senior
advisor Corporate Strategy. McKinsey: Engagement mgr.
Current board positions: Board Member: Energi Norge,
TIK Centre at UiO.

Jürgen Tzschoppe
Born 1968, German

Group management since 2015
Position: EVP International Power
Employee in Statkraft since 2002
Education: Ph.D. Electrical engineering, RWTH Aachen
Former positions: Statkraft: EVP Market Operations
and IT, SVP Continental Energy. MD Statkraft Markets
GmbH and Knapsack Power GmbH & Co. KG.
Enron: Power Trading Europe Associate.
IAEW Aachen: Chief engineer.

Steinar Bysveen
Born 1958, Norwegian

Group management since 2010
Position: EVP Wind Power, District heating and Projects
Employee in Statkraft since 2010
Education: MSc NTH, Trondheim. Business studies BI.
Former positions: Statkraft: EVP Wind, Technology and
Strategy, EVP Production and Industrial Ownership, EVP
Corporate Development. Energi Norge: CEO. Industrikraft
Midt-Norge: MD.
Current board positions: Chair: Skagerak Energi,
Fosen Vind DA. Deputy chair: BKK. Board member:
Agder Energi.

Corporate Governance

The corporate governance statement clarifies the distribution of roles between the Norwegian state as owner, the board and the management in the company.

Efficient and transparent management and control of the business forms the basis for creating long-term value for the owner, employees, other stakeholders and society in general, and as a result, contributes to sustainable and lasting value creation. The distribution of roles shall inspire confidence among stakeholders through predictability and credibility. Open and accessible communication from the company ensures that the Group maintains a good relationship with society in general and, in particular, with all stakeholders affected by the company's activities.

Statkraft follows the Norwegian state's principles for sound corporate governance as described in the White Paper, Meld. St. 27 (2013-2014) Et mangfoldig og verdiskapende eierskap (Diverse and value-creating ownership), and is subject to reporting requirements relating to corporate governance according to Section 3-3b of the Accounting Act. Furthermore, Statkraft applies the Norwegian Code of Practice for Corporate Governance (NUES) within the framework established by the company's organisation and ownership.

Information that Statkraft is obliged to provide pursuant to Section 3-3b of the Accounting Act relating to corporate governance has been taken into account in this statement and follows the systematics laid down in the recommendation where applicable. A detailed description of how Section 3-3b, second paragraph of the Accounting Act has been applied follows below:

1. an indication of the recommendation and corporate management regulations that the enterprise is subject to or has otherwise chosen to adhere to
   Section (1) of the statement: Corporate governance statement
2. information as to where recommendations and regulations as mentioned in No. 1 are publicly available
   - The recommendations which Statkraft follow are available at www.nues.no, in Meld. St. 27 (2013-2014) Et mangfoldig og verdiskapende eierskap (white paper on the government's governance), and in the Norwegian state's principles for sound corporate governance.
   - Statkraft's code of conduct is available on Statkraft's website.
3. reasons for any non-compliances in relation to recommendations and regulations as mentioned in No. 1
   - NUES' recommendations for the Sections (3) Equity and dividends, (4) Equal treatment of shareholders, (5) Freely negotiable shares, (6) General meetings, (7) Nomination committee, (12) Remuneration of executive personnel and (14) Take-overs, are not relevant for Statkraft as a wholly state-owned company. These items have, however, been covered in line with the requirements applying to Statkraft as a wholly-owned state company.
4. a description of the main elements of the enterprises and, for entities required to prepare financial statements, possibly also the group's systems for internal control and risk management in connection with the financial reporting process
   - The statement's Section (10) Risk management and internal control
5. provisions in the Articles of Association that in part or in full do not comply with provisions in Chapter 5 of the Public Limited Liability Companies Act
   - The statement's Section (6) Enterprise meeting and general meeting
6. composition of the board, corporate assembly, supervisory board and control committee; or working committees for these bodies, as well as a description of the main elements in the applicable instructions and guidelines for the bodies and the work of any committees
   - The statement's Section (8) Corporate assembly and board of directors: composition and independence, and Section (9) The work of the board of directors
7. the provisions of the Articles of Association that govern nomination and replacement of board members
   - The statement's Section (8) Corporate assembly and board of directors: composition and independence
8. the provisions of the Articles of Association and authorisations that give the board authority to decide that the enterprise will repurchase or issue own shares or equity certificates
   - The statement's Section (3) Equity and dividends

A statement concerning follow-up of the items in the Norwegian Code of Practice for Corporate Governance is provided below.

(1) Corporate governance statement

Statkraft is organised through a state enterprise, Statkraft SF. The activity in Statkraft SF is, for all practical purposes, restricted to owning all shares in Statkraft AS. Statkraft SF and Statkraft AS have an identical board of directors and management. Statkraft AS is the parent company for an underlying Group structure. Statkraft adheres to the Norwegian Code of Practice for Corporate Governance (NUES) within the framework established by the company's organisation and ownership. Statkraft follows the Norwegian state's principles for sound corporate governance, described in the White Paper, Meld. St. 27 (2013-2014) Et mangfoldig og verdiskapende eierskap (Diverse and value-creating ownership), and is subject to reporting requirements relating to corporate governance according to Section 3-3b of the Accounting Act.

The Norwegian state's principles for sound corporate governance from the Governance White Paper are as follows:

1. All shareholders shall be treated equally.
2. There shall be transparency in the state's ownership exercise and the company's operations.
3. Ownership decisions and resolutions shall be made at the general meeting.
4. The board is responsible for elaborating on explicit objectives and strategies for the company within the constraints of its articles of association; the state sets performance targets for each company.
5. The capital structure of the company shall be appropriate given the objective and situation of the company.
6. The composition of the board shall be characterised by competence, capacity and diversity, and shall reflect the distinctive characteristics of each company.
7. The board assumes executive responsibility for administration of the company, including performing an independent supervisory function vis-à-vis the company's management on behalf of the owners.
8. The board shall adopt a plan for its own work, and work actively to develop its own competencies and evaluate its own activities.
9. Compensation and incentive schemes shall promote value creation within the company and be generally regarded as reasonable.
10. The company shall work systematically to safeguard its corporate responsibility.

The company's value base is described in Statkraft's Code of Conduct, and the guidelines for ethics and corporate responsibility have been designed on the basis of this code. The company's annual report includes a statement on corporate responsibility.

(2) Activities

The objective of Statkraft AS, alone, or through participation in, or cooperation with other companies, is to plan, engineer, construct and operate energy facilities, conduct physical and financial energy trading, and perform naturally related operations. Statkraft AS is registered in Norway and its management structure is based on Norwegian company legislation. Statkraft is also subject to the Norwegian Securities Trading Act and stock exchange regulations associated with the company's debt obligations.

Objectives and framework for the activities in Statkraft are set out in parliamentary documents and resolutions by the Parliament (Stortinget), see www.regjeringen.no and www.stortinget.no.

(3) Equity and dividends

Statkraft AS' share capital totals NOK 33 600 000 000, divided among 200 000 000 shares of NOK 168 each. The company's shares can only be owned by Statkraft SF.

Capital increases are processed through the enterprise meeting of Statkraft SF and the general meeting of shareholders in Statkraft AS.

The State as the shareholder is free to set the dividend in its wholly owned companies. The provision of the Limited Liability Companies Act to the effect that the general meeting cannot adopt a higher dividend than that proposed or accepted by the Board of Directors, does not apply to wholly owned state companies.

In 2017, the Norwegian government announced a new dividend expectation for Statkraft as part of the proposal for the revised State budget. The owners dividend expectations is that Statkraft pays a dividend of 85 per cent of realised profit from Norwegian hydropower business and 25 per cent of realised profit from other business activities. Realised profit is the profit before tax, minus payable taxes and adjusted for unrealised effects and minority interests. Dividends received from equity accounted investments are included in realised profits. The Norwegian hydropower business is defined in the notes to the annual report. The Board of Directors maintains a continuous focus on adapting the company's objectives, strategy and risk profile to the company's capital situation. Statkraft's investments are financed through a combination of retained capital, borrowings and any new equity contributed by the owner. See Note 6 in the annual report for more information about the company's capital structure management.

(4) Equal treatment of shareholders and transactions with related parties

Statkraft engages in transactions with companies that are closely related to Statkraft's shareholder, the Norwegian state. All transactions are based on regular commercial terms and principles.

The instructions to the Board of Statkraft state that neither board members nor the President and CEO may participate in the processing or resolution of issues that are of substantial personal or financial interest to them or closely related parties. Any persons in such a situation must, on their own initiative, disclose any interest they or their closely related parties may have in the resolution of an issue. The same follows from the Group's ethical guidelines.

(5) Freely negotiable shares

Shares in Statkraft AS can, according to the Articles of Association, only be owned by the state-owned enterprise Statkraft SF.

(6) Enterprise meetings and general meetings

The Norwegian state exercises its authority as the owner in the enterprise meeting of Statkraft SF. In accordance with the Articles of Association of Statkraft SF, Statkraft SF cannot attend and vote in a general meeting in Statkraft AS without a preceding decision in an enterprise meeting.. The enterprise meeting and the following general meeting are held annually by the end of June. The auditor attends the enterprise meeting and the general meeting.

Before the Board of Directors makes a decision in matters assumed to be of significant importance for the purpose of the enterprise/company, or which will significantly change the character of the activities, the matter must be put before the ministry representing the state's ownership in accordance with the State Enterprise Act.

(7) Nomination committee

Statkraft SF and Statkraft AS have no nomination committee. The election of the board members appointed by the owner in Statkraft SF will take place in the enterprise meeting. Statkraft SF and Statkraft AS have identical boards.

(8) Corporate assembly and board of directors: composition and independence

The State Enterprise Act stipulates that state-owned enterprises shall be governed by a board and a chief executive officer. Pursuant to the Limited Liability Companies Act, Statkraft AS has entered into an agreement with its employees' trade unions stipulating that the company will not have a corporate assembly. Three of the board's nine members are elected by the employees based on the agreement that the company will not have a corporate assembly.

The State emphasises competence, capacity and diversity based on the company's distinctive character when the State selects people to sit on the companies' boards. The goal is for the board of each company, to collectively represent the desired expertise based on the company's objective, business area, challenges and the State's ownership goals. Emphasis is e.g. placed on selecting representatives with broad-based experience from commerce and industry for companies with commercial goals.

The Norwegian Parliament (Stortinget) has decided that its members should not be appointed to offices in companies that are subject to the Parliament's control. It is also assumed that ministers will resign from such offices when elected into the Government and also cannot be selected for new offices. The same applies to state secretaries.

There are provisions stipulating that senior officials and civil servants employed in a ministry or the Central Administration in general, who deal with matters concerning the enterprise as part of their job, or that are working in a ministry or other Central Administration agency that regularly processes matters of significance for the company or the industry sector in question, cannot be elected to the company's board, see the White Paper, Meld. St. 27 (2013-2014) Et mangfoldig og verdiskapende eierskap (Diverse and value-creating ownership). The President and CEO and senior executives of Statkraft are not members of Statkraft's board.

Board members are normally elected for terms of two years and can be re-elected.

(9) The work of the board of directors

The Board of Directors usually meets six to ten times a year. The chair of the Board of Directors will hold board meetings as often as is required. The Board of Directors has stipulated board instructions with guidelines for the work and case processing of the board. The instructions also cover the President and CEO. The instructions define the work scope, duties and authorities of the President and CEO in more detail than follows from the legislation.

The Board of Directors prepares an annual agenda for its work, with a special emphasis on goals, strategies and implementation. The Board of Directors holds an annual strategy conference. The President and CEO prepare background material for such conferences in the form of strategic, economic and financial plans.

The Board of Directors informs the boards of subsidiaries of matters of potential significance for the subsidiary in question. The Board of Directors evaluates its own performance and expertise annually.

The Board of Directors has appointed a Compensation Committee consisting of the Board chair and two of the other members. The Compensation Committee prepares the board's deliberations on the wages and other benefits paid to the President and CEO - as well as matters of principle related to wage levels, incentive schemes, pension terms, employment contracts and similar for the company's executives. The remuneration for the Head of Corporate Audit is stipulated by the board.

The board's Audit Committee comprises four of the Board of Director's members. The committee shall function as a preparatory body for the board's management and supervision work, and at least one member of the Audit Committee shall have experience in accounts management, financial management or auditing. The background and expertise of the individual board members is available on Statkraft's website («The Board»).

An overview of the members' participation in board meetings is available in Note 37 of the annual report.

(10) Risk management and internal control

Risk management is an integrated part of all activities in Statkraft, and managers at all levels of the organisation are responsible in this regard, including subsidiaries, joint ventures and contractors. Risk management is regulated by mandates, specification documents and guidelines. Follow-up of risk and risk management are incorporated in the daily business operations.

Risk management and internal control are integral parts of the Board of Directors work. The board has the overall responsibility for Statkraft having suitable and efficient systems in place for risk management and internal control. In order to ensure this, the Board of Directors shall:

- Review the Group’s most important risk areas at least once a year
- Ensure that the systems are adequately established, implemented and followed up, e.g. through processing of reports submitted to the board by the President and CEO and the internal audit function
- Ensure that risk management and internal control are integrated in the Group's strategy and business plans

Furthermore, the Board of Directors shall ensure that the President and CEO have:

- Stipulated instructions and guidelines for how the Group's risk management and internal control will be carried out in practice
- Established adequate control processes and functions
- Ensured that Statkraft's risk management and internal control are carried out, documented, monitored and followed up in a prudent manner

Statkraft's management system, "The Statkraft Way", defines the Group's ground rules and ensures a sound control environment for fulfilling the management's goals and intentions. The Statkraft Way is based on ISO principles for quality and environmental management systems.

Statkraft’s corporate audit function is an independent function which assists the Board of Directors and management in assessing whether the group’s most significant risks are sufficiently managed and controlled. The purpose of corporate audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight related to the organisation's governance, risk management and internal control. The Audit Committee and Corporate Audit hold a minimum of one meeting per year without anyone from the Group's administration being present.

Internal audits are conducted according to an annual rolling plan. The audit work shall be carried out in accordance with the International Standards for Internal Auditing (IIA). The annual corporate audit report is submitted to the Board, which also approves the audit plan for the coming year. Corporate Audit also presents a semi-annual report to the Audit Committee. Implementation of the recommendations from Corporate Audit is regularly followed up.

The head of the Corporate Audit acts as notification body for unethical or illegal matters. In cases where an investigation is required, this is the responsibility of the head of corporate audit. The internal control concept includes compliance with the company's value base and guidelines for ethics and corporate responsibility. Important functions to ensure that risk management and internal control are an integrated part of the activities in Statkraft include the Group's internal auditing, the Compliance Officer function, the Group risk function, the Group's Investment Review unit and the Group’s internal control in connection with financial reporting. The Investment Review unit (IRU) ensures an independent risk assessment in relation to individual investments and across the project portfolio.

Risk management is an integrated part of governance through a risk-based system for the corporate management's follow-up of the business areas. A centralised Group risk function has been established. The function is independent of the commercial operations. The Group's risk function monitors Statkraft's overall risk at the Group level and reports to the CFO. The Group's overall risk profile is concluded upon by the Group management and is reported to the Board of Directors.

Internal control of financial reporting

The Group's CFO is responsible for the process for internal control over financial reporting in Statkraft. The Internal Control in the Financial Reporting (ICFR) work is based on the COSO 2013 framework for internal control, published by the Committee of Sponsoring Organizations of the Treadway Commission.

Statkraft has a Financial Manual which is available to all employees on the Group's intranet portal. The manual shall ensure that the financial reporting process requirements set by the Group's management system, “The Statkraft Way”, are complied with. This includes a description of the reporting process, the internal control system, reporting instructions, financial reporting principles, reporting calendar and course calendar. The information in the manual is continuously kept up to date and all documents are updated at least once a year.

The Group’s management system and the Finance Manual form an important basis for the work with ICFR. Statkraft has a system for ICFR to ensure reliable and timely financial information in the monthly, quarterly and annual reports. All subsidiaries are required to comply with the ICFR requirements in the Finance Manual. The same applies for associated companies, joint operations and joint ventures where Statkraft is responsible for the book-keeping and financial reporting. If a third party is responsible for the book-keeping and statutory reporting of the partly owned company, the responsible segment shall perform compensating controls.

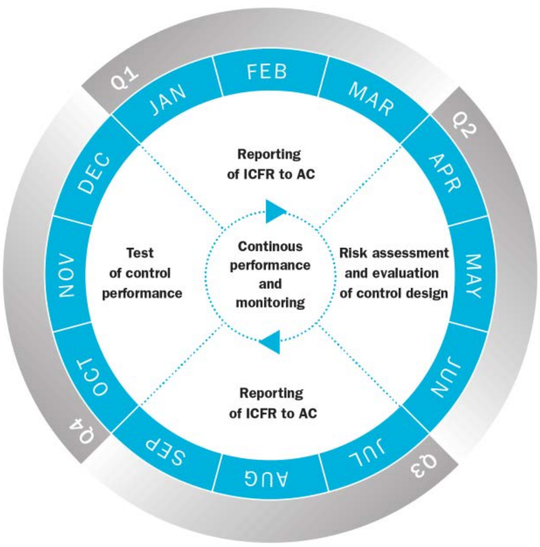
The activities related to ICFR are performed in the Group’s Governance, Risk and Compliance (GRC) system, BWise. Through BWise, the Group is able to efficiently monitor real time status on control performance throughout the whole organisation.

The main elements of the ICFR system are:

1. **Risk assessment and evaluation of control design**
   The Group's ICFR Network performs an annual assessment of the Group's risk of including errors in the financial reporting. The result of this risk assessment is documented in a financial reporting risk map presenting the likelihood of the risk to occur, and the consequence in the financial report given that the risk occurs. The risk map is presented to the Audit Committee. Business and support processes for handling the financial reporting risks are identified and assessed. The purpose of this work is to verify whether Statkraft has appropriate controls in place to mitigate these risks sufficiently. For the identified controls, it is described how these shall be performed, documented and reviewed. In addition, it is described who is responsible for implementing them. All the activities are performed in BWise, and the control descriptions in BWise are available for all employees through the Finance Manual.
2. **Reporting of ICFR to Audit Committee**
   Twice a year, key elements within the ICFR system are reported to the Audit Committee. The result of the yearly assessment related to control design and operational effectiveness is reported in March.
3. **Continuous performance and monitoring**
   For each control, it is defined how often the control shall be performed and who is responsible for performing and reviewing the control in BWise. The controls shall be performed monthly, quarterly, half yearly or yearly. Managers are responsible for compliance with the control descriptions and ICFR requirements. Responsible managers perform an assessment on design and operational effectiveness of all controls annually. BWise makes it possible to perform real time monitoring of control performance throughout the whole organisation, and gives easy access to control documentation on entity, segment and group level.
4. **Test of control performance**
   Quarterly and on a sample basis, the ICFR department together with ICFR monitors from all segments/areas, review the quality of control performance and compliance with the control descriptions. The result of this testing is presented to control performers and reviewers, and reported to management.
5. **Reporting of ICFR to Audit Committee**
   The Group’s financial reporting risk assessment is reported in September. If a material breach of the ICFR requirements has occurred, this will be reported to the Audit Committee.

Statkraft prepares four monthly and quarterly internal reports which analyse the performance and forecasts for the Group and the segments. The reports are reviewed and quality assured by the segment management, CFO and corporate management. Special emphasis is put on analysis of financial performance, market developments, production and investments. The internal reports are continuously reconciled with the Group's consolidated income statement and consolidated balance sheet. The results in the business areas are also measured and followed up through score cards consisting of financial, operational and organisational target figures.

Annual process for internal control over financial reporting



Each year, the Group releases four quarterly financial statements and one annual financial statement. The accounts are prepared in accordance with statutory and regulatory requirements and are presented on the basis of applicable accounting principles and within the deadlines stipulated by the Board of Directors. For each quarter, special reporting instructions are prepared and communicated to the segments. The principle documents for financial reporting and the reporting instructions, set clear requirements for allocation of responsibilities as regards preparation and assuring the quality of information. In addition, risk assessment and control measures have been established on multiple levels in connection with each individual presentation of the accounts.

Internal meetings where the CFO and the segments participate are held each quarter to review the risk factors of the segments, significant accounting items and other issues. The meetings also include risks in relation to financial reporting, both in the short and long term. The drafts of accounts that are made public are reviewed by the corporate management to ensure that the information reflects the underlying operations. In addition, the Audit Committee of the Board of Directors performs a preparatory review of the quarterly accounts and annual accounts, focusing on valuation items, significant incidents and non-recurring items. For each quarter, the Audit Committee receives an accounting memo describing these types of items. The external auditor participates in all meetings of the Audit Committee.

(11) Remuneration of the board of directors

The owner stipulates the remuneration for the Board of Directors. The remuneration is not related to the company's results.

Shareholder-elected board members normally do not perform any additional tasks for the company. To the extent that the members of the board perform tasks for the company, this must be clarified with the other board members in advance. Board of Directors remuneration is described in Note 37 in the annual report.

(12) Remuneration of executive personnel

Statkraft adheres to the Norwegian state's guidelines for employment terms for managers in state enterprises and companies.

The Board of Directors will contribute to a moderate, but competitive development of executive remuneration in Statkraft. The board's Compensation Committee prepares the board's deliberation of the wages of the President and CEO and the rest of the company's Executive Vice Presidents. The President and CEO and corporate executives shall receive both a fixed salary and a variable payment. The variable salary has a maximum disbursement that complies with the owner's guidelines, see Meld. St. 27 (2013-2014) to the Storting. The entering into pension agreements adheres to the current guidelines issued by the owner.

The Board's declaration regarding executive wages and other remuneration to executive employees can be read in Note 37 in the annual report.

(13) Information and communication

The Board of Directors has stipulated guidelines for financial reporting and other information. Statkraft SF publishes its annual financial statement. Each year, Statkraft AS releases four quarterly financial statements and one annual financial statement.

Statkraft publishes a financial calendar listing key publication dates. The financial calendar, press releases and stock exchange notices, investor presentations, quarterly and annual reports and other relevant information are published on Statkraft's website.

Statkraft emphasises transparent and honest communication with all stakeholders. The information the company provides to its owner, lenders and the financial markets in general shall provide sufficient details to permit an evaluation of the company's underlying values and risk exposure. The owner and the financial markets shall be treated equally, and information shall be communicated in a timely manner.

(14) Take-overs

The Articles of Association for Statkraft AS stipulate that the shares can only be owned by Statkraft SF.

(15) Auditor

The enterprise meeting appoints the auditor based on the Board of Directors proposal, and stipulates the auditor's fee. Statkraft SF and Statkraft AS use the same auditor. The auditor serves until a new auditor is appointed.

The board and the auditor hold at least one meeting annually where the President and CEO and other Group executives are not present. The Audit Committee evaluates the external auditor's independence and has established guidelines for use of the external auditor for consultancy purposes.

As part of the ordinary audit, the auditor presents an audit plan to the Audit Committee including a summary of the audit from last year. The auditor reports in writing to Statkraft's Audit Committee concerning the company's internal control, applied accounting principles, significant estimates in the accounts and any disagreements between the auditor and the administration. The Board of Directors is briefed on the highlights of the auditor's reporting.

The largest power plant in Germany is a virtual power plant, connecting more than 1 300 small-scale installations, generating electricity from wind and solar power.

This production is managed from our dispatch centre in Düsseldorf. Today, Statkraft markets approximately 15 000 MW for third parties in six countries.

The Fosen project consists of six wind farms with a combined capacity of 1000 MW.

The construction is well on its way, and all the wind farms will be operational by 2020.

Group Financial Statements

Statement of Comprehensive Income
Statkraft AS Group

NOK million	Note	2017	2016
Profit and loss			
Sales revenues	4, 12, 20	62 550	49 448
Share of profit/loss in equity accounted investments	4, 14, 24	-73	474
Other operating income	13	6 490	1 065
Gross operating revenues and other income	4	68 968	**50 987**
Energy purchase	12, 20	-37 546	-29 093
Transmission costs		-1 326	-1 273
Net operating revenues and other income	4	30 097	**20 621**
Salaries and payroll costs	15, 16	-3 707	-3 648
Depreciation and amortisation	4, 22, 23	-3 662	-3 452
Impairments	14, 22, 23	-500	-4 808
Property tax and licence fees	17	-1 341	-1 733
Other operating expenses	18	-3 846	-3 894
Operating expenses		-13 056	**-17 535**
Operating profit/loss (EBIT)	4	17 041	**3 086**
Financial income	19	456	380
Financial expenses	19	-1 449	-1 411
Net currency effects	19, 20	-2 079	2 847
Other financial items	19, 20	1 724	321
Net financial items		-1 347	**2 137**
Profit/loss before tax		15 693	5 223
Tax expense	21	-3 961	-5 402
Net profit/loss		11 732	**-178**
Of which non-controlling interest		-94	-62
Of which owners of the parent		11 826	-117
OTHER COMPREHENSIVE INCOME			
Items in other comprehensive income that recycle over profit/loss:			
Changes in fair value of financial instruments		-200	1 235
Income tax related to changes in fair value of financial instruments		42	-320
Items recorded in other comprehensive income in equity accounted investments		-170	445
Recycling of financial instruments related to cash flow hedges and net investment hedges		1 470	-
Income tax from recycling of financial instruments related to cash flow hedges and net investment hedges		-355	-
Reclassification currency translation effects related to foreign operations disposed of in the year		-2 491	6
Currency translation effects		667	-4 851
Items in other comprehensive income that will not recycle over profit/loss:			
Estimate deviation pensions		-96	-52
Income tax related to estimate deviation pensions		49	-17
Other comprehensive income		-1 084	**-3 555**
Comprehensive income		10 648	**-3 733**
Of which non-controlling interest		-465	217
Of which owners of the parent		11 113	-3 951

Statement of Financial Position
Statkraft AS Group

NOK million	Note	31.12.2017	31.12.2016
ASSETS			
Deferred tax assets	21	962	675
Intangible assets	22	3 313	3 858
Property, plant and equipment	23	103 193	103 303
Equity accounted investments	4, 24	13 410	19 438
Other non-current financial assets	25	4 368	8 961
Derivatives	28	4 023	3 047
Non-current assets		129 269	139 282
Inventories	26	2 871	2 653
Receivables	27	15 372	10 219
Short-term financial investments		918	532
Derivatives	28	6 537	6 637
Cash and cash equivalents (including restricted cash)	29	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 liabilities	21	9 814	9 446
Pension liabilities	16	2 539	2 247
Provisions allocated to capital employed	30	2 799	3 423
Other provisions	30	598	4 079
Long-term interest-bearing liabilities	31	36 285	31 886
Derivatives	28	1 101	1 805
Long-term liabilities		53 136	52 885
Short-term interest-bearing liabilities	31	3 694	8 407
Taxes payable	21	4 010	4 764
Interest-free liabilities allocated to capital employed	32	9 086	10 531
Other interest-free liabilities		593	1 387
Derivatives	28	6 888	5 137
Current liabilities		24 271	30 226
Equity and liabilities		169 183	166 630

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

Thorhild Widvey
Chair of the Board

Halvor Stenstadvold
Deputy chair

Hilde Drønen
Director

Peter Mellbye
Director

Ingelise Arntsen
Director

Bengt Ekenstierna
Director

Vilde Eriksen Bjerknes
Director

Thorbjørn Holøs
Director

Asbjørn Sevlejordet
Director

Christian Rynning-Tønnesen
President and CEO

Statement of Cash Flow
Statkraft AS Group

NOK million	Note		2017	2016
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax			15 693	5 223
Gain/loss on disposal of non-current assets			186	-15
Depreciation, amortisation and impairments	14, 22, 23		4 162	8 260
Gain/loss from sale of business activities	5		-330	-
Gain/loss from sale of shares and equity accounted investments	5		-5 151	-8
Share of profit/loss in equity accounted investments	24		73	-474
Realised currency effect on internal loans [1]			-1 144	-1 216
Unrealised changes in value	20		1 169	300
Changes in long-term items			-148	-368
Changes in short-term items			-1 810	-1 312
Dividend from equity accounted investments	24		558	545
Taxes	21		-4 843	-2 564
Cash flow from operating activities		A	8 415	8 371
CASH FLOW FROM INVESTING ACTIVITIES				
Investments in property, plant and equipment [2]	4		-3 610	-5 331
Proceeds from sale of non-current assets			88	31
Reclassification of joint arrangement [3]	24		-	-404
Divestment business activities, net liquidity inflow to the Group [4]	5		7 309	25
Business combinations and asset purchase, net liquidity outflow from the Group	5		-	-59
Loans to third parties			-1 616	-1 526
Repayment of loans from third parties			2 248	593
Considerations regarding investments in other companies			-110	-148
Cash flow from investing activities		B	4 309	-6 817
CASH FLOW FROM FINANCING ACTIVITIES				
New debt	31		5 250	4 642
Repayment of debt	31		-7 941	-7 632
Dividend paid to Statkraft SF			-2 052	-
Dividend and capital decrease in subsidiary related to non-controlling interest			-1 037	-226
Cash flow from financing activities		C	-5 780	-3 217
Net change in cash and cash equivalents		A+B+C	6 945	-1 663
Currency exchange rate effects on cash and cash equivalents			-36	-85
Cash and cash equivalents 01.01	29		7 308	9 056
Cash and cash equivalents 31.12 [5]	29		14 217	7 308
Unused committed credit lines			10 083	11 016
Unused overdraft facilities			2 041	2 015
Restricted cash	29		70	58

[1] Includes reclassification of currency translation differences of NOK 2003 million related to transfer of loan portfolio in 2017 from Statkraft Treasury Center SA to Statkraft AS. The major business activities in the subsidiary were closed down.
[2] Investments in the cash flow in 2017 are NOK 175 million lower than investments (excluding investments in shares) in the segment reporting. This is due to capitalised borrowing costs of NOK 76 million, capitalised decommissioning liabilities of NOK 33 million and timing differences between capitalisation and payment date of NOK 66 million.
[3] Net cash deconsolidated from the Group due to reclassification of Dudgeon Offshore Wind Ltd.
[4] Statkraft received both cash and the 18.1% shareholding in Statkraft IH Invest AS for the sale of SN Power AS. The amount is presented net in the cash flow. See note 5 for more information.
[5] Included in cash and cash equivalents are NOK 129 million related to joint operations as of year end 2017.

SIGNIFICANT ACCOUNTING POLICIES

The cash flow statement has been prepared using the indirect method. The statement starts with the Group's profit before taxes in order to show cash flow generated by operating activities. The cash flow statement is divided into net cash flow from operating activities, investing activities and financing activities. Dividends disbursed to the owner and to non-controlling interests are presented under financing activities. Receipts and payments of interest and dividends from equity accounted investments are presented as provided cash flow from operating activities.

Statement of Changes in Equity

Statkraft AS Group

NOK million	Paid-in capital	Other reserves [1]	Other equity	Accu-mulated translation differences	Retained equity	Attributable to owners of parent	Non-controlling interests	Total 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 recycle 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	**-3 950**	-3 950	**217**	-3 733
Dividend and Group contribution	-	-	-1 604	-	**-1 604**	-1 604	**-226**	-1 830
Change in option recognised in equity	-	-	245	-	**245**	245	**-**	245
Transactions with non-controlling interests	-	-	-138	-	**-138**	-138	**138**	-
Reclassification of loan to non-controlling interests [2]	-	-	-	-	**-**	-	**-825**	-825
Capital increase in joint ventures from other shareholders	-	-	20	-	**20**	20	**-**	20
Capital increase [3]	**1 300**	-	-	-	**-**	1 300	**-**	1 300
Balance as of 31.12.2016	**58 411**	-1 659	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 other comprehensive income 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
Currency translation effects related to foreign operations disposed of 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 [3]	**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] Other reserves is mainly related to cash flow hedges and net investment hedges.

[2] 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.

[3] A conversion of loan to share capital of NOK 2140 million from owner took place in 2017 (NOK 1300 million in 2016).

GENERAL INFORMATION

The parent company has a share capital of NOK 33.6 billion, divided into 200 million shares, each with a par value of NOK 168. All shares have the same voting rights and are owned by Statkraft SF, which is a Norwegian state-owned company, established and domiciled in Norway. Statkraft SF is wholly owned by the Norwegian state, through the Ministry of Trade, Industry and Fisheries.

On 27 June 2017 Statkraft's general assembly approved a disbursement of NOK 4350 million as dividend to Statkraft SF. For the current year the board has proposed to pay a dividend of NOK 6100 million.

SIGNIFICANT ACCOUNTING POLICIES

Divdends proposed at the time of approval of the financial statements are classified as equity. Dividends are reclassified as current liabilities once they have been approved by the General Assembly.

Notes
Statkraft AS Group

Index of notes to the consolidated financial statements

Note 1 General information and summary of significant accounting policies

GENERAL INFORMATION

Statkraft AS is a Norwegian limited liability company, established and domiciled in Norway. Statkraft AS is wholly owned by Statkraft SF, which in turn is wholly owned by the Norwegian state, through the Ministry of Trade, Industry and Fisheries. The company's head office is located in Oslo and the company has debt instruments listed on the Oslo Stock Exchange and the London Stock Exchange.

Statkraft's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations from International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU.

The statement of comprehensive income, statement of financial position, statement of equity, statement of cash flow and notes provide comparative information in respect of the previous period.

The consolidated accounts have been prepared on the basis of the historical cost principle, with the exception of certain financial instruments, derivatives and certain elements of net pension assets measured at fair value at the balance sheet date.

Historical cost is generally based on fair value of the consideration given when acquiring assets and services.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of fair value is contingent upon market prices being available or whether other valuation techniques have been applied. When determining fair value, the management must apply assumptions that market participants would have used in a similar valuation. Measurement and presentation of assets and liabilities measured at fair value when presenting the consolidated accounts are based on these policies, with the exception of measuring net realisable value in accordance with IAS 2 Inventories and when measuring its value in use in accordance with IAS 36 Impairment of Assets.

The accounting policies applied to the consolidated financial statements as a whole are described below while the remaining accounting policies are described in the notes to which they relate. The policies have been applied in the same manner in all presented periods, unless otherwise stated

The descriptions of accounting policies in the statements and notes form part of the overall description of accounting policies:

- Statement of changes in equity
- Statement of cash flow
- Segment information — Note 4
- Business combinations and other transactions — Note 5
- Financial instruments — Note 10
- Hedge accounting — Note 11
- Sales revenue — Note 12
- Public subsidies — Note 12
- Impairment — Note 14
- Cash generating units (CGU) — Note 14
- Pensions — Note 16
- Income taxes — Note 21
- Intangible assets — Note 22
- Property, plant and equipment — Note 23
- Inventories — Note 26
- Derivatives — Note 28
- Cash and cash equivalents — Note 29
- Provisions — Note 30
- Concessionary power — Note 30
- Leases — Note 35

CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise of the financial statements of the parent company Statkraft AS and its subsidiaries. A subsidiary is an investee in which Statkraft, as an investor, exercises control. Control is achieved by an investor being exposed to, or having rights to, variable returns as a result of ownership or agreements entered into with the investee. When considering whether control exists, Statkraft evaluates each individual investment with regard to equity interests, voting rights, ownership structure and relative strength, options controlled by Statkraft and other shareholders and shareholder and operating agreements. To qualify for control, Statkraft as an investor must have the ability to use its power over the investee to affect its returns.

If necessary, the subsidiaries' financial statements are adjusted to correlate with the Group's accounting policies. Inter-company transactions and inter-company balances, including internal profits and gains and losses, are eliminated.

Subsidiaries are consolidated from the date when the Group achieves control and are excluded from the consolidation when control ceases.

Joint operations are joint arrangements where the participants who have joint control over a business activity have contractual rights to the assets and obligations for the liabilities, relating to the operation. In joint operations, decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's share in joint operations is recognised in the consolidated financial statements in accordance with Statkraft's interest in JO's assets, liabilities, revenues and expenses . The proportionate share of realised and unrealised gains and losses arising from intragroup transactions between fully consolidated entities and joint operations is eliminated.

Joint ventures are companies or entities where Statkraft has joint control with one or several other investors. In a joint venture company, decisions related to relevant activities must be unanimous between participants which have joint control. Statkraft classifies its investments based on an analysis of the degree of control and the underlying facts. This includes an assessment of voting rights, ownership structure and the relative strength, purchase and sale rights controlled by Statkraft and other shareholders. Each individual investment is assessed. Upon changes in underlying facts and circumstances, a new assessment must be made as to whether this is still a joint venture. The Group's share of the companies' profit/loss after tax, adjusted for amortisation of excess value and any deviations from accounting policies, are presented on a separate line in the consolidated income statement. Joint ventures are recognised in the consolidated accounts using the equity method and presented as non-current assets.

Associates are companies or entities where Statkraft has significant influence. The Group's share in associates is recognised in the consolidated accounts using the equity method and is presented on the same financial statement line item both in the balance sheet and the profit/loss as shares in joint ventures.

COMPARATIVE FIGURES AND RECLASSIFICATIONS

Income statement, statement of financial position, statement of equity, cash flow statement and notes provide comparative information in respect of the previous period.

FOREIGN CURRENCY

Subsidiaries prepare their accounts in the company's functional currency, normally the local currency in the country where the company operates. Statkraft AS uses Norwegian kroner (NOK) as its functional currency, and it is also the presentation currency for the consolidated financial statements.

Note 1 continued

When preparing the consolidated financial statements, the local currency of the foreign subsidiaries, associated companies and joint ventures are translated into NOK in accordance with the current exchange rate method. This means that balance sheet items are translated to NOK at the exchange rate prevailing at 31 December; whilst the income statement is translated using monthly weighted average exchange rates throughout the year. Currency translation effects are recognised as other comprehensive income and recycled to the income statement upon sale or loss of control of shareholdings in foreign companies. The currency translation effects that are recycled are presented as part of the gain or loss of the sale/disposal in the income statement. The part of the currency translation effects related to non-controlling interest are not recycled to the income statement.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

CLASSIFICATION AS SHORT-TERM/LONG-TERM

Balance sheet items are classified as short-term when they are expected to be realised within 12 months after the balance sheet date. With the exception of the items mentioned below, all other items are classified as long-term. Some derivatives that are hedging instruments in hedge accounting are presented together with the hedged item. The first year's repayments relating to long-term liabilities are presented as current liability.

ADOPTION OF NEW AND REVISED STANDARDS

In 2017 amendments to existing standards have become effective. This includes amendment to the following standards:

- IAS 7 (amendments) - disclosure initiative
- IAS 12 (amendments) - recognition of deferred tax assets for unrealised losses

The adoption of these amendments did not have a significant impact on the financial statement of the Group.

STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

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.

In addition to these standards, the following new and revised IFRSs have been issued, but are not yet effective, and in some cases have not yet been adopted by the EU:

- IFRIC 22 (interpretation) - foreign currency transactions and advance consideration
- IFRS 10 and IAS 28 (amendments) - sale or contribution of assets between an investor and its associate or joint venture
- Annual improvements to IFRS Standards 2014-2016 cycle
- Annual improvements to IFRS Standards 2015-2017 cycle

Statkraft do not expect that the adoption of these Standards will have a material impact on the financial statements of the Group in future periods.

The Financial Statements were resolved by the Board of Directors on 14 February 2018.

Note 2 Key accounting estimates and judgements

INTRODUCTION

The use of reasonable estimates and judgements is a critical element in preparing the financial statements. Due to the level of uncertainties inherent in Statkraft's business activities, management must make certain estimates and judgements that effect the application of accounting policies, results of operations, cash flows and financial position as reported in the financial statements.

Management bases its estimates on historical experience and various other assumptions that are held to be reasonable under the circumstances.

LONG TERM PRICE FORECAST FOR POWER AND OTHER AREAS OF SIGNIFICANT JUDGEMENT

One of the key assumptions used by management in making business decisions is management's long term price forecasts for power and the related market developments. In addition, these assumptions are critical input for management related to financial statement processes such as:

• Allocation of fair value in business combinations	Note 5
• Valuation of long term energy contracts	Note 10
• Valuation of certain financial obligations	Note 10
• Impairment testing of property, plant and equipment	Note 14, 23
• Impairment testing of intangible assets	Note 14, 22
• Impairment testing of equity accounted investments	Note 14, 24

Statkraft performs an annual update of its long term price forecasts and the related expected market developments in the geographical areas where Statkraft operates. This update is the output from a continuous process of monitoring, interpreting and analysing global as well as local trends, which will affect future markets and revenues. The update provides basis for both strategic decisions as well as the management's expectation for future prices and revenue streams beyond 2025 associated with the assets. The annual update is the output of a continuous process of monitoring, interpreting and analysing global as well as local trends, market fluctuations and drivers that ultimately could affect future markets and revenues.

A fundamental approach is applied when analysing the markets, considering elements such as;

- Cost levels of competing technologies and fuels,
- Future energy balances
- Political regulations
- Technological developments to reduce emissions of climate gases

The process is headed and run by a team of experts across the Group. The main results are benchmarked to external references and major deviations are explained. The process aims to ensure consistency, and provide a balanced view of both the markets and expected future power prices.

The Corporate Management is forming its management view by being involved in the process. Corporate Management is invited to provide and challenge the input and scenarios applied in the analysis to be used in asset valuations and other strategic considerations. Based on the expert recommendations, the Corporate Management approves the annual long term price forecasts for power and the view upon related market development.

In addition to the above, significant judgement are applied in estimating the carrying amounts of;

• Pensions	Note 16
• Deferred tax assets	Note 21

APPLICATION OF ACCOUNTING POLICY

Due to Statkraft's business activities, management must apply judgements in determining the appropriate accounting policy in areas where these policies may have a material impact on how amounts are reported in the financial statements. Such areas include;

• Classification of energy contracts	Note 10
• Classification of energy revenue	Note 12
• Classification of investments made together with third parties	Note 24
• Classification of power purchase agreements	Note 35

Note 3 Subsequent events

There are no significant subsequent events.

Note 4 Segment information

The Group reports operating segments in accordance with how the Chief Executive Officer makes, follows up and evaluates his 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.

We are presenting the underlying operating profit/loss for each of the segments and for the Group. The definition of underlying operating profit has been amended in 2017. See section for Alternative Performance Measures for more information.

The comparative figures are restated.

“Other assets” for the segments consists of intangible assets, property plant and equipment and long-term receivables. For Statkraft AS Group “other assets” consists of all assets except equity accounted investments.

The segments are defined as:

European flexible generation includes the majority of the Group’s hydropower business in Norway, Sweden, Germany and the United Kingdom, as well as the gas fired power plants, the subsea cable Baltic Cable and the bio-power plants in Germany.

Market operations includes trading, origination, market access for smaller producers of renewable energy, as well as revenue optimisation and risk mitigation activities related to both the Continental and Nordic production.

International power One of Statkraft’s strategic goals is to be a leading international provider of pure energy in growth markets. The business area International power is set up to accomplish this. The business idea for International power is to deliver a competitive return by developing, acquiring, owning and operating renewable assets in selected growth markets with strong focus on safety and profitability across the value chain.

Wind power includes Statkraft’s development and operation in onshore wind power. In 2017 the segment has been in a process to divest its offshore wind assets in accordance with the Group’s strategy. The segment operates in Norway, Sweden and the United Kingdom.

District heating includes Statkraft’s development and operation of district heating plants in Norway and Sweden.

Industrial ownership includes management and development of Norwegian shareholdings within the Group’s core business, as well as the end-user business in Fjordkraft. The shareholders in Fjordkraft have initiated a process aiming for an Initial Public Offering (IPO).

Other activities includes other small-scale business and group functions.

Group items include eliminations and unallocated assets.

Note 4 continued

Accounting specification per segment

Segments NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	Wind power	District heating	Industrial ownership	Other activities	Group items
2017									
Operating revenues and other income external, underlying	62 241	16 824	33 720	2 522	55	788	8 219	134	-21
Operating revenues and other income 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 and other income, underlying	62 168	17 084	33 727	1 886	974	789	8 752	964	-2 008
Net operating revenues and other income, underlying	23 296	14 508	1 985	1 400	929	580	4 101	964	-1 171
Operating profit/loss (EBIT), 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 acquisitions/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 (EBIT)	17 041	10 704	1 175	425	3 213	151	1 879	-480	-26
Balance sheet 31.12.17									
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
Depreciation, 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 production capacity	1 964	117	103	794	500	130	320	-	-
Investments in shares	111	-	91	-	-	-	-	19	1

Segments NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	Wind power	District heating	Industrial ownership	Other activities	Group items
2016									
Operating revenues and other income external, underlying	51 767	15 520	25 953	2 429	92	765	6 877	165	-33
Operating revenues and other income internal, underlying	-	259	-108	114	653	2	58	824	-1 802
Share of profit/loss in equity accounted investments	474	-	-2	16	41	-	432	-13	-
Gross operating revenues and other income, underlying	52 241	15 779	25 843	2 559	786	767	7 367	976	-1 835
Net operating revenues and other income, underlying	21 875	14 187	980	2 234	743	552	3 364	975	-1 160
Operating profit/loss (EBIT), 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 acquisitions/divestments of business activities	16	-	-	-	16	-	-	-	-
Impairments and related costs	-4 808	-2 802	-	-1 377	-606	-22	-2	-	-
Operating profit/loss (EBIT)	3 086	4 529	-758	-819	-781	89	1 259	-381	-52
Balance sheet 31.12.16									
Equity accounted investments	19 438	-	55	5 860	3 522	-	9 979	18	4
Other assets	147 192	57 240	124	27 896	9 138	3 521	15 381	24 042	9 850
Total assets	166 630	57 240	179	33 756	12 660	3 521	25 360	24 060	9 854
Depreciation, amortisation and impairments	-8 260	-4 554	-14	-1 910	-973	-190	-544	-74	-
Maintenance investments and other investments	1 763	1 154	2	162	-	13	387	44	-
Investments in new production capacity	3 736	582	4	1 250	1 457	142	301	-	-
Investments in shares	158	-	56	30	32	-	-	39	-

FINANCIAL STATEMENTS GROUP STATKRAFT AS CORPORATE RESPONSIBILITY

Note 4 continued

Specification per revenue category

See note 12.

Specification per geographical area

External sales revenues are allocated on the basis of the geographical origin of generating assets or activities.

Non-current assets consist of property, plant and equipment and intangible assets except deferred tax and are allocated on the basis of the country of origin for the production facility or activity.

Geographical areas

NOK million	Statkraft AS Group	Norway	Germany	Sweden	UK	Other
2017						
Sales revenues external	62 550	25 297	11 877	2 134	18 411	4 830
Generation	22 056	15 730	1 762	2 149	158	2 256
Sales and trading	3 456	512	988	-	466	1 490
Customer	34 747	7 872	8 296	-85	17 778	886
Other	2 291	1 183	831	70	9	198
Non-current assets as of 31.12.	106 506	57 269	2 703	22 504	1 277	22 753
2016						
Sales revenues external	49 448	21 924	14 620	1 634	8 016	3 254
Generation	18 976	14 659	705	1 391	39	2 181
Sales and trading	3 634	509	-116	-	-525	3 767
Customer	24 913	5 768	13 591	1	8 502	-2 949
Other	1 925	988	441	242	-	254
Non-current assets as of 31.12.	107 161	57 046	2 182	21 866	1 195	24 873

Information regarding significant customers

No external customers account for 10% or more of the Group's operating revenues.

Selected financial figures from "Norwegian hydropower and related business"

In the white paper Prop. 40 S (2014-2015) related to revised national budget, it was stated that Statkraft should disclose information related to the Norwegian hydropower activities ("Norwegian hydropower").

The table on the next page includes financial figures for the Norwegian hydropower, which have been extracted from the relevant operational segments.

"Norwegian hydropower" includes all activities related to our Norwegian hydropower assets in the subsidiaries Statkraft Energi AS and Skagerak Kraft Group, which are subject to resource rent tax. Further, it includes Nordic dynamic asset management portfolio related to the assets defined above and the financial risk reduction portfolio in Statkraft Energi AS.

"Related business" refer to all activities in the investments in the associated regional companies BKK AS, Agder Energi AS and Istad AS. The column Sum "Norwegian hydropower, excluding related business" represents the totals for the two subsidiaries after elimination of intercompany transactions and balances. The figures for Statkraft Energi AS are extracted from the segments European Flexible Generation and Market Operations, while the figures for Skagerak Kraft Group are extracted from the segment Industrial Ownership. The line "Profit after tax (majority share)" from Skagerak Kraft Group, is calculated based on Statkrafts ownership interest of 66.62%.

The lines Net financial items and Tax expense show the financial items and tax related to the activities in the definition of "Norwegian hydropower".

The figures from the equity accounted investments in the associated companies BKK AS, Agder Energi AS and Istad AS have been extracted from the segment Industrial Ownership. See note 24.

Note 4 continued

Norwegian hydropower

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 and other income	68 968	15 666	1 651	17 303	477	17 780
Net operating revenues and other income	30 097	12 943	1 571	14 514	477	14 991
Operating profit/loss (EBIT)	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	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 impairments	-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] Statkraft's share of profit/loss after tax
[2] Dividend and group contribution after tax paid from Statkraft Energi AS
[3] Dividend paid to Statkraft

Norwegian hydropower

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 and other income	50 987	14 186	1 239	15 411	434	15 846
Net operating revenues and other income	20 621	11 774	1 146	12 924	434	13 358
Operating profit/loss (EBIT)	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	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 impairments	-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] Statkraft's share of profit/loss after tax
[2] Dividend and group contribution after tax paid from Statkraft Energi AS
[3] Dividend paid to Statkraft

Note 5 Business combinations and other transactions

SIGNIFICANT ACCOUNTING POLICIES

The acquisition method is applied in business combinations. The consideration is measured at fair value on the transaction date, which is also the date when fair value of identifiable assets, liabilities and contingent liabilities acquired in the transaction are measured. If the accounting of a business combination is incomplete at the end of the reporting period, in which the transaction occurred, the Group will report preliminary values for the assets and liabilities. Temporary values are adjusted throughout the measuring period of maximum one year in order to reflect new information obtained about circumstances that existed as of the acquisition date, that if known, would have affected the valuation on that date. Correspondingly, new assets and liabilities can be recognised. The transaction date is when risk and control has been transferred and normally coincides with the closing date.

Non-controlling interests are recognised either at fair value or the proportionate share of the identifiable net assets and liabilities. The assessment is done for each transaction. Any differences between cost and fair value for acquired assets, liabilities and contingent liabilities are recognised as goodwill or recognised in the income statement when the cost is lower. No provisions are recognised for deferred tax on goodwill. Transaction costs are recognised in the income statement when incurred.

If business combinations are achieved in stages, the existing ownership interests is recognised at fair value at the point in time when control is transferred to Statkraft. Such a change in the carrying value of the investment is recognised in the income statement.

The principles applied to the recognition of acquisition of associated companies and joint ventures are in general the same as those applied to the acquisition of subsidiaries.

ESTIMATES AND ASSUMPTIONS

Consideration paid in business combinations is allocated to acquired assets and liabilities, based on their estimated fair values. For major acquisitions, Statkraft uses independent external advisors to assist in the determination of the fair value of acquired assets and liabilities. This type of valuation requires management to make judgements as regards valuation method, estimates and assumptions. Management's estimates of fair value and useful life are based on assumptions supported by the Group's experts, but with inherent uncertainty. As explained in Note 2, Statkraft's long-term price forecast for power is a critical assumption used in estimating fair values of relevant assets and liabilities.

BUSINESS COMBINATIONS AND TRANSACTIONS IN 2017

There were no significant business combinations, asset purchases or new joint arrangements in 2017.

SALE AND RESTRUCTURING OF BUSINESS IN 2017

SN Power On 25 September, an agreement was entered into between Statkraft and Norfund whereby Statkraft acquired the remaining 18.1% share in Statkraft IH Invest AS and disposed its 50% share in SN Power AS. 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 income. See note 24.

Scira 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 income and a gain of NOK 43 million from settlement of loans recognised as other financial items.

Triton Knoll 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 income.

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

Cetin Enerji On 11 July, Statkraft divested its interests in the Cetin hydropower project in Turkey. This resulted in a gain of NOK 76 million, mainly due to the reclassification of currency translation differences, recognised as other operating income. As part of the sales agreement, there is a contingent earn-out. The earn-out will be recognised when payments are received.

Skagerak Naturgass AS Skagerak Naturgass was previously 100% owned by Skagerak Energi and consolidated as a subsidiary. 51% of the shares were divested and the entity was consolidated as an equity accounted investment after the transaction. There were no material effects on the financial statements.

Steinsvik AS The subsidiary Steinsvik AS was divested. There were no material effects on the financial statements.

Vindpark Em AB The subsidiary Vindpark Em AB and the wind farm Tollarpabjär were divested. There were no material effects on the financial statements.

Dudgeon 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.

BUSINESS COMBINATIONS 2016

There were no significant business combinations, asset purchases, new joint arrangements or sale of business in 2016.

Note 6 Management of capital structure

The main aims of the Group's management of its capital structure is to maintain a reasonable balance between the company's debt/equity ratio, its ability to expand whilst maintaining a strong credit rating.

The tools for long-term management of the capital structure consist primarily of the draw-down and repayment of long-term liabilities and payments of share capital from/to the owner. The Group endeavours to obtain external financing from various capital markets. The Group is not subject to any external requirements with regard to the management of capital structure other than those relating to the market's expectations and the owner's dividend requirements.

There were no changes in the Group's targets and guidelines governing the management of capital structure in 2017.

The most important target figure for the Group's management of capital structure is long-term credit rating. Statkraft AS has a long-term credit rating of A- (stable outlook) from Standard & Poor's and Baa1 (stable outlook) from Moody's. Statkraft's target is to maintain its current rating.

Overview of capital included in management of capital structure

NOK million	Note	2017	2016
Long-term interest-bearing debt	31	**36 285**	31 886
Short-term interest-bearing debt	31	**3 694**	8 407
Short-term financial investments		**-918**	-532
Cash and cash equivalents, excluding restricted cash	29	**-14 147**	-7 250
Net interest-bearing liabilities		**24 915**	32 511

Note 7 Market risk in the Group

RISK AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS GENERALLY

Statkraft is engaged in activities that entail risk in many areas and has a unified approach to the Group's market risks. The Group's risk management policy is based upon assuming the right risk based on the Group's ability and willingness to take risks, expertise, financial strength and development plans. The purpose of risk management is to identify threats and opportunities for the Group, and to manage the overall risk level to provide reasonable assurance that the Group's objectives will be met.

In Statkraft, market risk will primarily relate to prices of energy and commodities, interest rates and foreign currency. The following section contains a more detailed description of the various types of market risk, and how these are managed.

DESCRIPTION OF MARKET RISK RELATED TO PRICES ON ENERGY AND COMMODITIES

Statkraft is exposed to significant market risk in relation to the generation and trading of power. Revenues from power generation are exposed to volume and power price risk. The company has an advanced energy management process and aims to have production capacity available in periods with high demand. Statkraft manages market risk in the energy markets by trading physical and financial instruments in multiple markets. The production revenues are optimised through financial power trading. The company is also engaged in other trading activities.

Risk management in energy trading in Statkraft focuses on total portfolios rather than individual contracts. Internal guidelines controlling the level of market exposure have been established for all portfolios. Responsibility for the continual monitoring of granted mandates and frameworks lies with independent organisational units. The frameworks for trading in both financial and physical contracts are continually monitored. The Group has trading activities in Oslo, Trondheim, Stockholm, London, Amsterdam, Düsseldorf, Istanbul, Tirana, Rio de Janeiro, San Francisco, New Dehli and Lima.

A description of the energy portfolios in Statkraft can be found below:

Bilateral contracts Statkraft has entered into physical power sales agreements with industrial customers in the Nordic region. These contracts stabilise Statkraft's revenues. The bilateral industrial contracts have different durations. The price of some of these sales obligations are indexed to foreign currency and raw materials such as metals. These contracts may include an embedded derivative for instance in the case of a currency or raw material exposure. Embedded derivatives in physical sales contracts are recognised at fair value. Other contracts entered into for own use are excepted from recognition in the balance sheet and are recognised in the income statement as part of normal purchase and sale.

Nordic and Continental dynamic asset management portfolios
Statkraft has one Nordic and one Continental dynamic asset management portfolio, managed in Oslo and in Düsseldorf, respectively. The objective of these portfolios is to optimise portfolio revenues and reduce the risk levels in Statkraft as a whole. Statkraft performs financial trades in order to generate values in futures and forward markets, in addition to physical production and trading.

Mandates to enter into financial contracts are based on volume thresholds related to available production. The risk is quantified using simulations of various scenarios for relevant risk factors. The management portfolios consist mainly of financial contracts for power, CO_2, coal, gas and oil products. The contracts are traded on energy exchanges and by bilateral contracts. In general, the time horizon for these contracts is less than five years. The contracts are measured at fair value.

Trading portfolios The trading activities involve buying and selling standardised and liquid products. Power and CO_2 products, as well as green certificates, gas and oil products are traded. The contracts in the trading portfolio have maturities ranging from 0 to 4 years. The aim is to realise profit on changes in the market value of energy and energy-related products. The market risk in these contracts is mainly related to future prices for power, coal, gas and oil products. Contracts in the trading portfolios are recognised at fair value.

Origination portfolios Origination activities include buying and selling both standard and structured products. Structured products are typically power contracts with tailor made profiles, long-term contracts or power contracts in different currencies. Trading transportation capacity across borders and virtual power plant contracts are also included within the origination activities. Quoted, liquid contracts pertaining to system price, area prices and foreign currency are primarily used to reduce the risk involved in trading structured products and contracts. The majority of the contracts in the portfolio have a duration of up to five years, though some contracts run until 2031. The contracts are recognised at fair value.

Statkraft has various trading, and origination portfolios that are managed independently of the Group's expected power production. Statkraft has allocated risk capital to these activities. Clear guidelines have been established limiting the types of products that can be traded. The mandates are adhered to by applying specified limits for Value-at-Risk and Profit-at-Risk. Both methods calculate the maximum potential loss a portfolio can incur, with a given probability factor over a given period of time. The credit risk and operational risk are also quantified in relation to the allocated risk capital.

DESCRIPTION OF FOREIGN EXCHANGE AND INTEREST RATE RISK

Statkraft is exposed to two main types of risk as regards the finance activities: foreign exchange risk and interest rate risk. Statkraft therefore employs interest rate and foreign currency derivatives to mitigate these risks.

Interest rate swaps, currency and interest rate swaps and forward exchange rate contracts are used to achieve the desired currency and interest rate structure for the company's debt portfolio. Forward exchange rate contracts and debt in foreign currency are also used to hedge cash flows denominated in foreign currency.

Statkraft's methods for managing these risks are described below:

Foreign exchange risk Statkraft incurs currency risk in the form of transaction risk, mainly in connection with energy sales revenues, investments and dividend from subsidiaries and associates in foreign currency. Balance sheet risk is related to shareholdings in foreign subsidiaries, joint operations and equity accounted investments.

Statkraft's settlement currency at the Nordic power exchange Nord Pool is EUR, and all power contracts traded in the Nordic power exchange Nasdaq are denominated in EUR. In addition most of Statkraft's bilateral power purchase agreements in Norway and all power purchase and sales abroad are denominated in foreign currency. The objective of Statkraft's hedging is to secure the NOK value of future cash flows exposed to changes in foreign currency rates. The currency exposure in Statkraft is treated in accordance with the company's treasury strategy. Economic hedging is achieved by using financial derivatives and debt in foreign currencies as hedging instruments. Few of these hedging relationships fulfil the requirements of hedge accounting.

Interest rate risk Statkraft's interest rate exposure is related to its debt portfolio. The management of interest rate risk is based on a balance between keeping interest cost low over time and contributing to stabilise the Group's cash flows with regards to interest rate changes. The interest rate risk is monitored by having duration as measure. Statkraft shall at all times keep the average duration of its debt portfolio within the range of 2 to 5 years.

Compliance with the limit for currency and interest rate risk is followed up continuously by the middle-office function. Responsibility for entering into and following up the various positions has been separated and is allocated to separate organisational units.

Note 8 Analysis of market risk

Statkraft follows up market risk within energy optimisation, its Trading and Origination portfolios, currency and interest rate positions, distribution grid revenues and end-user business and district heating.

The Group quantifies risk as deviations from expected net results with a given confidence level (value-at-risk). Market risk is included in these calculations, which are used both in the follow-up of the business areas and business portfolios as well as at Group level as part of reporting to Group management and the Board. Statkraft's targets for market risk shall have a 95% probability of covering all potential losses, i.e deviations from expected results, connected with the market risk of positions at the balance sheet date during the course of a year. Uncertainty in the underlying instruments/prices and their interrelatedness are calculated using statistical methods.

The time period for the calculations is one year. For contracts with exposures beyond one year, only the uncertainty relating to the current year is reflected in the calculations.

The exposure can take the form of actual exposure or an expected maximum utilisation of the mandates. The analysis also takes into account correlation, both within the individual areas and between the areas.

Total market risk as of 31 December 2017 was calculated at NOK 3221 million, which has decreased from last year.

The diversification effect emerges as the difference between total market risk in the specified areas and total market risk, where the correlation between e.g. power prices, interest rates and currency exchange rates is taken into account.

Specification of market risk

NOK million	2017	2016
Market risk in energy optimisation (volume risk, spot price risk and hedging)	2 336	2 714
Market risk in Trading and Origination portfolios	1 185	1 226
Market risk in interest rates and currency positions	29	39
Market risk in distribution grid revenues	30	30
Market risk in end-user activities and district heating	50	50
Total market risk before diversification effects	3 631	4 059
Diversification effects	-410	-442
Total market risk	3 221	3 617
Diversification effect as a percentage	11%	11%

Specification of debt by currency [1) 2)]

NOK million	2017	2016
Debt in NOK	13 284	12 058
Debt in SEK	-	9
Debt in EUR	19 716	18 216
Debt in USD	763	904
Debt in GBP	2 662	5 308
Debt in BRL	968	1 275
Debt in CLP/CLF	501	483
Total	37 894	38 253

[1)] Includes long-term interest-bearing debt, first-year instalment on long-term interest-bearing debt, certificate loans, the currency effect of allocated forward exchange rate contracts and the currency effect of combined interest rate and currency swaps. Specifications of debt by currency includes effects from allocated forward exchange rate contracts and combined interest rate and currency swaps, since Statkraft uses these derivatives to achieve the desired currency structure for the Group's debt portfolio.
[2)] Management of foreign exchange risk and interest rate risk are presented in more detail in note 7.

Specification of interest by currency [1) 2)]	2017	2016
Nominal average interest rate, NOK	4.00%	4.40%
Nominal average interest rate, EUR	2.60%	2.60%
Nominal average interest rate, USD	5.90%	5.90%
Nominal average interest rate, GBP	0.50%	0.70%
Nominal average interest rate, BRL	8.10%	8.40%
Nominal average interest rate, CLP/CLF	6.00%	6.40%

[1)] Includes long-term interest-bearing debt, first-year instalment on long-term interest-bearing debt, certificate loans, allocated forward exchange rate contracts, interest rate swaps and combined interest rate and currency swaps.
[2)] Management of foreign exchange risk and interest rate risk are presented in more detail in note 7.

Fixed interest rate debt portfolio [1) 2)]

	Future interest rate adjustments				
NOK million	0-1 year	1–3 years	3–5 years	5 years and more	Total
Debt in NOK	3 651	2 783	600	6 250	13 284
Debt in EUR	9 377	3 055	10	7 274	19 716
Debt in USD	97	166	144	357	763
Debt in GBP	2 662	0	0	0	2 662
Debt in BRL	428	72	94	374	968
Debt in CLP/CLF	189	0	0	312	501
Total fixed interest 2017	16 403	6 076	849	14 566	37 894
Total fixed interest 2016	23 142	2 775	1 417	10 918	38 253

[1)] Includes long-term interest-bearing debt, first-year instalment on long-term interest-bearing debt, certificate loans, the currency effect of allocated forward exchange rate contracts and the currency effect of combined interest rate and currency swaps. The split between years also take into account maturity of allocated forward exchange rate contracts, interest rate adjustments in interest rate swaps and combined interest rate and currency swaps.
[2)] Management of foreign exchange risk and interest rate risk are presented in more detail in note 7.

Note 9 Credit risk and liquidity risk

GENERAL INFORMATION ON CREDIT RISK

Credit risk is the risk that Statkraft incurs losses due to the failure of a counterparty to honour its financial obligations. Statkraft is facing credit risk when entering into transactions with financial institutions and to providers of clearing services. Credit risk arises from transactions involving interest bearing securities, bank deposits, derivative transactions, incoming guarantees and committed undrawn credit lines. In addition, Statkraft assumes counterparty risk in connection with energy trading and physical sales. The total risk of counterparties not being able to meet their obligations is considered to be low. Historically, Statkraft's losses on receivables have been limited.

The counterparty risk for financial energy contracts which are settled through an energy exchange is considered to be very low. For all other energy contracts entered into, the limits are stipulated for the individual counterparty using an internal credit rating. The counterparties are allocated to different categories. The internal credit rating is based on financial key figures. Bilateral contracts are subject to limits for each counterparty with regards to volume, amount and duration.

Statkraft has netting agreements with several of its energy trading counterparties. In the event of default, the netting agreements give a right to a final settlement where all future contract positions are netted and settled. If a contractual counterparty experiences payment problems, specific procedures are applied. See note 10 for more information.

Investment of surplus liquidity is mainly distributed among institutions rated BBB (Standard & Poor's) or better. For investment of surplus liquidity, the limits are stipulated for the individual counterparty using an internal credit rating.

Statkraft has entered into agreements relating to interim cash settlement of the market value of financial derivatives with counterparties (cash collateral). Counterparty exposure in connection with these agreements is considered to be very low. Similar agreements have also been established for individual counterparties for financial energy contracts. Cash collateral is settled on a weekly basis and will therefore not always be settled at period end. There could therefore be an outstanding credit risk at the period end.

In order to reduce credit risk in connection with investments, bank or parent company guarantees are sometimes used when entering into such agreements. The bank which issues the guarantee must be an internationally rated commercial bank which meets minimum rating requirements. When parent company guarantees are used, the parent company is assessed by using ordinary internal credit assessments. Subsidiaries will never be rated higher than the parent company. In cases involving bank guarantees and parent company guarantees, the counterparty will be classified in the same category as the issuer of the guarantee.

The individual counterparty exposure limits are monitored continuously and reported regularly to the management. In addition, the counterparty risk is quantified by combining exposure with the probability of the individual counterparty defaulting. The overall counterparty risk is calculated and reported for all relevant units, in addition to being consolidated at Group level and included in the Group risk management.

Statkraft's gross credit risk exposure corresponds to the recognised value of financial assets, which are found in the various notes to the balance sheet. The extent to which relevant and significant collateral has been provided, is presented below.

NOK million	Note	2017	2016
Gross exposure credit risk:			
Other non-current financial assets	25	4 368	8 961
Derivatives	28	10 559	9 684
Receivables	27	15 372	10 219
Short-term financial investments		918	532
Cash and cash equivalents	29	14 217	7 308
Gross exposure credit risk		45 434	36 704
Exposure reduced by cash collateral:			
Cash collateral	31	-1 322	-1 408
Net exposure credit risk		44 112	35 296

Note 9 continued

GENERAL INFORMATION ON LIQUIDITY RISK

The Group's liquidity risk is the risk that the Group has insufficient funds to meet its current payment obligations. Statkraft assumes a liquidity risk because the terms of its financial obligations do not coincide with the cash flows generated by its assets. Furthermore, Statkraft assumes liquidity risk in relation to cash payments by collaterals in connection with trading both financial power contracts and financial derivatives. Statkraft also uses cash payments to cover margin calls related to trading activities. The liquidity risk is minimised by employing the following tools: liquidity forecasts, reporting of short-term liquidity target figures, liquidity reserve requirements, requirements relating to minimum cash in hand, requirements relating to guarantees in connection with energy trading and available committed bank facilities.

Liquidity forecasts are prepared to plan future financing needs as well as the investment of the Group's surplus liquidity.

An individual target figure for short-term liquidity capacity, which reflects Statkraft's ability to cover its future obligations, is included in the Group's balanced scorecard. The objectives relating to Statkraft's desire for a satisfactory liquidity reserve consisting of available cash in hand, short-term financial placements and unused credit facilities to cover e.g. refinancing risk, and also to act as a buffer against volatility in the Group's cash flows.

Guarantees have been established to handle fluctuations in the collateral required by energy exchanges in connection with trading financial power contracts. Guarantees reduce the volatility in the Group's cash flows.

Maturity schedule, external long-term liabilities

NOK million	0-1 year	1–2 years	2–3 years	3–4 years	4–5 years	5 years and later
Instalments on debt from Statkraft SF	-	400	-	-	-	-
Instalments on bond loans from the Norwegian market	1 968	1 000	3 000	800	1 500	750
Instalments on loans raised in non-Norwegian markets	-	4 912	-	-	6 861	14 654
Instalments on external loans in subsidiaries and other loans	204	376	183	272	185	1 393
Interest payments	1 092	1 084	628	616	586	1 555
Total maturity schedule 2017	3 264	7 772	3 811	1 687	9 132	18 352
Total maturity schedule 2016	7 467	3 107	7 293	3 802	1 648	20 622

Allocation of non-discounted value of derivatives per period

The Group has a significant number of financial derivatives, which are presented as derivatives in the balance sheet. For derivatives with negative market value, where contractual due dates are decisive for the understanding of the timing of the cash flows, the non-discounted values are allocated to the time periods shown in the table below.

NOK million	0-1 year	1–2 years	2–3 years	3–4 years	4–5 years	5 years and later
Energy derivatives	3 020	1 115	605	256	218	752
Interest rate- and foreign currency derivatives	1 470	299	58	62	-5	880
Total derivatives 2017	4 490	1 414	663	318	213	1 632
Total derivatives 2016	3 773	1 369	664	182	100	620

Note 10 Financial instruments

GENERAL INFORMATION

Financial instruments account for a significant part of Statkraft's total balance sheet and are of material importance for the Group's financial position and results. Most of the financial instruments can be plased into the two main categories; energy trading and financial activities. In addition, Statkraft has other financial instruments such as accounts receivable, accounts payable, cash, short-term financial investments and equity investments.

Financial instruments in energy trading Within energy trading, financial instruments are used in the Trading and Origination activities. The Trading and Origination activities are managed independently of the Group's energy production. Their main objectives are to achieve profit from changes in the market value of energy- and energy-related financial products, as well as profit from non-standard contracts. Financial instruments are used as part of the Group's financial hedging strategy for continuous optimisation of future revenues from the expected production volume. Financial instruments in energy trading mainly consist of financial and physical agreements relating to purchase and sale of power, gas, oil, coal, carbon quotas and green certificates. Derivatives recognised in the balance sheet are shown as separate items and are measured at fair value with changes in value recognised in the income statement. As the Group's future own production of power does not qualify for recognition in the balance sheet, the effect of changes in value of financial energy derivatives may have major effects on the income statement without necessarily reflecting the underlying business activities.

Financial instruments in financial activities Financial instruments used in financial activities primarily consist of loans, interest rate swaps, combined interest rate and currency swaps and forward exchange contracts. Financial derivatives are used as hedging instruments in accordance with the Group's financial hedging strategy. The hedging objects are considered to be assets in foreign currency, future cash flows or loan arrangements measured at amortised cost. For selected loan arrangements where the interest rate has been changed from fixed to floating (fair value hedging), hedging of some net investments in foreign units and cash flows, hedging is reflected in the financial statements. Because not all financial hedging relationships are reflected in the financial statements, changes in value for financial instruments may result in volatility in the income statement without fully reflecting the financial reality.

SIGNIFICANT ACCOUNTING POLICIES

Financial instruments are recognised when Statkraft becomes a party to the contractual provisions of the instrument. Initial recognition of financial assets and liabilities are at fair value. Financial assets and liabilities are classified on the basis of the nature and purpose of the instruments into the categories "financial assets at fair value through profit or loss", "loans and receivables", "available-for-sale financial assets" and "financial liabilities".

1) Financial instruments valued at fair value through profit or loss
Initial recognition of instruments are at fair value.

- Physical power sales contracts which are considered to be ready convertible to cash and are not entered into for own use purposes are measured at fair value.
- Financial contracts to purchase and sell energy-related products are classified as derivatives. Both stand-alone derivatives and embedded derivatives that are separated from the host contract and recognised at fair value.
- Currency and interest rate derivatives.
- Other financial assets held for trading.

2) Loans and receivables are financial receivables or debt that is not quoted in an active market. Loans and receivables are measured at fair value upon initial recognition with the addition of directly attributable transaction costs. In subsequent periods, loans and receivables are measured at amortised cost using the effective interest rate method, where the effective interest remains the same over the entire term of the instrument. If an impairment loss is assessed to have occurred, the loss is recognised in the income statement.

3) Assets held as available for sale are financial assets which are not included in any of the above categories. Statkraft classifies strategic long-term shareholdings in this category. The assets are initially measured at fair value together with directly attributable transaction costs. Subsequently, the assets are measured at fair value with changes in value recognised in other comprehensive income.

4) Financial liabilities are measured at fair value on initial recognition including directly attributable transaction costs. In subsequent periods, financial liabilities are measured at amortised cost using the effective interest rate method, where the effective interest remains the same over the entire term of the instrument.

ACCOUNTING JUDGEMENT

Statkraft has a significant volume of energy contracts. A characteristic with energy contracts is that they can be accounted for as financial instruments, leases or as contracts with customers, depending on the terms and conditions.

Leases Judgement is made when determining whether a power purchase agreement contains a lease. A power purchase agreement contains a lease if its fulfilment depends on a specific asset and the arrangement conveys a right to control the use of the underlying asset. Further details on leases are disclosed in note 35.

"Own use" contracts within energy trading Physical energy contracts are entered into for Statkraft's own use if the purpose of the receipt or delivery of the power is in accordance with Statkraft's expected purchase, sale or usage requirements. These contracts do not qualify for recognition in the balance sheet. "Own use" contracts will typically have a stable customer base (for example bilateral industry contracts) and are always settled by physical delivery.

Non-financial energy contracts that are not covered by the "own use" exemption, shall be accounted for as if they are derivatives (financial instruments). This will typically apply to contracts for physical purchases and sales of power and gas. Management has reviewed the contracts that are accounted for as financial instruments, and those contracts that are not covered by the definition as a result of "own use" exemption.

ESTIMATES AND ASSUMPTIONS

Fair value hierarchy The Group classifies fair value measurements by using a fair value hierarchy which reflects the importance of the input used in the preparation of the measurements. The fair value hierarchy has the following levels:

Level 1: Non-adjusted quoted prices in active markets for identical assets or liabilities.
Level 2: Other data than the quoted prices included in Level 1, which are observable for assets or liabilities either directly, i.e. as prices, or indirectly, i.e. derived from prices.
Level 3: Data for the asset or liability which is not based on observable market data

Level 3 consists of investments in shares and energy derivatives where observable data does not cover the whole contract period. Observable data (quoted futures) for energy derivatives will normally be available for five years ahead of time. If the duration of the contract is longer than the period where observable data exists, this contract is a level 3 contract. Energy contracts within the level 3 category mainly consists of physical and financial energy contracts and embedded derivatives from bilateral power sales contracts. A significant part of the embedded derivatives consists of foreign exchange derivatives. These are not affected by estimated future power prices. The discounted cash flow method is used.

Valuation of energy derivatives within level 3 is based Statkraft's long-term price forecast and on observable market data for the short-term where this is available. Prices are intrapolated for the period between short and long-term. As a main rule, the cash flows are discounted with a risk-free rate. For embedded derivatives a credit spread will be included in the discount rate.

Note 10 continued

Valuation of investments in shares within level 3 is based on management's best knowledge of market conditions within the relevant industry. Changes in fair value of these investments are not considered to have any material effects on the Group's financial statements.

Description of contracts and assumptions used

When the fair values of financial assets and financial liabilities that is recognised in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Below is a description of assumptions and parameters that have been applied in the determination of fair value.

Power contracts Energy exchange contracts are valued at official closing rates on the balance sheet date.

For other bilateral power contracts, the expected cash flow is stipulated on the basis of a market price curve on the balance sheet date. The market price curve is stipulated on the basis from official closing rates quoted on energy exchanges.

Several power contracts refer to area prices. These contracts are valued using the official closing rates on energy exchanges, where such exist. Separate models are used for regional prices where official closing prices are unavailable.

Statkraft has energy contracts where the contract price is indexed against raw materials such as metal, gas, petroleum products and coal. These are valued using forward prices from relevant commodity exchanges and major financial institutions.

Several energy contracts have prices in different currencies. Quoted foreign exchange rates from The European Central Bank (ECB) are used in the valuation of contracts denominated in foreign currency. If there are no quotes for the entire time period in question, the interest parity is used to calculate exchange rates.

The market interest rate curve (swap interest rate) is used as the basis for discounting derivatives. The market interest rate curve is stipulated on the basis of the publicised swap interest rates. A credit surcharge is added to the market interest rate curve in cases where the credit risk is relevant. This applies to all external bilateral contracts classified as assets and liabilities.

Environmental certificate derivatives

- CO_2 contracts are priced based on the forward price of EU Allowance (EUA) quotas and Certified Emission Reduction (CER) quotas.
- Green certificate derivatives are valued at forward price. Forward prices are not applicable if the prices are fixed.

Currency and interest rate derivatives The fair value of interest rate swaps and combined interest rate and currency swaps, is determined by discounting expected future cash flows to present value through the use of observed market interest rates and quoted exchange rates from ECB. The valuation of forward currency exchange contracts is based on quoted exchange rates, from which the forward exchange rate is extrapolated. Estimated net present value is subject to a test of reasonableness against calculations made by the counterparties to the contracts.

Certificates and bonds are valued at listed prices.

Shares and shareholdings are valued at quoted prices where such are available and the securities are liquid. Other securities are valued by discounting expected future cash flows.

2017		Fair value measurement at period-end using:			
NOK million	Note	Level 1	Level 2	Level 3	Fair value
Financial assets at fair value					
Energy derivatives	28	437	6 186	1 396	**8 019**
Currency and interest rate derivatives	28	-	2 541	-	**2 541**
Short-term financial investments		918	-	-	**918**
Money market funds, certificates, promissory notes, bonds	29	3 154	-	-	**3 154**
Total		4 509	8 726	1 396	**14 632**
Available-for-sale financial assets					
Other shares and securities	25	22	-	278	**299**
Total		22	-	278	**299**
Financial liabilities at fair value					
Energy derivatives	28	-85	-3 370	-2 105	**-5 560**
Currency and interest rate derivatives	28	-	-2 430	-	**-2 430**
Total		-85	-5 799	-2 105	**-7 990**

2016		Fair value measurement at period-end using:			
NOK million	Note	Level 1	Level 2	Level 3	Fair value
Financial assets at fair value					
Energy derivatives	28	1 036	3 604	2 627	7 268
Currency and interest rate derivatives	28	-	2 416	-	2 416
Short-term financial investments		532	-	-	532
Money market funds, certificates, promissory notes, bonds	29	-	20	-	20
Total		1 568	6 041	2 627	10 236
Available-for-sale financial assets					
Other shares and securities	25	90	-	248	338
Total		90	-	248	338
Financial liabilities at fair value					
Energy derivatives	28	-182	-2 420	-1 787	-4 389
Currency and interest rate derivatives	28	-181	-2 372	-	-2 553
Total		-364	-4 792	-1 787	-6 942

Note 10 continued

Total unrealised changes in value

NOK million	Note	2017	2016
Energy contracts	20	-378	-1 364
Financial items	20	-791	1 064
Total		-1 168	-300

Assets and liabilities measured at fair value based on Level 3

NOK million	Financial assets at fair value	Financial liabilities at fair value	Total
Opening balance 01.01.2017	2 875	-1 787	1 088
Unrealised changes in value, incl. currency translation effects	-1 253	-199	-1 453
Additions or realisations	44	-	44
Moved to/from Level 3	8	-119	-111
Closing balance 31.12.2017	1 674	-2 105	-431
Net realised gain (+)/loss (-) for 2017			367
Opening balance 01.01.2016	3 614	-3 020	594
Unrealised changes in value, incl. currency translation effects	-718	1 131	413
Additions or realisations	5	96	100
Moved to/from Level 3	-25	7	-19
Closing balance 31.12.2016	2 875	-1 787	1 088
Net realised gain (+)/loss (-) for 2016			-82

Sensitivity analysis of factors classified to Level 3

NOK million	10% reduction	10% increase
Net effect from power prices	-375	391

The effects are not symmetrical due to volume flexibility in the contracts that reduce the downside.

Assets and liabilities recognised at amortised cost

NOK million	Note	2017 Recognised value	2017 Fair value	2016 Recognised value	2016 Fair value
Financial assets at amortised cost					
Long-term loans to equity accounted investments	25	2 223	2 223	6 740	6 831
Bonds and other long-term receivables [1)]	25	1 366	1 366	1 583	1 583
Accounts receivable	27	8 201	8 201	7 335	7 335
Short-term loans to equity accounted investments	27	3 959	3 959	381	381
Receivables related to cash collateral	27	1 931	1 931	1 226	1 226
Other receivables [2)]	27	1 039	1 039	1 178	1 178
Cash and cash deposits	29	11 062	11 062	7 288	7 288
Total		29 781	29 781	26 031	26 123
Financial liabilities at amortised cost					
Long-term interest-bearing debt to Statkraft SF	31	-400	-445	-400	-462
Bonds issued in the Norwegian market	31	-7 050	-7 349	-7 050	-7 351
Debt issued in non-Norwegian markets	31	-26 427	-28 156	-21 673	-23 620
External debt in subsidiaries and other debt	31	-2 408	-2 332	-2 762	-2 762
Debt connected to cash collateral	31	-1 322	-1 322	-1 408	-1 408
First year's instalment on long-term debt	31	-2 172	-2 175	-6 126	-6 348
Short-term interest-bearing debt to Statkraft SF	31	-158	-158	-304	-304
Credit facilities	31	-4	-4	-	-
Other interest-bearing short-term debt	31	-39	-39	-569	-569
Accounts payable	32	-1 950	-1 950	-1 730	-1 730
Interest-free debt to Statkraft SF	32	-	-	-2	-2
Other interest-free liabilities [3)]	32	-6 749	-6 749	-9 212	-9 212
Total		-48 679	-50 679	-52 211	-54 742

[1)] Amount differs from note 25 since pension assets are not included in note 10.

[2)] Amount differs from note 27 since prepaid taxes and indirect taxes are not included in note 10.

[3)] Amount differs from note 32 since indirect taxes are not included in note 10.

Note 10 continued

NETTING AGREEMENTS

2017

Financial assets

NOK million	Note	Gross amount	Amount offset	Booked amount	Netting agreements not offset in balance sheet	Financial collateral received	Net value
Energy derivatives	28	31 547	23 528	8 019	-	141	7 878
Currency and interest swaps	28	2 541	-	2 541	-	1 181	1 360
Total derivatives (current and non-current)		34 087	23 528	10 559	-	1 322	9 237
Receivables	27	21 256	5 884	15 372	-	-	15 372

Financial liabilities

NOK million		Gross amount	Amount offset	Booked amount	Netting agreements not offset in balance sheet	Financial collateral pledged	Net value
Energy derivatives	28	-29 088	-23 528	-5 560	-	-901	-4 658
Currency and interest swaps	28	-2 430	-	-2 430	-	-1 030	-1 400
Total derivatives (current and non-current)		-31 517	-23 528	-7 990	-	-1 931	-6 058
Long-term interest-bearing debt	31	-36 285	-	-36 285	-	-151	-36 134
Interest-free liabilities allocated to capital employed	32	-14 969	-5 884	-9 086	-	-	-9 086

2016

Financial assets

NOK million	Note	Gross amount	Amount offset	Booked amount	Netting agreements not offset in balance sheet	Financial collateral received	Net value
Energy derivatives	28	20 586	13 318	7 268	-	69	7 199
Currency and interest swaps	28	2 416	-	2 415	-	1 292	1 125
Total derivatives (current and non-current)		23 002	13 318	9 684	-	1 361	8 323
Receivables	27	15 297	5 078	10 219	-	-	10 219

Financial liabilities

NOK million		Gross amount	Amount offset	Booked amount	Netting agreements not offset in balance sheet	Financial collateral pledged	Net value
Energy derivatives	28	-17 706	-13 318	-4 389	-	-253	-4 136
Currency and interest swaps	28	-2 553	-	-2 553	-	-935	-1 618
Total derivatives (current and non-current)		-20 259	-13 318	-6 942	-	-1 187	-5 755
Long-term interest-bearing debt	31	-31 886	-	-31 886	-	-210	-31 675
Interest-free liabilities allocated to capital employed	32	-15 609	-5 078	-10 531	-	-	-10 531

The tables show a reconciliation of gross amounts, booked amounts and net value (net exposure) of financial instruments where there are netting agreements or similar.

A financial asset and a financial liability are presented net in the statement of financial position when Statkraft has a legally enforceable right to offset the asset and the liability, and intends to settle on a net basis or realise the asset and the liability simultaneously.

For energy derivatives, futures and spot transactions, Statkraft has agreements with counterparties based on various types of master agreements setting the standard terms and conditions between the two parties. In general, the master netting agreements permit netting of payments and involve offsetting cash flows between the two parties when certain conditions are met, such as for instance same currency and maturity.

The master agreements further serve to mitigate exposure to credit loss by allowing set-offs when an agreement is terminated, provided that such offsetting is permitted within the jurisdiction of the counterparty.

Termination can occur for instance if a party is bankrupt or has defaulted on the agreement. Such close-out netting does not in itself meet the criteria of offsetting in the statement of the financial position.

Currency and interest rate derivatives are booked gross for each contract in the statement of financial position.

Financial collateral is typically cash collateral payments to/from counterpart, normally a bank. Financial collateral can also be cash set a side on a restricted bank account to cover forthcoming interest payments and instalments on a loan.

In the tables, the energy, currency and interest rate derivatives are separated in assets and liabilities. Cash collaterals received or pledged are booked net per counterpart and presented as current assets/liabilities, regardless of the lifetime of the corresponding derivative. The derivatives, both current and non-current, are therefore presented on the same row in the table above.

Note 11 Hedge accounting

GENERAL INFORMATION

Fair value hedging Three loan arrangements are treated as fair value hedges. Issued bonds have been designated as hedging objects in the hedging relationships, and the associated interest rate swaps have been designated as hedging instruments.

The hedging objects are issued fixed-interest rate bonds with a total nominal value of EUR 850 million. The hedging instruments are interest rate swaps with a nominal value of EUR 850 million, entered into with major banks as the counterparties. The agreements swap interest rate from fixed to floating 3-month EURIBOR.

Hedging of net investments in foreign operation GBP 220 million in synthetic debt in Statkraft AS is designated as hedging of the net investment in Statkraft UK Ltd. Debt in GBP is synthetically constructed using debt in NOK together with combined interest rate and currency swaps or forward exchange rate contracts. The currency effects of this debt are recognised in other comprehensive income. The accumulated effect of the hedging is that NOK 369 million is recognised in other comprehensive income as a negative effect at the end of 2017. The effect of the hedging for the year 2017 is NOK 105 million recognised in other comprehensive income as a negative effect.

EUR 1000 million of Statkraft AS' external debt was designated as hedging of the net investment in Statkraft Treasury Centre. The major business activities in Statkraft Treasury Centre SA were transferred to Statkraft AS, and the net investment hedge was discontinued. As a result of the transfer of the business activities the effects from the net investment hedge (NOK -1484 million) were recycled from other comprehensive income to income statement.

Cash flow hedging As a general rule, the Group does not use hedge accounting of cash flows hedged. There are some minor exceptions related to debt in a subsidiary and a joint operation.

SIGNIFICANT ACCOUNTING POLICIES

Financial instruments designated as hedging instruments Financial instruments that are designated as hedging instruments or hedged items in hedge accounting are identified on the basis of the intention behind the acquisition of the financial instrument. In a fair value hedge the value change will meet the corresponding change in value of the hedged item, and presented in the same line item in the financial statement.

The value changes for cash flow hedges and hedges of net investments in foreign operations will be recognised in other comprehensive income. Gains and losses resulting from changes in exchange rates on debt entered into to hedge net investments in a foreign entity are recognised directly in other comprehensive income, and recycled to the income statement upon disposal of the foreign entity.

The critical terms of the hedging object and hedging instrument are deemed to be approximately the same, and 90–110% hedging efficiency is assumed. The inefficiency is recognised in the income statement.

Fair value of hedging instruments

NOK million	2017	2016
Hedging instruments used in fair value hedging	213	476
Hedging instruments used in cash flow hedging [1)]	-94	-181
Hedging instruments used in net investments in foreign operations [2)]	-105	-1 144
Total fair value of hedging instruments	15	-848

[1)] The value represents the fair value of financial instruments. Changes in fair value are recognised in other comprehensive income.
[2)] The value represents the currency effects from financial instruments. Currency effects are recognised in other comprehensive income. There is not recognised any ineffectiveness in 2017 or 2016.

Other information on fair value hedging

NOK million	2017	2016
Net gain (+)/loss (-) on hedging instruments	-224	-136
Net gain (+)/loss (-) on hedging objects, in relation to the hedged risk	219	136
Hedge inefficiency	-5	-

Note 12 Sales revenues and energy purchase

GENERAL INFORMATION

The Group's sales revenues and energy purchase are divided into four categories:

Generation includes sales revenues and energy purchase related to Statkraft's physical power generating assets and district heating. The category includes spot sales, bilateral industry contracts, concessionary sales contracts and green certificates.

Sales and trading includes trading portfolios, financial energy contracts, financial risk reduction portfolios and dynamic asset management portfolios.

Customers include sales revenues and energy purchases related to origination portfolios, market access and end-user activities. Market access activities mainly relate to the Nordic, British and German markets. End-user activities include Fjordkraft.

Other sales revenues and energy purchase mainly consists of grid activities in Norway and Peru and the subsea cable Baltic Cable (between Sweden and Germany).

SIGNIFICANT ACCOUNTING POLICIES

Revenues from the sale of energy products and services are recognised when the risk and control over the goods have substantially been transferred to the buyer and the consideration can be measured reliably.

Energy revenues are recognised upon delivery, and generally presented gross in the income statement. Realised gains and losses from trading portfolios are presented net as sales revenues.

Realised revenues from physical and financial trading in energy contracts are presented as sales revenues together with unrealised changes in fair value from physical and financial contracts. See note 20 for more information.

Environmental certificates are accounted for at fair value at the time of production in accordance with IAS 20. The change in value is recognised as sales revenues. See note 26 for more details about accounting policies for environmental certificates.

NOK million	2017	2016
Generation - sales revenues [1]	22 056	18 976
Generation - energy purchase	-1 408	-368
Generation - net	20 648	18 608
Sales and trading - sales revenues	3 456	3 634
Sales and trading - energy purchase	-2 804	-3 249
Sales and trading - net	652	386
Customers - sales revenues	34 747	24 913
Customers - energy purchase	-32 568	-24 897
Customers - net	2 179	16
Other - sales revenues	2 291	1 925
Other - energy purchase	-766	-579
Other - net	1 525	1 345
Sales revenues - total	62 550	49 448
Energy purchase - total	-37 546	-29 093
Sales revenues adjusted for energy purchase	25 005	20 355

[1] Includes revenues from environmental certificates of NOK 90 million in 2017 (NOK 207 million in 2016).

Note 13 Other operating income

NOK million	Note	2017	2016
Income from rental of power plants [1]		518	489
Gain from acquisitions/divestments of business activities	5	5 511	16
Miscellaneous other operating income		461	559
Total		6 490	1 065

[1] Income from power plants that are leased to third parties are presented in other operating income, while expenses related to the operations in the power plants are recognised under operating expenses.

Note 14 Impairments

SIGNIFICANT ACCOUNTING POLICIES

Property, plant, equipment and intangible assets that are depreciated/amortised are reviewed for impairment at the end of every quarter. When there are indicators that future earnings cannot justify the carrying value, the recoverable amount is calculated to consider whether an allowance for impairment must be made. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use. Intangible assets with indefinite useful life are not amortised, but tested for impairment once a year and when events or circumstances indicate that the asset might be impaired.

For the purposes of assessing impairment losses, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units (CGUs)). The highest level of a CGU is a reported operating segment. CGUs in Statkraft are identified as follow:

Hydropower Power plants located in the same water resource and managed together to optimise power production.

Wind power plants The individual wind power plant.

Gas power plants A gas power plant normally constitutes a CGU unless two or more plants are controlled and optimised together so that revenues are not independent of each other.

District heating Each plant together with associated infrastructure including transmission lines.

Biomass power plants The individual biomass power plants.

Goodwill Segment is the lowest CGU level used when testing goodwill for impairment.

Equity accounted investments are tested for impairment when there are indications of possible loss in value. An impairment loss is recognised if the recoverable amount, estimated as the higher of fair value less cost to sell or value in use, is below the carrying value.

Previously impaired non-financial assets, except goodwill, are reviewed for possible reversal of the impairment at each reporting date.

ACCOUNTING JUDGEMENTS

Indicator assessment In accordance with the ordinary reporting procedures, impairment of the carrying value of an asset is reviewed on a quarterly basis. Indicators that might give rise to an impairment loss are analysed and discussed by the segments and group's specialists. If indicators are identified, calculations will be made and if carrying value is higher than recoverable amount, an impairment loss is recognised in the financial statement. Analogue procedures are performed regarding reversal of earlier impairment. The Audit committee are informed of any impairment issues on a quarterly basis.

Special attention is given to assets where one or more of the following situations are present:

- The difference between book value and recoverable amount is minimal
- Market outlook is declining, regulatory environment are unclear or project execution is uncertain
- Structural changes in market conditions that lead to changes in the expected long-term power prices
- Impairment loss has been assessed in earlier periods

ESTIMATES AND ASSUMPTIONS

Value in use is calculated as future expected cash flows discounted by using a required rate of return equal to the market's required rate of return for corresponding assets in the same industry. The operating expenses are derived from the current year's expenses and next year's budget. Restructuring activities that the Group has not yet committed to or significant future investments that will enhance the asset's performance in the CGU being tested, is not included. Expected maintenance investments are included for commissioned power plants. Provision for decommissioning is not usually included in the value in use calculation.

When determining the value in use for property, plant and equipment under construction, remaining investments approved by Statkraft's management are included.

Assumptions applied when assessing value in use The recoverable amount is sensitive to the long-term price forecast for power, expected production volumes, and the discount rate.

Power prices:

- For the short-term period, typically the first five years, observable market prices are applied as a basis for estimating future revenues.
- For the long-term period, typically ten years subsequent of the balance sheet date, estimated revenues are based on Statkraft's long-term price forecast for power, as described in note 2.
- For the period between short-term and long-term period the prices are intrapolated.

Production volumes The production volume used in the discounted cash flow analyses is the long term expected production volume for any given site, taking into account all expected technical, hydrological and wake losses. The volume estimate is a combination of information from turbine suppliers, third-party consultants and Statkraft's internal estimates.

Discount rate Calculated value in use is based on nominal discount rates after tax, whereas the tax effects are considered in the calculated cash flows. This means that the recoverable amount calculated are equal to the theoretical before tax model. The discount rates applied take into account the risk profile of the asset or asset class in the relevant market.

Assumptions applied when assessing fair value less cost to sell A fair value less cost to sell approach is applied for assets operating in a market where an active market for comparable assets exists. This is applied for onshore wind assets in the UK, where the fair value of the CGUs was derived from comparable onshore wind transactions in the UK market. The valuation model applied is based on multiples for annual power production.

Note 14 continued

Impairment loss recognised in the income statement

NOK million	2017	2016
Intangible assets, property, plant and equipment	1 800	4 669
Reversal of impairment on intangible assets, property plant and equipment	-1 300	-
Equity accounted investments	1 187	189
Total impairment loss	1 687	4 858

IMPAIRMENT IN 2017

Intangible assets, property, plant and equipment

Hydropower plants in Chile The Pilmaiquén investment in Chile, which consists of one operating hydropower plant and two hydropower projects under developement, was impaired with NOK 1219 million. The assets are part of the segment International power. The main impairment indicator was lower expected long-term prices. Calculated value in use is based on a nominal discount rate after tax of 6.8-7.3% (representing 7.8-9.5% before tax).

The estimated values in use are particularly sensitive to changes in future power prices and cost of capital. A change in the future power price of 10% will result in a change of approximately NOK 430 million. A decrease in the discount rate of 1 percentage point (after tax) will result in a change of approximately NOK 1010 million. An increase in the discount rate of 1 percentage point (after tax) will result in a change of approximately NOK 728 million.

Reversal of impairment on gas-fired power plants in Germany A reversal of impairment loss of NOK 914 million was recognised due to increased need for flexible power generation in the German market and an improved outlook for future gas to power margin. The assets are part of the European flexible generation segment. Calculated value in use is based on a nominal discount rate after tax of 5.6% (representing 7.7% before tax).

The estimated values in use are particularly sensitive to changes in future power prices and cost of capital. An increase in the future power price of 10% will result in a change of approximately NOK 2007 million. A decrease in the future power price of 10% will result in a change of approximately NOK 1378 million. A decrease in the discount rate of 1 percentage point (after tax) will result in a change of approximately NOK 118 million. An increase in the discount rate of 1 percentage point (after tax) will result in a change of approximately NOK 266 million.

Reversal of impairment on hydropower plants in Norway A verdict in the Supreme Court stated that Statkraft is not the taxable owner of Sønnå Høy power plant. This ruling will lead to lower property tax for Statkraft in the future. A reversal of impairment loss of NOK 386 million was recognised due to the verdict and, in addition, the market development. The asset is a part of the European flexible generation segment.

Pump-storage hydropower plant A pump-storage hydropower plant in Germany was impaired by NOK 197 million. The asset is a part of the European flexible generation segment.

Wind farms in the Nordic Wind projects in Norway and Sweden were impaired by NOK 187 million. The assets are a part of the Wind power segment.

Hydropower plants and wind farms in Brazil Hydropower plants and wind farms were impaired by NOK 101 million. The assets are a part of the International power segment.

Hydropower plant in Peru A hydropower plant was impaired by NOK 66 million. The asset is a part of the International power segment.

Other There were other impairments of NOK 30 million. This mainly relates to decommissioning of the gas-fired power plant at Kårstø in Norway.

Equity accounted investments

Hidroelectrica La Higuera S.A (HLH) The investment in HLH in Chile was impaired with NOK 689 million due to lower expected long-term power prices. The asset is a part of the International Power segment. Calculated value in use is based on a nominal discount rate after tax of 7.6% (representing 8.7% before tax).

The estimated values in use are particularly sensitive to changes in future power prices and cost of capital. A change in the future power price of 10% will result in a change of approximately NOK 360 million. A decrease in the discount rate of 1 percentage point (after tax) will result in a change of approximately NOK 618 million. An increase in the discount rate of 1 percentage point (after tax) will result in a change of approximately NOK 462 million.

Hidroelectrica La Confluencia S.A (HLC) The investment in HLC in Chile was impaired with NOK 446 million due to lower expected long-term power prices. The asset is a part of the International Power segment. Calculated value in use is based on a nominal discount rate after tax of 7.8% (representing 8.6% before tax).

The estimated values in use are particularly sensitive to changes in future power prices and cost of capital. A change in the future power price of 10% will result in a change of approximately NOK 282 million. A decrease in the discount rate of 1 percentage point (after tax) will result in a change of approximately NOK 478 million. An increase in the discount rate of 1 percentage point (after tax) will result in a change of approximately NOK 352 million.

A shareholder loan from Statkraft was impaired by NOK 117 million and recognised as financial expense.

Malana and Allain Duhangan Two hydropower plants in India were impaired with a total of NOK 52 million. The assets are a part of the International power segment.

Note 14 continued

IMPAIRMENT IN 2016

Property plant and equipment

Gas-fired power plants in Germany Statkraft maintains the view that gas-fired generation is a key bridge technology for the future energy supply in Germany, but based on operational analysis the revenues are expected to be postponed compared with earlier assumptions. This, together with indications that capacity prices might be set by cheaper technologies than expected resulted in an impairment loss of NOK 1947 million. The plants are part of the segment European flexible generation. Calculated value in use is based on a nominal discount rate after tax of 6.0% (representing 8.7% before tax).

The estimated values in use are particularly sensitive to changes in future gross margins and cost of capital. A change in the future gross margin of 10% will result in approximately NOK 930 million. A change in the discount rate of one percentage point (after tax) will result in approximately NOK 930 million.

Hydropower plants in Albania The Devoll project in Albania, which consists of the hydropower plants Banja and Moglice, was impaired with NOK 1071 million. The assets are part of the segment International power. Main impairment indicators were lower expected long-term prices and updated market assessment. Calculated value in use is based on a nominal discount rate after tax of 7.0% (representing 7.8% before tax).

The estimated values in use are particularly sensitive to changes in future power prices and cost of capital. A change in the future power price of 10% will result in approximately NOK 430 million. A change in the discount rate of 1 percentage point (after tax) will result in approximately NOK 900 million.

Nordic market

Due to lower expected long-term prices in the Nordic market, the hydropower plants and wind farms in the Nordic market were assessed for impairment using value in use calculations.

Wind farms in Sweden A impairment loss of NOK 585 million was recognised for onshore wind farms based in Sweden. The assets are part of the Wind power segment. Calculated value in use is based on a nominal discount rate after tax of 6.7% (representing 8.5% before tax).

The estimated values in use are particularly sensitive to changes in future power prices and cost of capital. A change in the future power price of 10% will result in approximately NOK 700 million in change in value in use. A change in the discount rate of one percentage point (after tax) will result in approximately NOK 400 million in change in value in use.

Hydropower plants in Norway and Sweden A impairment loss of NOK 441 million was recognised for some smaller hydropower plants based in Norway and an impairment of NOK 132 million for several minor hydro power plants based in Sweden. All hydropower assets are part of the segment European flexible generation. Calculated value in use is based on a nominal discount rate after tax of 6.2% (representing 8.1% before tax) in both Norway and Sweden.

The estimated value in use of the Norwegian power plant is in particular influenced by increased property tax related to the Sønnå Høy case (see note 33) and is in addition sensitive to changes in cost of capital. A change in the discount rate of one percentage point (after tax) will result in a change in value of approximately NOK 350 million. For assets based in Sweden the sensitivity analyses showed minor impact from changes in assumptions.

Wind farm in Brazil The production capacity for one of the wind farms are lower than previously expected. The value in use calculation shows an impairment of NOK 58 million. The asset is part of the segment International power.

District heating A Norwegian heating plant was impaired by NOK 18 million.

Intangible assets

Goodwill in Brazil Due to the decision to restructure Enex in 2016, NOK 78 million of Goodwill was impaired.

Equity accounted investments

SN Power and BKK Due to lower expected mid-term power prices for hydropower plants based in Panama, Statkraft has recognised impairment losses of NOK 76 million in SN Power and NOK 65 million in BKK.

Hidroelectrica La Confluencia S.A (HLC) The investment in HLC was impaired with NOK 48 million due to lower expected long-term power prices.

Wind UK Invest Ltd Due to lower expected long-term prices in the UK market an indicator for impairment was identified and the assets were assessed for impairment using fair value less cost to sell. The valuation model applied was based on multiples for yearly power produced for assets with similar support regime. The carrying value per MWh of annual production for the assets was lower than the median price range of £750-800 per MWh, achieved in comparable transactions observed in the market, and no impairment was therefore booked.

Note 15 Payroll costs and number of full-time equivalents

NOK million	2017	2016
Salaries	2 564	2 604
Employers' national insurance contribution	445	446
Pension costs [1]	398	386
Other benefits	300	212
Total	3 707	3 648

[1] Pension costs are described in further detail in note 16.

	2017	2016
Average number of full-time equivalents Group	3 397	3 639
Number of full-time equivalents as of 31.12.	3 310	3 484

Note 16 Pensions

GENERAL INFORMATION

Statkraft's pension benefit schemes have been established in accordance with local statutes, and cover both defined contribution schemes and defined benefit schemes.

Defined contribution schemes A defined contribution scheme is a retirement benefit scheme where the Group pays fixed contributions to a fund manager without incurring further obligations once the payment has been made. The payments are expensed as salaries and payroll costs.

Statkraft's pension scheme for new employees in wholly owned companies in Norway from 1 January 2014 is a defined contribution scheme. The contributions are 6% of the pensionable salary up to 7.1 of the National Insurance Scheme's basic amount (G), and 18% of the pensionable salary between 7.1G and 12G. In addition to retirement pensions, the contribution scheme also entails risk coverage.

Defined benefit schemes A defined benefit scheme is a retirement benefit scheme that defines the retirement benefits that an employee will receive on retirement. The retirement benefit is normally set as a percentage of the employee's salary. To be able to receive full retirement benefits, contributions will normally be required to be paid over a period of between 30 and 40 years. Employees who have not made full contributions will have their retirement benefits proportionately reduced.

Funded defined benefit schemes Norwegian companies in the Group have organised their pension schemes in the National Pension Fund (SPK), own pension funds as well as in insurance companies. Employees in the Group's Norwegian companies participate in public service occupational pension schemes in accordance with the Norwegian Public Service Pension Fund Act, the Norwegian Public Pension Service Pension Fund Transfer Agreement and the regulatory framework governing public service pensions.

The defined benefit schemes cover retirement, disability and survivor pensions. The majority of the companies also offer early retirement from the age of 62 under the Norwegian early retirement pension scheme. Pension scheme benefits are coordinated with the benefits provided by the Norwegian National Insurance Scheme. At maximum accrual, the retirement schemes provide pension benefits amounting to 66% of pensionable salary, up to 12G.

Employees who leave before retirement age receive a deferred pension entitlement provided they have at least three years' pension entitlements.

National Pension Fund (SPK) Companies with schemes in the SPK pay an annual premium and are responsible for the financing of the scheme. Pension benefits from the SPK are guaranteed by the Norwegian state.

The SPK scheme is not asset-based, but management of the pension fund assets is simulated as though the assets were invested in bonds with 1, 3, 5 or 10-year duration. In this simulation it is assumed that the bonds are held to maturity.

The pension benefit scheme in the National Pension Fund (SPK) was closed for new employees 1 January 2014.

Pension funds and insurance companies The pension funds and insurance companies have placed the pension assets in a diversified portfolio of Norwegian and foreign interest-bearing securities, Norwegian and foreign shares, secured loans to members, hedge funds and properties through external asset managers.

Unfunded defined benefit schemes Some Group companies in Norway have entered into an additional pension agreement that provides all employees whose pensionable incomes exceed 12G with a retirement and disability pension equivalent to 66% of that portion of their pensionable income exceeding 12G. This agreement was closed for new employees 30 April 2012.

Existing members of the closed agreement who leave before pensionable age receive a deferred pension entitlement for the scheme above 12G, based on the accrued share, provided they have at least three years' pension entitlements.

SIGNIFICANT ACCOUNTING PRINCIPLES

The liability recognised in the balance sheet which relates to the defined benefit scheme is the present value of the future retirement benefits that are reduced by the fair value of the plan assets.

Net pension fund assets for overfunded schemes are classified as non-current assets and recognised in the balance sheet at fair value. Net retirement benefit liabilities for underfunded schemes and non-funded schemes that are covered by operations are classified as long-term liabilities.

Gains and losses attributable to changes in actuarial assumptions or base data are recognised in other comprehensive income.

The net retirement benefit cost for the period is included under salaries and other payroll costs, and comprises the total of the retirement benefits accrued during the period, the interest on the estimated liability and the projected yield on pension fund assets.

ESTIMATES AND ASSUMPTIONS

The calculation of pension liabilities involves the use of judgement and estimates across a range of parameters. Present value of accrued pension entitlements for defined benefit schemes and present value of accrued pension entitlements for the year are calculated using the accrued benefits method. Net pension liabilities in the balance sheet are adjusted for expected future salary increases until retirement age. Calculations are based on staff numbers and salary data at the end of the year.

The discount rate is based on high-quality corporate bonds (covered bonds - OMF). Statkraft is of the opinion that the market for covered bonds represents a deep and liquid marked with relevant durations that qualify as a reference interest rate in accordance with IAS 19.

The actuarial gain recognised in other comprehensive income during the year is mainly due changes in assumptions for discount rate and salary adjustments.

The following assumptions are used [1]	31.12.2017	31.12.2016
Discount rate and projected yield	2.40%	2.30%
Salary adjustment	2.50%	2.25%
Adjustment of current pensions	1.50%	1.25%
Adjustment of the National Insurance Scheme's basic amount (G)	2.25%	2.00%
Demographic factors for mortality and disability	K2013/IR73	K2013/IR73

[1] The assumptions apply for Norwegian entities. Foreign entities apply assumptions adapted to local conditions.

Note 16 continued

Members of defined benefit schemes	2017	2016
Employees	1 838	1 852
Pensioners and people with deferred entitlements	2 802	2 732

Breakdown of net defined benefit pension liability

NOK million	2017	2016
Present value of accrued pension entitlements for funded defined benefit schemes	6 749	6 368
Fair value of pension assets	5 653	5 254
Net pension liability for funded defined benefit schemes	1 096	1 115
Present value of accrued pension entitlements for unfunded defined benefit schemes	685	589
Employers' national insurance contribution	279	243
Net pension liabilities in the balance sheet	2 059	1 947
Of which net pension asset - see note 25	480	300
Of which net pension liability	2 539	2 247

Movement in defined benefit pension liability

NOK million	2017	2016
Defined gross benefit pension liabilities 01.01	6 957	6 541
Net change in liabilities due to additions/disposals	-6	-
Present value of accrued pension entitlements for the year	250	253
Interest expenses	152	160
Actuarial gains/losses	212	204
Paid benefits	-186	-160
Currency translation effects	54	-41
Gross defined benefit pension liabilities 31.12	7 433	6 957

Movement in the fair value of pension assets for defined benefit pension schemes

NOK million	2017	2016
Fair value of pension assets 01.01	5 254	4 896
Net change in assets due to additions/disposals	-4	-
Projected yield on pension assets	116	120
Actuarial gains/losses	154	148
Total contributions	254	247
Paid benefits	-148	-127
Currency translation effects	27	-30
Fair value of pension assets 31.12	5 653	5 254

Pension assets comprise	2017	2016
Equity instruments	1 243	955
Interest-bearing instruments	3 850	3 722
Other	559	577
Fair value of pension assets 31.12	5 653	5 254

Actuarial gains and losses recognised in other comprehensive income

NOK million	2017	2016
Accumulated actuarial gains and losses recognised in other comprehensive income before tax 31.12	2 357	2 262

Pension cost recognised in the income statement

Defined benefit schemes

NOK million	2017	2016
Present value of accrued pension entitlements for the year	250	253
Interest expenses	152	160
Projected yield on pension assets	-116	-120
Employee contributions	-23	-24
Employers' national insurance contribution	47	49
Net pension cost defined benefit schemes	310	318

Defined contribution schemes

Employer payments	88	68
Total pension cost - see note 15	398	386

	Discount rate		Salary adjustment		Adjustment of G	
Sensitivity analysis upon changes in assumptions	1 %	-1 %	1 %	-1 %	1 %	-1 %
Increase (+)/decrease (-) in net pension cost defined benefit schemes for the period	-23%	25%	16%	-17%	12%	-13%
Increase (+)/decrease (-) in gross defined pension liability as of 31.12.	-16%	21%	6%	-7%	12%	-11%

Note 17 Property tax and licence fees

NOK million	2017	2016
Property tax	1 024	1 391
Licence fees	317	341
Total	1 341	1 733

Property tax and licence fees were lower in 2017 compared with 2016, 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.

Licence fees are mainly related to hydropower plants in Norway. The present value of the Group's future licence fee obligations, not recognised in the statement of financial position, is estimated at NOK 9056 million. The estimated amount is based on a regulated discount rate of 3.5%, annual compensation and funds etc. In 2016, the corresponding amount was NOK 8823 million with an interest rate of 3.9%.

Note 18 Other operating expenses

NOK million	2017	2016
Purchase of third-party services [1)]	1353	1 334
Materials	419	487
Power plants operated by third parties	256	263
Compensation payments	131	141
Rent	365	351
IT	346	245
Marketing	145	116
Travel	159	161
Insurance	139	139
Other operating expenses	533	657
Total	3 846	3 894

[1)] Purchase of third-party services mainly includes consultants, entrepreneur expenses and other services.

Note 19 Financial items

2017	Assessment basis				
NOK million	Fair value through profit or loss	Amortised cost	Available for sale	Bank	Total
Financial income					
Interest income	19	212	-	142	374
Other financial income	-	46	37	-	83
Total	19	258	37	142	456
Financial expenses					
Interest expenses external debt	-520	-741	-	-	-1 261
Other interest expenses	-	-49	-	-	-49
Capitalised borrowing costs	-	76	-	-	76
Other financial expenses	-	-214	-	-	-214
Total	-520	-928	-	-	-1 449
Net currency effects	-839	-1 260	-	19	-2 079
Other financial items					
Net gains and losses on derivatives and securities	1 204	520	-	-	1 724
Net financial items	-136	-1 410	37	162	-1 347

In 2017, the major business activities in Statkraft Treasury Centre (STC) were transferred to Statkraft AS. As a result of the transfer of the business activities, the cumulative translation effects from the investment in STC (2003 MNOK) and currency effects from the net investment hedge of STC (-1484 MNOK) were recycled from other comprehensive income to net gains and losses on derivatives and securities. Until the liquidation of STC is completed, the current currency translation effect of the investment is recognised in the income statement as net currency effects.

Note 19 continued

2016

NOK million	Assessment basis: Fair value through profit or loss	Amortised cost	Available for sale	Bank	Total
Financial income					
Interest income	7	156	-	160	323
Other financial income	13	41	4	-	58
Total	20	196	4	160	380
Financial expenses					
Interest expenses external debt	-489	-895	-	-	-1 384
Other interest expenses	-	-47	-	-9	-56
Capitalised borrowing costs	-	139	-	-	139
Other financial expenses	-	-110	-	-	-110
Total	-489	-913	-	-9	-1 411
Net currency effects	1 778	1 053	-	16	2 847
Other financial items					
Net gains and losses on derivatives and securities	321	-	-	-	321
Net financial items	1 630	336	4	167	2 137

Note 20 Unrealised effects recognised in the income statement

	2017			2016		
NOK million	Unrealised	Realised	Total	Unrealised	Realised	Total
Generation	1 023	21 033	22 056	-426	19 402	18 976
Sales and trading	-2 015	5 471	3 456	-493	4 128	3 634
Customers	144	34 603	34 747	-849	25 762	24 913
Other	-	2 291	2 291	-	1 925	1 925
Total sales revenues	-848	63 398	62 550	-1 768	51 216	49 448
Generation	-	-1 408	-1 408	-	-368	-368
Sales and trading	472	-3 276	-2 804	338	-3 586	-3 249
Customers	-1	-32 567	-32 568	66	-24 963	-24 897
Other	-	-766	-766	-	-579	-579
Total energy purchase	471	-38 016	-37 546	404	-29 497	-29 093
Net currency effects	-109	-1 970	-2 079	557	2 290	2 847
Other financial items	-681	2 406	1 724	507	-186	321
Total financial items	-791			1 064		
Total unrealised effects	**-1 168**			**-300**		

Note 21 Income taxes

GENERAL INFORMATION

Group companies that are engaged in energy generation in Norway are subject to the special rules for taxation of energy companies. The Group's tax expense therefore includes, in addition to ordinary income tax, natural resource tax and resource rent tax.

Income tax is calculated in accordance with ordinary tax rules and by applying the adopted tax rate. The tax expense in the income statement comprises taxes payable and changes in deferred tax liabilities/assets. Taxes payable are calculated on the basis of the taxable income for the year. Deferred tax liabilities/assets are calculated on the basis of temporary differences between the accounting and tax values and the tax effect of losses carried forward.

Natural resource tax is a profit-independent tax that is calculated on the basis of the individual power plant's average output over the past seven years. The tax rate is NOK 13/MWh. Income tax can be offset against the natural resource tax paid.

Resource rent tax is a profit-dependent tax levied on the net resource rent revenue generated by each power plant. Resource rent revenue is calculated on the basis of the individual power plant's production hour by hour, multiplied by the spot price for the corresponding hour. The actual contract price is applied for deliveries of concessionary power and power subject to physical contracts with a term exceeding seven years. Income from green certificates is included in gross resource rent revenue. Actual operating expenses, depreciation and a tax-free allowance are deductible.

The tax-free allowance is set each year on the basis of the taxable value of the power plant's operating assets, multiplied by a normative interest rate.

Negative resource rent revenues per power plant from the 2006 fiscal year or earlier years can only be carried forward with interest offset against future positive resource rent revenues from the same power plant. From 2007 onwards negative resource rent revenues per power plant can be pooled with positive resource rent revenues for other power plants.

SIGNIFICANT ACCOUNTING POLICIES

Tax related to items recognised in other comprehensive income is also recognised in other comprehensive income, while tax related to equity transactions is recognised in equity.

Deferred tax liabilities and deferred tax assets are recognised net provided that these are expected to reverse in the same period. The same applies to deferred tax liabilities and deferred tax assets connected with resource rent tax. Deferred tax positions connected with income tax payable cannot be offset against tax positions connected with resource rent tax.

Any natural resource tax that exceeds income tax can be carried forward with interest to subsequent years, and is recognised as prepaid tax.

The tax-free allowance deductible for resource rent tax is treated as a permanent difference in the year it is calculated for, and therefore does not affect the calculation of deferred tax connected with resource rent.

ESTIMATES AND ASSUMPTIONS

Recognition of deferred tax assets involves judgment. Deferred tax assets are recognised to the extent that it is probable that they will be utilised.

Deferred tax assets relating to resource rent revenue carryforwards are recognised in the balance sheet with the amount expected to be utilised within a period of ten years. The period over which negative resource rent revenues can be used is estimated on the basis of expectations related to normal production and price curves.

Other deferred tax assets are recognised in the balance sheet if they are expected to be utilised within a period of five years.

For uncertain tax positions see note 33.

Nominal Norwegian tax rates in the income statement	2017	2016
Income tax rate	24%	25%
Resource rent tax rate	34.3 %	33.0 %

Nominal Norwegian tax rates in the balance sheet statement (deferred tax)	2017	2016
Income tax rate	23%	24%
Resource rent tax rate	35.7 %	34.3 %

The tax expense in the income statement

NOK million	2017	2016
Income tax payable (including natural resource tax payable)	1 804	2 762
Resource rent tax payable	2 451	2 249
Withholding tax payable	21	13
Previous years payable tax expense	-133	-41
Change in deferred tax net of group contributions	-182	420
Tax expense in the income statement	3 961	5 402

Taxes payable in the balance sheet

NOK million	2017	2016
Income tax payable	817	1 478
Natural resource tax payable	614	608
Resource rent tax payable	2 451	2 249
Previous years taxes payable	128	429
Taxes payable in the balance sheet	4 010	4 764

Tax included in receivables

NOK million	2017	2016
Prepaid tax	52	99
Tax included in receivables - see note 27	52	99

Note 21 continued

Reconciliation of nominal Norwegian tax rate and effective tax rate

NOK million	2017	2016
Profit before tax	15 693	5 223
Expected tax expense at a nominal rate of 24% (25%)	3 766	1 306
Effect on taxes of		
Resource rent tax	2 934	2 445
Foreign tax rate differences	-107	-244
Change in tax rates	-64	-12
Share of profit/loss in equity accounted investments	18	-119
Tax-free income [1]	-1 594	-21
Changes relating to previous years	-105	49
Change in unrecognised deferred tax assets [2]	-759	1 682
Other permanent differences [3]	-129	317
Tax expense	3 961	5 402
Effective tax rate	25.2 %	103.4 %

[1] Tax free income is mainly related to tax exempt gains related to divestments of offshore wind, sale of SN Power and recycling of currency from other comprehensive income.
[2] Change in unrecognised deferred tax assets is mainly related to Sweden and Germany.
[3] Other permanent differences are mainly non-deductible expenses and items included in the profit and loss statement without tax effect. Items included in the profit and loss statement without tax effect entail depreciation and impairment on excess values and changes in value of equity instruments.

Breakdown of deferred tax

NOK million	01.01.17	Tax expense in the income statement	Other comprehensive income	Acquisitions and sale of companies	31.12.17
Current assets/current liabilities	278	-721	318	-	-124
Property, plant and equipment not part of resource rent tax regime [1]	4 416	-554	-45	-	3 816
Property, plant and equipment part of resource rent tax regime	7 275	219	-	-	7 495
Pension liabilities	-665	-11	-49	-	-725
Other long-term items	293	1 135	14	-	1 443
Tax loss carryforward/compensation [1]	-296	-152	16	8	-423
Negative resource rent tax carryforward [2]	-2 531	-98	-	-	-2 630
Total net deferred tax liability	8 771	-182	255	8	8 852
Of which presented as deferred tax assets	675				962
Of which presented as deferred tax liabilities	9 446				9 814

NOK million	01.01.16	Tax expense in the income statement	Other comprehensive income	Acquisitions and sale of companies	31.12.16
Current assets/current liabilities	438	-460	301	-	278
Property, plant and equipment not part of resource rent tax regime [1]	4 397	151	-70	-62	4 416
Property, plant and equipment part of resource rent tax regime	6 693	582	-	-	7 275
Pension liabilities	-687	5	16	-	-665
Other long-term items	614	-334	14	-	293
Tax loss carryforward/compensation [1]	-755	444	15	-	-296
Negative resource rent tax carryforward [2]	-2 564	32	-	-	-2 531
Total net deferred tax liability	8 137	420	276	-62	8 771
Of which presented as deferred tax assets	1 298				675
Of which presented as deferred tax liabilities	9 435				9 446

[1] The Group also has deferred tax assets not recognised in the balance sheet. This mainly relates to Germany with not recognised deferred tax assets of NOK 1628 million as of 31.12.2017 (NOK 1987 million as of 31.12.2016).
[2] The Group also has deferred tax assets not recognised in the balance sheet related to negative to negative resource rent tax carryforward. This amounted to NOK 811 million as of 31.12.2017 (NOK 1110 million as of 31.12.2016).

Deferred tax recognised in other comprehensive income

NOK million	2017	2016
Remeasurement of pension obligations	-49	17
Translation differences	-10	-61
Changes in fair value of financial instruments	313	320
Total deferred tax recognised in other comprehensive income	255	276

Note 22 Intangible assets

SIGNIFICANT ACCOUNTING POLICIES

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Costs relating to intangible assets, including goodwill, are recognised in the balance sheet when it is probable that the asset will generate future economic benefits and the costs can be measured reliably. Goodwill and intangible assets with an indefinite useful life are not amortised and are tested annually for impairment.

Some business combinations generate "technical goodwill". The reason for this is that deferred tax cannot be booked at fair value. The fair value of a deferred tax liability is normally lower than the nominal value. The difference between fair value and nominal value gives a "technical goodwill".

Research and development costs are expensed as incurred. Development costs are capitalised to the extent that a future economic benefit can be identified from the development of an identifiable intangible asset.

Nok million	Goodwill	Other	Total
2017			
Balance at 01.01	1 453	2 405	3 858
Additions	-	65	65
Transferred to/from non-current assets	-	25	25
Disposals	-	-4	-4
Currency translation effects	-69	-99	-168
Amortisation	-	-157	-157
Impairments [1)]	-333	-2	-335
Reversal of impairments	-	28	28
Accumulated amortisation/impairments on disposals	-	1	1
Balance at 31.12	1 051	2 262	3 313
Cost 31.12	2 042	3 545	5 587
Accumulated amortisation and impairments as of 31.12	-991	-1 283	-2 274
Balance at 31.12	1 051	2 262	3 313

[1)] Impairments are mainly related to goodwill in Chile. See note 14 for further information.

Nok million	Goodwill	Other	Total
2016			
Balance at 01.01	1 550	2 974	4 524
Additions	-	55	55
Additions from business combinations	8	29	37
Transferred to/from non-current assets	-29	5	-24
Reclassification between intangible assets and provisions	-	-428	-428
Disposals	-5	-6	-11
Derecognition of a subsidiary or joint operation	-57	-176	-233
Currency translation effects	83	228	311
Amortisation	-45	-135	-180
Impairments [2)]	-121	-141	-262
Accumulated amortisation/impairments on disposals	69	-	69
Balance at 31.12	1 453	2 405	3 858
Cost 31.12	2 094	3 483	5 577
Accumulated amortisation and impairments as of 31.12	-641	-1 078	-1 719
Balance at 31.12	1 453	2 405	3 858

[2)] Impairments are mainly related to Enex in Brazil and German gas power plants. See note 14 for further information.

Expected useful lifetime		10–22 years

RESEARCH AND DEVELOPMENT

The Group's research and development activities are focused on investigating potential new energy sources and developing existing plants and technologies. Research activities relating to new energy sources include general research projects. These projects are intended to provide further knowledge on technologies or other areas that could provide a basis for future activities/projects.

In order to gain new knowledge and develop new methods within the fields of energy optimisation and preservation, the Group also performs research and development activities in connection with existing plants/energy sources. Research and development activities carried out in 2017 and 2016 are expensed with NOK 42 million and NOK 92 million, respectively. Capitalised development costs in 2017 and 2016 were NOK 38 million and NOK 16 million.

Note 23 Property, plant and equipment

SIGNIFICANT ACCOUNTING POLICIES

Investments in production facilities and other property, plant and equipment are recognised at cost less accumulated depreciation and impairment. Depreciation is charged from the time the assets are available for use. The cost of property, plant and equipment includes fees for acquiring or bringing assets into a condition in which they can be used. Directly attributable borrowing costs are added to the cost price. Expenses incurred after the operating asset has been taken into use, such as ongoing repair and maintenance expenses, are recognised in the income statement as incurred, whilst other expenses that are expected to increase future production capacity are recognised in the balance sheet. The estimate of decommissioning obligation is included in the carrying value of the relevant asset.

As a main principle Statkraft starts capitalising costs when it is probable that the asset will generate future economic benefits and the cost can be measured reliably.

Costs incurred for assets under construction are recognised in the balance sheet as plants under construction. Cost includes directly attributable costs including interest on loans.

Depreciation is calculated on a straight-line basis over assets' expected useful lifetime. Residual values are taken into account in the calculation of annual depreciation. Periodic maintenance is recognised in the balance sheet over the period until the time when the next maintenance is scheduled. The depreciation period is adapted to the licence period. Expected useful lifetime, depreciation methods and residual values are assessed annually.

Property and waterfall rights are not depreciated, as the assets are deemed to have perpetual life if there is no right of reversion to state ownership. Waterfall rights are presented as property, plant and equipment as Statkraft has perpetual right to utilise the waterfall.

ESTIMATES AND ASSUMPTIONS

Property, plant and equipment is depreciated over its expected useful lifetime. Expected useful lifetime is estimated based on experience, historical data and accounting judgements, and is adjusted in the event of any changes to the expectations. Residual values are estimates that are taken into account when calculating depreciation. Estimates of decommissioning obligations, which are included as part of the plant's carrying amount, are subject to ongoing reviews.

NOK million	Regulation plants	Turbines, generators etc.	Waterfall rights	Properties, mountain halls, buildings, roads, bridges and quay facilities	Plants under construction	Other	Total
2017							
Balance at 01.01	24 220	25 590	17 620	19 358	4 639	11 877	103 304
Additions	161	445	-	56	2 130	850	3 642
Transferred between asset classes	5 355	-1 280	1 157	-3 926	-2 238	932	-
Transferred to/from intangible assets	-12	-	-	-	-2	-11	-25
Disposals	-264	-460	-2	-75	-	-290	-1 091
Derecognition of a subsidiary or joint operation	-	-47	-	-104	-9	-98	-258
Capitalised borrowing costs	-	-	-	-	76	-	76
Currency translation effects	4	331	-118	50	217	-14	470
Depreciation	-728	-1 239	-	-533	-	-1 005	-3 505
Impairments [1)]	-145	-296	-920	-67	-	-37	-1 465
Reversal of impairments [1)]	1	766	386	119	-	-	1 272
Accumulated depreciation/ impairments on disposals	102	373	-	52	-	246	773
Balance at 31.12	28 694	24 183	18 123	14 930	4 813	12 450	103 193
Book value 31.12 of assets with infinite useful lifetime	n/a	n/a	18 123	67	n/a	40	18 230
Cost 31.12	42 289	49 625	19 433	21 801	7 048	25 093	165 289
Accumulated depreciation and impairments as of 31.12	-13 595	-25 442	-1 310	-6 871	-2 235	-12 643	-62 096
Balance at 31.12	28 694	24 183	18 123	14 930	4 813	12 450	103 193

[1)] See note 14 for further information

Note 23 continued

NOK million	Regulation plants	Turbines, generators etc.	Waterfall rights	Properties, mountain halls, buildings, roads, bridges and quay facilities	Plants under construction	Other	Total
2016							
Balance at 01.01	24 544	27 948	18 477	19 865	8 727	11 646	111 207
Additions	326	507	-	284	3 575	651	5 343
Additions from business combinations	-	50	-	-	96	-	146
Transferred between asset classes	1 371	1 215	1	1 105	-4 337	645	-
Transferred to/from intangible assets	-1	-	-	62	-37	-	24
Disposals	-	-45	-	-28	-58	-154	-285
Derecognition of a subsidiary or joint operation	-	-	-	-	-2 518	-	-2 518
Capitalised borrowing costs	-	-	-	-	139	-	139
Currency translation effects	-864	-760	-337	-645	-418	-84	-3 108
Depreciation	-655	-1 414	-	-487	-	-855	-3 411
Impairments	-501	-1 927	-521	-815	-554	-89	-4 407
Accumulated depreciation/ impairments on disposals	-	16	-	17	24	117	174
Balance at 31.12	24 220	25 590	17 620	19 358	4 639	11 877	103 304
Book value 31.12 of assets with infinite useful lifetime	n/a	n/a	17 620	231	n/a	14	17 866
Cost 31.12	34 709	52 446	18 299	25 142	7 025	23 354	160 975
Accumulated depreciation and impairments as of 31.12	-10 489	-26 856	-679	-5 784	-2 386	-11 477	-57 671
Balance at 31.12	24 220	25 590	17 620	19 358	4 639	11 877	103 304

INVESTMENTS IN 2017

The addition in 2017 of property, plant and equipment worth NOK 3643 million (excluding capitalized borrowing costs of NOK 76 million) and intangible assets worth NOK 65 million, consisted of investments in new generating capacity, maintenance investments and other investments. Maintenance investments and other investments amounted to NOK 1821 million (NOK 1763 million). The investments primarily relate to hydropower plants in Norway. Investments in new capacity amounted to NOK 1964 million (NOK 3736 million). The largest projects were a hydropower plant in Albania and wind farms in Norway.

ASSETS PLEDGED AS SECURITY TO COUNTERPARTIES

Statkraft has pledged property, plant and equipment as security to counterparties. See note 34 for more information.

EXPECTED USEFUL LIFETIME OF PROPERTY, PLANT AND EQUIPMENT

A more detailed specification of the expected useful lifetime of the various assets is provided below. There have been no material changes in depreciation schedules compared with previous years:

	Depreciation period (years)		Depreciation period (years)
Regulation plants		Properties, mountain halls, buildings, roads, bridges etc.	
- riprap dams, concrete dams	75	- land	perpetual
- other dams	30	- underground facilities	75
- tunnel systems	75	- roads, bridges and quays	75
		- control equipment	15
Turbines, generators etc.		- operating centre	15
- pipe trenches	40	- communication equipment	10
- generators (turbine, valve)	40		
- other mechanical installations	15	Other	
- transformer/generator	40	- transformer (grid)	35
- wind turbines (onshore)	20-22	- switchgear, high voltage (grid)	35-40
- wind turbines (offshore)	25	- buildings	25-50
- gas and steam generators	20-25	- other fixed installations	10-20
- gas power plant transformers	20-25	- miscellaneous fixtures	5
		- office and computer equipment	3
Waterfall rights	perpetual	- furnishings and equipment	5
		- vehicles	8
		- construction equipment	12
		- small watercraft	10
		- water cooling systems	20-25

Note 24 Associates and joint ventures

SIGNIFICANT ACCOUNTING POLICIES

The gain/loss from a transaction where the investment changes from being classified as a joint operation to be classified as a joint venture or associated company are recognised in the Group's consolidated financial statement only to the extent of other parties interest in the joint operation. Hence, the carrying value of Statkraft's remaining ownership is booked at continuity. In addition changed contractual rights and obligations relating to the underlying asset or debt and changes in the shareholders agreement might lead to a shift in the accounting method. For Statkraft, this is expected to apply if the participants are not obliged to off-take the production and are not responsible for the obligation held by the entity.

ACCOUNTING JUDGEMENTS

Judgement is required to assess the classification of investments in projects with third party owners. The degree of control over the investee is one of the key elements in the assessment to whether the investment should be accounted for as subsidiary, joint operation, joint venture or associate. To assess the degree of control all facts and circumstances are evaluated.

The decisions about relevant activities that significantly affect the return of the investments are the elements that require the highest degree of judgement. In order to conclude on the degree of control, Statkraft has systematically defined the relevant activities and value drivers for each of its main type of technologies, in addition to an individual assessment per investment to reflect other facts and circumstances.

For agreements which requires unanimous consent from the partners to direct the relevant activities of the investments, and where the other criterias in IFRS 11 are met, the investment is classified as a joint arrangement. Judgement is required in assessing whether a joint arrangement is a joint operation or a joint venture. Rights and obligations arising from a joint arrangement, including other facts and circumstances, are evaluated in order to classify the joint arrangement. For investments structured through a legal entity, other facts and circumstances, such as agreements between shareholders and agreements between shareholders and the investee, must override its legal form for a joint operation to exist. Entities established to produce power and where the owners are committed to purchase all the power produced, as well as being responsible for settling of short term and long term financing of the company, are normally classified as joint operations. When Statkraft has rights to the net assets of the arrangement, the arrangement is a joint venture.

Co-owned power plants in which Statkraft have joint control are recognised as joint operation.

Based on size and complexity, the following associated companies and joint ventures are considered material:

2017

NOK million	BKK AS	Agder Energi AS	SN Power AS	Scira Offshore Energy Ltd.	Wind UK Invest Ltd.	Other [3]	Total
Opening balance 01.01.	5 656	4 040	2 930	2 005	853	3 954	19 438
Investment/divestment [1]	-	-	-2 853	-2 060	-	71	-4 842
Share of profit/loss [2]	355	186	230	46	23	326	1 167
Amortisation and impairment of excess value [2]	-14	-66	-	-	-2	-1 158	-1 240
Capital increase	-	-	-	-	-	32	32
Dividend	-252	-276	-	-	-31	1	-558
Currency translation effects	-13	-	-308	9	40	-145	-416
Items recorded in other comprehensive income	-219	29	-	-	-6	26	-170
Closing balance 31.12.	5 513	3 914	-	-	876	3 108	13 410
Excess value 31.12.	2 168	1 912	-	-	46	653	4 779
Of which unamortised waterfall rights	1 818	314	-	-	-	370	2 502

[1] See note 5 for more information about the transactions in 2017.

[2] The shares in Hidroelectrica La Confluencia S.A, Hidroelectrica La Higuera S.A and Malana presented in Other has been impaired, see note 14.

[3] "Other" includes Statkraft's 30% owner share in the wind farm Dudgeon Offshore Wind Ltd. with a carrying value of NOK 895 million. The wind farm is classified as held for sale per 31 December 2017. Due to the relative size of its carrying value the investment is not presented as assets held for sale on a single line item in the statement of financial position. No impairment loss has been recognised. A shareholder loan of GBP 348 million is not part of the transaction, but will be held to maturity in 2018.

2016

NOK million	BKK AS	Agder Energi AS	SN Power AS	Scira Offshore Energy Ltd.	Wind UK Invest Ltd.	Other	Total
Opening balance 01.01.	5 272	4 117	3 084	2 399	1 067	3 448	19 388
Investment/divestment	-	-	-	-	-	508	508
Share of profit/loss [1]	424	82	29	67	11	-2	611
Amortisation and impairment of excess value [2]	-14	-66	-	-	-2	-54	-137
Capital increase	-	-	-	-	-	138	138
Dividend	-224	-300	-	-	-15	-5	-545
Currency translation effects	-10	-	-189	-460	-204	-107	-970
Items recorded in other comprehensive income	208	207	6	-1	-4	28	445
Closing balance 31.12.	5 656	4 040	2 930	2 005	853	3 954	19 438
Excess value 31.12.	2 182	1 978	-	-	46	1 416	5 622
Of which unamortised waterfall rights	1 818	314	-	-	-	1 022	3 154

[1] There has been an impairment in SN Power and BKK related to a hydropower plant in Panama, see note 14.

[2] The shares in Hidroelectrica La Confluencia S.A presented in Other has been impaired, see note 14.

Note 24 continued

DESCRIPTION OF THE ACTIVITIES IN SIGNIFICANT ASSOCIATES AND JOINT VENTURES

BKK AS has operations in Western Norway, with its core activities being production, sale and transmission of electric power. BKK also sells consultation and contracting services, and offers customers broadband, district heating and joint metering of electricity.

Agder Energi AS has operations in Southern Norway, with its core activities being production, trading and transmission of electric power, as well as other energy-related services.

SN Power AS has its renewable energy operations in emerging markets in Southeast Asia, Africa and Central America. The Group's activities include production, trading and transmission of electric power, as well as other energy-related services. The Group is a leading commercial investor and developer of hydropower projects in emerging markets. SN Power AS was divested in 2017. See note 5.

Wind UK Invest Ltd. (WUKI) owns the land-based wind farms Alltwalis, Baillie and Berry Burn in the UK.

Scira Offshore Energy Ltd. (Scira) owns the offshore wind farm Sheringham Shoal in the UK. Scira was divested in 2017. See note 5.

See note 34 Pledges, guarantees and obligations for information regarding bank guarantees and parent company guarantees related to associates and joint arrangements.

FINANCIAL INFORMATION FOR SIGNIFICANT ASSOCIATED COMPANIES

The following table presents summarised financial information for significant associated companies. The figures apply to 100% of the companies' operations in accordance with IFRS 12.

2017

NOK million	BKK AS	Agder Energi AS	SN Power AS	Scira Offshore Energy Ltd.	Wind UK Invest Ltd.
Current assets	4 030	2 952	-	-	220
Non-current assets	19 067	17 423	-	-	3 237
Short-term liabilities	5 391	4 747	-	-	211
Long-term liabilities	10 207	11 202	-	-	1 607
Gross operating revenues	4 277	9 341	-	-	373
Net profit	882	375	-	-	45
Total comprehensive income	838	449	-	-	45

2016

NOK million	BKK AS	Agder Energi AS	SN Power AS	Scira Offshore Energy Ltd.	Wind UK Invest Ltd.
Current assets	1 263	3 561	1 991	573	227
Non-current assets	19 862	16 526	8 226	11 627	3 296
Short-term liabilities	4 493	5 071	162	221	220
Long-term liabilities	9 505	10 554	1 821	7 141	1 711
Gross operating revenues	4 240	7 973	681	1 390	311
Net profit	1 013	99	-315	110	21
Total comprehensive income	974	570	-290	110	21

JOINT VENTURES, JOINT OPERATIONS AND ASSOCIATES

Shares in companies classified as joint ventures and associates are recognised using the equity method in the consolidated financial statements. Statkraft recognises its share of assets, liabilities, revenues and expenses of companies classified as joint operations on a line-by-line basis in the group financial statements.

Name	Registered office	Shareholding	Voting share
JOINT VENTURES			
Allain Duhangan Hydro Power Ltd.	New Dehli	43.12%	43.12%
Dudgeon Offshore Wind Ltd. [1)]	London	30.00%	30.00%
Dugar Hydro Power Ltd	Himachal Pradesh	50.00%	50.00%
Hidroelectrica La Confluencia S.A	Santiago	50.00%	50.00%
Hidroelectrica La Higuera S.A	Santiago	50.00%	50.00%
Malana Power Company Ltd.	New Dehli	49.00%	49.00%
Silva Green Fuel AS	Oslo	51.00%	51.00%
Statkraft BLP Solar Solutions Pte Ltd.	New Dehli	98.00%	98.00%
Windpark Kollweiler GmbH & Co	Düsseldorf	20.00%	20.00%
Wind UK Invest Ltd.	London	51.00%	51.00%

Note 24 continued

Name	Registered office	Shareholding	Voting share
JOINT OPERATIONS			
Aktieselskabet Tyssefaldene [2)]	Tyssedal	60.17%	60.17%
Fosen Vind DA	Oslo	52.10%	52.10%
Harrsele AB	Vännäs	50.57%	50.57%
Kraftwerksgesellschaft Herdecke, GmbH & Co. KG	Hagen	50.00%	50.00%
Naturkraft AS	Tysvær	50.00%	50.00%
Sira-Kvina Kraftselskap DA	Sirdal	46.70%	46.70%
Statkraft Agder Energi Vind DA	Kristiansand	62.00%	62.00%
Aurlandsverkene	Aurland	7.00%	7.00%
Grytten	Rauma	88.00%	88.00%
Gäddede	Stockholm	70.00%	70.00%
Kobbelv	Sørfold	82.50%	82.50%
Kraftverkene i Orkla	Rennebu	48.60%	48.60%
Sima	Eidfjord	65.00%	65.00%
Solbergfoss [3)]	Askim	33.33%	33.33%
Stegaros	Tinn	50.00%	50.00%
Svartisen	Meløy	70.00%	70.00%
Svorka	Surnadal	50.00%	50.00%
Vikfalli	Vik	88.00%	88.00%
Volgsjöfors	Stockholm	73.10%	73.10%
Ulla-Førre	Suldal	73.48%	73.48%
ASSOCIATES			
Agder Energi AS	Kristiansand	45.50%	45.50%
BKK AS	Bergen	49.90%	49.90%
Energi og Miljøkapital AS	Skien	35.00%	35.00%
Istad AS	Molde	49.00%	49.00%
Nape Kraftverk AS	Grimstad	49.00%	49.00%
Passos Maia Energética S.A.	Caçador City	50.00%	50.00%
Laugstol AS	Porsgrunn	49.00%	49.00%
Viking Varme AS	Porsgrunn	50.00%	50.00%
Røldal-Suldal Kraft AS [4)]	Suldal	4.79%	4.79%
Skagerak Naturgass AS	Porsgrunn	49.00%	49.00%
Statt-werk GmbH	Berlin	25.00%	25.00%
enQu GmbH	Berlin	50.00%	50.00%
Grønn Kontakt AS	Kristiansand	47.21%	47.21%

[1)] See note 5.
[2)] Statkraft controls 71,4% of the production from the Tysso II power plant.
[3)] Statkraft owns 33.3% of Solbergfoss, but controls 35.6% of the production.
[4)] Statkraft owns 8.74% of the shares in Røldal-Suldal Kraft AS, which in turn owns 54.79% of the Røldal-Suldal plants. Statkraft's indirect shareholding in the power plant is thus 4.79%.

None of the companies have observable market values in the form of listed market prices or similar.

Note 25 Other non-current financial assets

NOK million	2017	2016
Measured at amortised cost		
Loans to equity accounted investments	2 223	6 740
Bonds and other long-term receivables [1)]	1 845	1 883
Total	4 068	8 623

[1)] The amount includes net pension assets. See note 16.

Available for sale		
Other shares and securities	299	338
Total	4 368	8 961

Note 26 Inventories

SIGNIFICANT ACCOUNTING POLICIES

Environmental certificates, including el-certificates and Renewable Obligation Certificates (ROCs), are considered as a government grant and are accounted for according to IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance. Such certificates are recognised as grants conditional to own production of power. It is considered to be likely that Statkraft meets all the conditions set out by the government and is eligible for receiving the grants, thus the certificates are accounted for at fair value at the time of production. The asset is classified as a receivable until the certificate is awarded. Certificates are classified as inventory when awarded. If the period from when the el-certificates are awarded to when they are received exceeds one accounting period, the receivable is recognised at the lowest of fair value at the time of production or net realisable value. The change in value is recognised as sales revenue.

Generation and end-user business are organised as two separate lines of businesses. El-certificates received from own productions are as such not used to settle the emission liability in the end-user business. To meet the Group's obligation for delivering certificates, the end-user business purchases the certificates in the market. El-certificates purchased in the market are recognised as inventory in accordance with IAS 2 as they are held for sale in the ordinary course of business and are recognised at the lowest of cost and net realisable value. If the certificates are held to settle the emission liability, the liability is measured according to the book value of the certificates. Any residual liability is measured at the fair value of the el-certificates necessary to settle the liability at the balance sheet date in accordance with the net liability approach.

Environmental certificates held for sale are classified as inventory and are measured at net realisable value. Net realisable value is the sale price less expected transaction cost.

Other inventory is accounted for at the lowest of cost price and net realisable amount.

	2017		2016	
NOK million	Recognised value	Cost price	Recognised value	Cost price
Inventories measured at net realisable value				
Environmental certificates	2 712	2 695	2 478	2 499
Total	2 712	2 695	2 478	2 499
Inventories measured at the lower of cost price and net realisable value				
Spare parts	114		115	
Other	45		60	
Total	159		175	
Total	2 871		2 653	

Note 27 Receivables

NOK million	2017	2016
Accounts receivable	8 201	7 335
Short-term loans to equity accounted investments [1) 2)]	3 959	381
Prepaid tax	52	99
Receivables related to cash collateral [1)]	1 931	1 226
Other receivables	1 228	1 178
Total	15 372	10 219

[1)] Interest-bearing receivables.
[2)] Mainly related to shareholder loan provided to Dudgeon reclassified to short-term receivable. See note 24.

Maturity analysis of receivables

		Receivables overdue by			
2017		Less than	More than	Receivables overdue	
NOK million	Not yet due	90 days	90 days	and impaired	Total
Accounts receivable	7 443	567	221	-30	8 201
Other receivables	6 754	435	42	-59	7 171
Total	14 197	1 002	263	-89	15 372

Recognised as loss for the year	33

		Receivables overdue by			
2016		Less than	More than	Receivables overdue	
NOK million	Not yet due	90 days	90 days	and impaired	Total
Accounts receivable	6 787	400	163	-15	7 335
Other receivables	2 781	20	131	-49	2 883
Total	9 567	420	294	-63	10 219

Recognised as loss for the year	78

Note 28 Derivatives

SIGNIFICANT ACCOUNTING POLICIES

Derivatives not relating to hedging arrangements are recognised on separate lines in the balance sheet under assets or liabilities. Derivatives with respect to positive and negative values are presented gross in the balance sheet. Derivatives are presented net, provided there is a legal right to the off-set of different contracts, and such off-set rights will actually be used for the current cash settlement during the terms of the contracts.

All energy contracts traded through energy exchanges are presented net in the balance sheet. Changes in the fair value of energy derivatives are recognised in the income statement as sales revenues and energy purchases, respectively.

Changes in fair value of currency and interest rate derivatives are recognised in the income statement as currency effects and other financial items, respectively.

Energy derivatives - net position

NOK million	2017	2016
Generation	1 900	845
Sales and trading	675	2 063
Customers	-116	-29
Total	2 459	2 879
Of this:		
- Non-current assets	2 081	1 439
- Current assets	5 938	5 829
- Long-term liabilities	-177	-299
- Current liabilities	-5 383	-4 090
Total	2 459	2 879

Currency and interest rate derivatives - net position

NOK million	2017	2016
Interest rate swaps	399	216
Forward exchange rate contracts	-1 072	-733
Combined interest rate and currency swaps	784	381
Total	111	-137
Of this:		
- Non-current assets	1 942	1 608
- Current assets	599	808
- Long-term liabilities	-924	-1 506
- Current liabilities	-1 505	-1 047
Total	111	-137

Derivatives - net position group

NOK million	2017	2016
Energy derivatives	2 459	2 879
Currency and interest rate derivatives	111	-137
Total	2 570	2 742
Of this:		
- Non-current assets	4 023	3 047
- Current assets	6 537	6 637
- Long-term liabilities	-1 101	-1 805
- Current liabilities	-6 888	-5 137
Total	2 570	2 742

Note 29 Cash and cash equivalents

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents include certificates and bonds which are normally traded within a period of three months. The item also includes restricted cash. Classification of cash deposit to cover margin calls, related to trading activities, depends on the characteristics of the exchange clearing service. If the service provider is not a financial institution, not part of Statkraft's daily cash management and holds no bank accounts in the name of Statkraft, the cash deposit is classified as other receivables. For other service providers cash deposit is classified as cash and cash equivalents.

Market settlements for derivatives connected with financial activities (cash collateral) are recognised in the balance sheet as either receivables or liabilities. Bank deposits, cash and similar from joint operations are also presented under this line item.

Note 29 continued

NOK million	2017	2016
Cash and cash deposits [1]	11 062	7 288
Money market funds, certificates, promissory notes, bonds	3 154	20
Total	14 217	7 308

[1] Includes NOK 129 million and NOK 110 million respectively in 2017 and 2016 from companies reported as joint operations.

Book value of cash and cash equivalents pledged as security to counterparties

NOK million	2017	2016
Deposit account related to power sales on energy exchanges	62	40
Other restricted cash	8	9
Total	70	49

Note 30 Provisions

SIGNIFICANT ACCOUNTING POLICIES

Provisions, contingent assets and contingent liabilities Provisions are only recognised where there is an existing obligation as a result of a past event, and where it is more than 50% probable that an obligation has arisen. It must also be possible to reliably measure the provision. With lower probability the conditions will be stated in the notes of the financial statements unless the probability of payment is very low. Provisions are recognised as an amount that is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Onerous contracts Obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Concessionary power Each year, concessionary sales are made to local authorities at statutory prices stipulated by the Norwegian Parliament. The supply of concessionary power is recognised as income on an ongoing basis in accordance with the established concessionary price. In the case of certain concessionary power contracts, agreements have been made regarding financial settlement in which Statkraft is invoiced for the difference between the spot price and the concessionary price. Such concessionary contracts are not included in the financial statements. The capitalised value of future concessionary power obligations is estimated and disclosed in note 34.

NOK million	2017	2016
Decommissioning [1]	598	566
Other provisions [2) 3)]	2 799	6 936
Total provisions	3 397	7 501

2017

NOK million	Decommissioning [1]	Other provisions [2) 3)]	Sum
Booked value 01.01.	566	6 936	7 501
Provisions booked during the year	33	140	174
Provisions used/reversed during the year	-1	-4 621	-4 622
Currency rate effect	-	-	-
Reclassifications to/from other balance sheet items	-	140	140
Other movements	-	204	204
Booked value 31.12	598	2 799	3 397

2016

NOK million	Decommissioning [1]	Other provisions [2) 3)]	Sum
Booked value 01.01.	502	9 166	9 668
Provisions booked during the year	82	371	452
Provisions used/reversed during the year	-18	-1 090	-1 108
Currency rate effect	-	82	82
Reclassifications to/from other balance sheet items	-	-1 594	-1 594
Other movements	-	-	-
Booked value 31.12	566	6 936	7 501

[1] Decommissioning provisions typically arise when Statkraft has the right to time-limited concessions, and is mainly related to gas-fired power plants in Germany and wind power plants in Sweden.
[2] Included in other provisions in 2016 are liabilities in connection with equity instruments which were realised in 2017. In addition to this, a provision of NOK 720 million was recognised in 2016 related to Cetin hydropower plant in Turkey. The company was sold in 2017 and the provision was derecognised and included as a part of the gain from the sale. See note 5.
[3] Of which NOK 2799 million is allocated to capital employed. In 2016 this amounted to NOK 3423 million.

Note 31 Interest-bearing debt

NOK million	2017	2016
Short-term interest-bearing debt		
First year's instalment on long-term debt	2 172	6 126
Debt connected to cash collateral	1 322	1 408
Credit facilities	4	-
Certificate loans	-	500
Debt to Statkraft SF	158	304
Other short-term debt	39	69
Total	3 694	8 407
Long-term interest-bearing debt		
Debt to Statkraft SF	400	400
Bonds issued in the Norwegian market	7 050	7 050
Debt issued in non-Norwegian markets	26 427	21 673
External debt in subsidiaries and other debt	2 408	2 762
Total	36 285	31 886
Total interest-bearing debt	39 979	40 293

NOK million	
Cash flows from interest-bearing debt	
Total interest-bearing debt 01.01.2017	40 293
New debt (cash inflow)	5 250
Repayment of debt (cash outflow)	-7 941
Cash collateral (cash in-/outflow)[1)]	-95
Deconsolidation of entities (no cash effect)	-11
Changes in foreign exchange rates (no cash effect)	2 119
Other (no cash effect)	364
Total interest-bearing debt 31.12.2017	39 979

[1)] Part of changes in short-term items in the statement of cash flow.

Note 32 Other interest-free current liabilities

Interest-free liabilities allocated to capital employed

NOK million	2017	2016
Accounts payable	1 950	1 730
Indirect taxes payable	979	974
Accrued interest-free liabilities [1)]	4 696	5 926
Other interest-free liabilities	1 460	1 900
Total	9 086	10 531

1) Mainly related to accruals in relation to trading activities.

Note 33 Contingencies and disputes

CONTINGENCIES
In distribution grid business, differences can arise between the revenue ceiling determined by the Norwegian Water Resources and Energy Directorate (NVE) and the amount actually invoiced as grid rental charges. If the invoiced amount is lower than the revenue ceiling, a shortfall of revenue arises, and if the invoiced amount is higher than the ceiling, excess revenue arises. Excess/shortfall of revenue will even out over time as the actual invoicing is adjusted.

Revenues are recognised in the accounts based on actual invoicing. Accumulated excess/shortfall of revenue is recognised in future periods.

DISPUTES
The Group is involved in a number of legal proceedings in various forms. Whilst acknowledging the uncertainties of litigation, the Group is of the opinion that based on the information currently available, these matters will be resolved without any adverse material effect, individually or collectively on the Group's financial position. For legal disputes, in which the Group assesses it to be probable (more likely than not) that an economic outflow will be required to settle the obligation, provisions have been made based on management’s best estimate.

Statkraft Treasury Centre SA
On 9 October 2017, Statkraft AS received a draft decision of a tax reassessment from the Norwegian tax authorities. The reassessment relates to the income tax returns for the fiscal years 2008-2014 regarding 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 be NOK 4 billion in additional tax payable and interest expenses. On 24 April 2017, the major business activities in STC were transferred to Statkraft AS in Norway.

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.

Note 34 Pledges, guarantees and obligations

PLEDGES

Under certain circumstances local authorities and publicly owned energy companies are entitled to a share of the output from power plants belonging to Statkraft in return for paying a share of the construction costs. To finance the acquisition of such rights, the local authorities/companies have been granted permission to pledge the power plant as security. The mortgage debt raised by the local authorities under this scheme totals NOK 375 million. In addition, other subsidiaries have a total of NOK 2348 million in pledged debt. As of 31 December 2017, the carrying value of the pledged assets in Statkraft Energi AS totalled NOK 4892 million, and a total of NOK 5865 million in other subsidiaries, mainly in the Statkraft IH Invest Group. Pledged assets in Statkraft IH Invest Group consist of property, plant and equipment to ensure compliance of long term debt. Fjordkraft has available overdraft facilities amounting to NOK 1000 million, being pledged in trade receivables at a maximum of NOK 600 million. No funds were drawn at 31 December 2017.

GUARANTEES

The Statkraft Group has the following off-balance-sheet guarantees:

NOK million	2017	2016
Parent company guarantees on behalf of subsidiaries [1)]	16 306	17 592
Parent company guarantees on behalf of associates and joint arrangements	2 500	4 071
Other	1 728	1 766
Total guarantees in Statkraft AS	20 534	23 429

[1)] Whereof the most material guarantees are regarding energy purchase of NOK 15 787 million and liabilities to suppliers of NOK 1 061 million.

Guarantees issued by subsidiaries	2 646	2 928
Guarantees issued by associates and joint arrangements	469	976
Total guarantees in subsidiaries, associates and joint arrangements	3 115	3 904
Total guarantees	23 649	27 333

CONTRACT OBLIGATIONS

The Statkraft Group has the following off-balance-sheet obligations:

- A license agreement relating to the development, construction and operation of one hydropower plant which involves a responsibility estimated at NOK 1349 million.
- Obligation regarding service agreements related to gas power plants of NOK 889 million.
- A power purchase agreement with a 15 year horizon. The purchase obligation is NOK 1422 million.

CONCESSIONARY POWER CONTRACTS

The Group recognises concessionary power as normal buying and selling in accordance with stipulated concessionary power prices upon delivery, regardless of whether the settlement takes place upon physical delivery or financial settlement. Concessionary power contracts are normally regarded as indefinite. The parties can however agree on financial settlement for a period of time.

At the end of 2017, the contracts with financial settlement had a total volume of around 85.1 GWh and an average price from the Ministry of Petroleum and Energy of 11.48 øre/kWh. For the remaining contracts with financial settlement, the estimated fair value at 31 December 2017 is NOK 424 million.

Note 35 Leases

SIGNIFICANT ACCOUNTING POLICIES

Operating leases are mainly recognised as an expense on a straight-line basis over the lease term. For leased production plants where use is closely connected with the production, lease payments are measured by consumption and presented as energy purchases.

ACCOUNTING JUDGEMENTS

Power purchase agreements Judgement is made when determining whether a power purchase agreement contains a lease. A power purchase agreement contains a lease if its fulfilment depends on a specific asset and the arrangement conveys a right to control the use of the underlying asset and Statkraft takes a significant amount of the output at a price that is neither fixed nor equal to the current market price.

The total of future minimum lease payments in relation to non-cancellable leases for each of the following period is:

NOK million	Within 1 year of the end of the period	Between 1 and 5 years after the end of the period	More than 5 years after the end of the period	Total
Property rental agreements	151	636	945	1 732
Vehicles	11	17	-	28
Other leases	2	26	7	34
Total	163	679	952	1 795

Lease-related rent expensed in the period and specified in the following manner:

NOK million	Minimum lease	Variable lease	Sublease payments
Property rental agreements	178	-	17
Vehicles	13	-	-
Other leases	11	11	-
Total	202	11	17

Statkraft is offering market access to smaller renewable energy producers. Some of these contracts are defined as operating leases with variable lease payments, and are presented as energy purchases, see note 12. The lease agreements have durations ranging up to 20 years and the rent paid for 2017 was NOK 9446 million whereas the corresponding amount for 2016 was NOK 4529 million.

Statkraft has no significant financial lease agreements at the end of 2017.

Note 36 Fees paid to external auditors

Deloitte AS is the Statkraft Group's auditor and audits all subsidiaries subject to auditing requirements, except for Brazilian subsidiaries in 2016. Fees paid to external auditors for the audit of the Brazilian subsidiaries for 2016 amounted to NOK 2.2 million.

The total fees (excluding VAT) paid for auditing and other services were as follows:

NOK thousand	2017	2016
Statutory auditing	15 845	17 810
Other attestation services	829	1 044
Tax consultancy services	2 349	2 702
Other services [1]	1 669	1 624
Total	20 693	23 180

[1] The main items in fees for other services in 2017 relate to assistance with a potential listing of Fjordkraft and the attestation of the sustainability report. The corresponding figure for 2016 relates to assistance to map various existing processes and procedures, and the attestation of the sustainability report.

Note 37 Benefits paid to executive management and the Board of Directors

Statkraft is organised into business units and support functions. The managers of these units report to the Group management, which comprises the executive vice presidents (EVPs) and the President and CEO.

Salary and other benefits – executive management

2017

NOK	Salary	Bonus [1]	Benefits in kind	Salaries and other benefits
Christian Rynning-Tønnesen, President and CEO	5 144 192	883 000	188 641	6 215 832
Irene Egset, Executive Vice President and CFO	2 417 438	510 000	192 069	3 119 507
Hallvard Granheim, Executive Vice President	3 068 615	550 000	193 024	3 811 639
Steinar Bysveen, Executive Vice President	2 702 892	466 000	214 003	3 382 895
Hilde Bakken, Executive Vice President	2 711 629	473 000	196 970	3 381 599
Jürgen Tzschoppe, Executive Vice President	3 430 575	547 000	142 117	4 119 692
Jon Vatnaland, Executive Vice President [2]	1 679 588	386 000	89 130	2 154 718

[1] Bonus earned in 2017, but disbursed in 2018.
[2] Jon Vatnaland was appointed Executive Vice President on 24 January, 2017. He also held the position as Managing director for Statkraft UK Ltd. until August 2017 and was on an expatriate agreement in this period.

2016

NOK	Salary	Bonus [1]	Benefits in kind	Salaries and other benefits
Christian Rynning-Tønnesen, President and CEO	4 978 414	677 875	173 511	5 829 800
Hallvard Granheim, Executive Vice President and CFO	2 542 616	552 500	193 630	3 288 746
Steinar Bysveen, Executive Vice President	2 647 150	539 500	213 598	3 400 248
Hilde Bakken, Executive Vice President	2 616 080	474 500	189 585	3 280 165
Jürgen Tzschoppe, Executive Vice President	3 219 510	420 375	166 915	3 806 800
Irene Egset, Executive Vice President [2]	2 062 868	369 600	180 154	2 612 622
Asbjørn Grundt, Executive Vice President [3]	2 930 022	360 000	193 057	3 483 079
Jon Brandsar, Executive Vice President [4]	2 208 380	-	72 369	2 280 749

[1] Bonus earned in 2016, but disbursed in 2017.
[2] Irene Egset was appointed Executive Vice President on 4 February 2016.
[3] Asbjørn Grundt resigned as Executive Vice President on 16 November 2016.
[4] Jon Brandsar resigned as Executive Vice President on 4 February 2016.

The Group management has not received any compensation or financial benefits from other companies in the same Group other than those shown above. No additional compensation for special services beyond normal managerial functions has been provided, nor have any loans or surety been granted.
For 2017, total salaries and other benefits paid to the executive management amounted to NOK 26 185 882. The corresponding amount in 2016 was NOK 27 982 209.

Pension costs – executive management

NOK	2017	2016
Christian Rynning-Tønnesen, President and CEO	2 384 012	2 413 137
Irene Egset, Executive Vice President and CFO [1]	1 282 081	849 380
Hallvard Granheim, Executive Vice President	273 691	254 496
Steinar Bysveen, Executive Vice President	1 145 485	926 091
Hilde Bakken, Executive Vice President	1 385 858	1 035 227
Asbjørn Grundt, Executive Vice President	-	1 032 592
Jürgen Tzschoppe, Executive Vice President	136 896	117 804
Jon Brandsar, Executive Vice President [2]	-	91 192
Jon Vatnaland, Executive Vice President [3]	822 594	-

[1] Irene Egset was appointed Exectutive Vice President on 4 February 2016.
[2] Jon Brandsar resigned as Executive Vice President on 4 February 2016.
[3] Jon Vatnaland was appointed Executive Vice President on 24 January, 2017.

The year's accounting cost for the pension scheme reflects the period during which the individual has been an executive employee.
For 2017, the total pension costs for executive management were NOK 7 430 617. In 2016 the corresponding amount was NOK 6 719 919.

Note 37 continued

Remuneration to the Board, Audit Committee and Compensation Committee as well as participation in Board meetings

2017

NOK	Board remuneration	Audit Committee	Compensation Committee	Participation in board meetings
Thorhild Widvey, chair	484 000	-	49 900	10
Halvor Stenstadvold, deputy chair	341 000	93 300	-	10
Hilde Drønen, director	281 000	67 600	-	8
Peter Mellbye, director	281 000	-	31 000	10
Ingelise Arntsen, director [1]	140 500	33 800	-	3
Bengt Ekenstierna, director	281 000	-	-	10
Thorbjørn Holøs, employee-elected director	281 000	67 600	-	10
Vilde Eriksen Bjerknes, employee-elected director	281 000	-	-	10
Asbjørn Sevlejordet, employee-elected director	281 000	-	31 000	10
Helene Biström, director [2]	140 500	33 800	-	5

[1] Was appointed board member in June 2017.

[2] Left the Board in June 2017.

2016

NOK	Board remuneration	Audit Committee	Compensation Committee	Participation in board meetings
Thorhild Widvey, chair [1]	242 000	-	24 950	6
Halvor Stenstadvold, deputy chair [2]	311 000	93 300	-	11
Hilde Drønen, director	281 000	67 600	-	10
Peter Mellbye, director [1]	140 500	-	15 500	6
Helene Biström, director [1]	140 500	33 800	-	5
Bengt Ekenstierna, director [1]	140 500	-	-	6
Thorbjørn Holøs, employee-elected director	281 000	67 600	-	10
Vilde Eriksen Bjerknes, employee-elected director	281 000	-	-	11
Asbjørn Sevlejordet, employee-elected director	281 000	-	31 000	10
Olav Fjell, chair [3]	242 000	-	24 950	5
Berit J. Rødseth, deputy chair [3]	170 500	33 800	-	5
Elisabeth Morthen, director [3]	140 500	-	-	5

[1] Was appointed board member in June 2016.

[2] Was appointed depuy chair in June 2016. Prior to this, Halvor Stenstadvold was director.

[3] Left the Board in June 2016.

The Board has no remuneration agreements other than the directors' fee and remuneration for participation in committee work, nor have any loans or surety been granted to directors of the Board. Total remuneration paid to the Board, Audit Committee and Compensation Committee in 2017 was NOK 2 792 000, NOK 296 100 and NOK 111 900, respectively. The respective amounts in 2016 were NOK 2 651 500, NOK 296 100 and NOK 96 400.

THE BOARD'S STATEMENT REGARDING SALARIES AND OTHER REMUNERATIONS TO SENIOR EXECUTIVES – 2017

The board of Statkraft will contribute to a moderate, but competitive development of executive pay in Statkraft. The principles and guidelines for executive salary and other remunerations are formed accordingly. In 2017 the only significant change in the guidelines, with respect to salaries and other remunerations, was a clarification of future practice regarding pension scheme arrangements for Executive Vice Presidents in the case of internal promotion to such a position.

Statkraft AS follows the Ministry of Trade, Industry and Fisheries's guidance for salary and other benefits to corporate management in state owned companies.

Statkraft's policy is to offer competitive terms, but not take a leading position. Upon deciding salaries and other remunerations in Statkraft, an external position assessment system that ranks positions according to a recognized and widely used methodology is utilised. An annual survey is then conducted, evaluating how similarly ranked positions in the Norwegian labour market are compensated.

This information, together with the general salary development in Statkraft, forms the basis for determining compensation.

Organisation
The board of Statkraft has established a separate Compensation Committee. The mandate of the committee is as follows:

- Once a year prepare the board's treatment of items relating to the CEO's salary and conditions of employment.
- Prepare the Board's statement on executive pay and other compensation paid to senior executives.
- Prepare the Board's treatment of all the fundamental issues relating to salary, bonus systems, pension and employment agreements and similar for the executive management in Statkraft.
- Deal with specific issues related to compensation for employees in the Statkraft Group to the extent that the Committee deems that these concern matters of particular importance for the Group's reputation, competitiveness and attractiveness as an employer.
- The CEO shall consult the Compensation Committee regarding the salaries for the corporate executives and head of Corporate Audit before they are decided upon.

Report on executive remuneration policy
The CEO and corporate executives receive both a fixed salary and a variable payment.

Fixed salary
The fixed salary is determined based on an assessment of the specific position and the market – as well as an assessment against Statkraft's policy of offering competitive terms, but not take a leading position. When deciding the annual salary regulation, the average salary increases of other employees are also considered.

Note 37 continued

Variable salary
Statkraft has a variable remuneration scheme for the senior executives based on key performance indicators and individual goals. The purpose is to drive operational performance and manage risks to achieve the objectives in the strategy.

Statkraft has established a performance management process to ensure clear relationship between the Group's overall Strategic platform and defined targets. Performance is reported and followed up through key performance indicators (KPIs) in the Group scorecard. The key performance indicators are based on the most relevant value drivers and strategic ambitions for the group. The targets are set to ensure value creation.

The variable remuneration scheme for Statkraft's senior executives is developed to support the performance management process, establishing a clear link between value-creating activities and individual variable remuneration.

Below is a description of relevant categories of KPIs included in the variable remuneration scheme. The measurement is weighted on the individual's area of responsibility:

i) Care for people and environment
Within this category Statkraft monitors that required legal, environmental, social and ethical standards in the industry are followed. A main focus is on health, safety and security risks for employees and reduction of negative environmental impact. Common health and safety targets are included for all members of executive management.

ii) Financial indicators
Statkraft's financial performance from market activities is measured through profitability KPIs, where Statkraft's added value from energy management and other market activities are measured against the market. The main focus is to enhance value creation for Statkraft, measured by different KPIs with stretch targets.

iii) Operational indicators
There are several KPIs to follow up operational performance. Statkraft measures the utility-adjusted availability of the power plants, i.e. the availability in times where Statkraft benefits from available plants. Moreover Statkraft follows up costs by measuring the development of the cost base. Also for these indicators, the main focus is on enhanced value creation for Statkraft; measured by different KPIs with stretch targets

For the CEO and corporate management, the variable remuneration has a maximum potential of 25 per cent of gross base salary. The individual bonus achievement may vary from 0 to 100%, based on an evaluation of performance against a defined set of targets.

For the CEO and corporate management, targets are defined for strategic objectives as well as financial and operational performance. The CEO's variable pay is fully based on these targets while the variable pay for the executive vice presidents has a combined weighting of 70% of these targets and a 30% weighting of individual targets on leadership and organisational development.

Other variable elements
Other variable elements include arrangements with a company car, newspapers, phone and coverage of broadband communication in accordance with established standards.

Pension plans
For wholly owned Norwegian subsidiaries, Statkraft has established a defined contribution plan in Gjensidige Pensjonsforsikring AS and has a closed defined benefit plan in the Government Pension Fund (SPK).

The CEO, Christian Rynning-Tønnesen, has a retirement age of 67 years, and will receive a pension of 66% of his annual salary, provided that he has been part of SPK during the entire 30-year vesting period. The other corporate executives have a retirement age of 65 years at the earliest, with the right to 66% of their annual salary, provided that they have been part of SPK during the entire 30-year vesting period.

Statkraft established a pension scheme funded out of current income for income above 12G in 2003. The scheme included all employees with an annual salary over 12G, including the CEO and corporate executives. This scheme was closed to new employees in 2012. There is no established new retirement pension scheme for annual salary over 12G, but an additional salary system has been established that can be used for supplementary private pension savings. Additional salary is set at 18% of ordinary salary over 12G. Group disability coverage relating to salaries over 12G has also been established.

Employees with a salary above 12 G and date of hire prior to April 30 2012 kept their pension agreements in the closed pension scheme. This practice was also applied for internal promotions to corporate management. Members of the closed scheme for income above 12G included in 2017 the CEO and four members of corporate management. Statkraft will for future internal promotions assume that the 12G restraint for pension schemes shall be made applicable for new members of corporate management regardless of hire date in the company.

Position change agreements
The CEO and one member of corporate management have agreements regarding change of position after the age of 62. These are agreements where, at any time after the employee has reached 62 years of age, the executive or the company has a mutual right to request to resign, or be requested to resign, from his executive position without further justification. If any of the parties exercise this right, the executive should be offered another position with a salary of 75% of the executive's pay – and working hours of up to 50% until the agreed-upon retirement age. The policy regarding executive remuneration has been amended and the arrangement is closed to new employees.

Severance arrangements
The mutual period of notice for the CEO is 6 months. For corporate executives, there is a mutual notice period of 3 months. After more than 2 years of employment, the employer's period of notice is 6 months.

For the CEO, and two members of corporate management, agreements have been signed guaranteeing a special severance pay from the employer if notice is given by the employer with a shorter deadline than mentioned above. The agreement waives the employee's rights in the Work Environment Act (Arbeidsmiljøloven) for protection against dismissal. If the employer uses this right of termination, the employee is entitled to a severance payment of up to 12 months' salary in excess of agreed notice period. The amount shall be paid monthly.

Severance pay shall be reduced according to established rules if the employee receives other income within the payment period. These agreements are entered into in accordance with the guidelines for the employment conditions of managers in state owned enterprises and companies of 28 June 2004. The policy regarding executive remuneration has been changed, and the arrangement is closed to new employees.

Terms for the CEO
Fixed salary paid to the CEO for 2018 is NOK 5 154 000, with other terms as set out in this statement.

Note 38 Related parties

All subsidiaries, associates and joint arrangements stated in note 24 and note 39 are related parties of Statkraft. Intercompany balances and transactions between consolidated companies are eliminated in Statkraft's consolidated financial statements and are not presented in this note.

The individuals stated in note 37 are members of the executive management or the Board and are also related parties of Statkraft.

The table below shows transactions with related parties classified as associates or joint ventures that have not been eliminated in the consolidated financial statements.

NOK million	2017	2016
Revenues	309	324
Expenses	1 318	1 518
Receivables at the end of the period	5 616	7 207
Liabilities at the end of the period	24	16

Significant transactions with the owner and companies controlled by the owner

The shares in Statkraft AS are all owned by Statkraft SF, which is a company wholly owned by the Norwegian State.

NOK million	2017	2016
Gross operating revenues include:		
Concessionary sales at statutory prices	373	348
Net operating revenues includes:		
Energy purchases from Statoil	607	409
Transmission costs to Statnett	1 239	1 120
Operating expenses include:		
Property tax and licence fees to Norwegian authorities	959	1 259
Financial expenses include:		
Interest expenses to Statkraft SF	35	32
Tax expenses include:		
Taxes payable to Norwegian authorities	3 577	4 694
Dividend and Group contribution from Statkraft AS to Statkraft SF	6 100	4 350

The energy purchase from Statoil shown above includes purchase of gas used either in the Group's electricity production or resold on the market. Volumes and prices are based on long-term contracts negotiated at commercial terms. Transmission costs to Statnett are mainly grid tariff. The prices in this market are stipulated by the Norwegian Water Resources and Energy Directorate. Other transactions with related parties are conducted at commercial terms and conditions.

Except for interest-bearing debt covered in note 31, there are no other significant balance sheet items between Statkraft AS and Statkraft SF.

Statkraft also has transactions and balances with other enterprises controlled by the Norwegian state, but their size, neither individually nor combined, have significance for Statkraft's financial statements.

Note 39 Consolidated companies

Shares in consolidated subsidiaries

Name	Segment [1]	Country	Registered office	Parent company	Shareholding and voting share
Hitra Vind AS	WP	Norway	Oslo	Statkraft AS	100.00%
Kjøllefjord Vind AS	WP	Norway	Oslo	Statkraft AS	100.00%
Smøla Vind 2 AS	WP	Norway	Oslo	Statkraft AS	100.00%
Statkraft Asset Holding AS	EF,OA	Norway	Oslo	Statkraft AS	100.00%
Statkraft France SAS	EF	France	Lyon	Statkraft Asset Holding AS	100.00%
Statkraft Markets BV	MO	Netherlands	Amsterdam	Statkraft Asset Holding AS	100.00%
Devoll Hydropower Sh.A.	IP	Albania	Tirana	Statkraft Markets BV	100.00%
Statkraft Sweden AB	EF, WP	Sweden	Stockholm	Statkraft Asset Holding AS	100.00%
Gidekraft AB	EF	Sweden	Stockholm	Statkraft Sweden AB	90.10%
Statkraft US Holding AS	MO	Norway	Oslo	Statkraft Asset Holding AS	100.00%
Statkraft US LLC	MO	USA	San Francisco	Statkraft US Holding AS	100.00%
Statkraft Värme AB	DH	Sweden	Kungsbacka	Statkraft Asset Holding AS	100.00%
Statkraft Vind AB	WP	Sweden	Stockholm	Statkraft Asset Holding AS	100.00%
Statkraft Leasing AB	WP	Sweden	Stockholm	Statkraft Vind AB	100.00%
Statkraft SCA Vind AB	WP	Sweden	Stockholm	Statkraft Vind AB	100.00%
Statkraft SCA Vind Elnät AB	WP	Sweden	Stockholm	Statkraft SCA Vind AB	100.00%
Statkraft SCA Vind II AB	WP	Sweden	Stockholm	Statkraft Vind AB	100.00%
Statkraft Södra Vindkraft AB	WP	Sweden	Stockholm	Statkraft Vind AB	90.10%
Statkraft Carbon Invest AS	MO	Norway	Oslo	Statkraft AS	100.00%
Statkraft Elektrik Enerjisi Toptan Satis Ltd. Sti	MO	Turkey	Istanbul	Statkraft AS	100.00%
Statkraft Energi AS	MO, EF, WP	Norway	Oslo	Statkraft AS	100.00%
Baltic Cable AB	EF	Sweden	Malmö	Statkraft Energi AS	100.00%
Statkraft Tofte AS	OA	Norway	Oslo	Statkraft Energi AS	100.00%
Statkraft Varme AS	DH	Norway	Trondheim	Statkraft Energi AS	100.00%
Stjørdal Fjernvarme AS	DH	Norway	Trondheim	Statkraft Varme AS	85.00%
Statkraft Enerji A.S.	IP	Turkey	Istanbul	Statkraft AS	100.00%
Çakıt Enerji A.S.	IP	Turkey	Istanbul	Statkraft Enerji A.S.	100.00%
Kargi Kizirlmak Enerji A.S.	IP	Turkey	Istanbul	Statkraft Enerji A.S.	100.00%
Statkraft Financial Energy AB	MO	Sweden	Stockholm	Statkraft AS	100.00%
Statkraft Forsikring AS	OA	Norway	Oslo	Statkraft AS	100.00%
Statkraft Germany GmbH	MO	Germany	Düsseldorf	Statkraft AS	100.00%
Statkraft Markets GmbH	MO	Germany	Düsseldorf	Statkraft Germany GmbH	100.00%
Statkraft Holding Herdecke GmbH	EF	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Statkraft Holding Knapsack GmbH	EF	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Knapsack Power GmbH & Co KG	EF	Germany	Düsseldorf	Statkraft Holding Knapsack GmbH	100.00%
Knapsack Power Verwaltungs GmbH	EF	Germany	Düsseldorf	Knapsack Power GmbH & Co KG	100.00%
Statkraft Markets Financial Services GmbH	MO	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Statkraft South East Europe EOOD	MO	Bulgaria	Sofia	Statkraft Markets GmbH	100.00%
Statkraft Trading GmbH	MO	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Statkraft Ventures GmbH	MO	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Statkraft Solar Deutschland GmbH	MO	Germany	Düsseldorf	Statkraft Germany GmbH	100.00%
Zonnepark Lange Runde B.V.	MO	Netherlands	Amsterdam	Statkraft Germany GmbH	100.00%
Statkraft IH Invest AS	IP	Norway	Oslo	Statkraft AS	100.00%
Statkraft Brasil AS	IP	Norway	Oslo	Statkraft IH Invest AS	100.00%
Statkraft Investimentos Ltda.	IP	Brazil	Florianopolis	Statkraft Brasil AS	100.00%
Statkraft Energia do Brasil Ltda.	IP, MO	Brazil	Florianopolis	Statkraft Investimentos Ltda.	100.00%
Statkraft Energias Renováveis S.A.	IP	Brazil	Florianopolis	Statkraft Investimentos Ltda.	81.31%
Esmeralda S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Enex O&M de Sistemas Elétricos Ltda.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Santa Laura S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Santa Rosa S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Moinho S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Macaúbas Energética S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Novo Horizonte Energética S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Seabra Energética S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Energen Energias Renováveis S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	99.99%
Monel Monjolinho Energética S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%

Note 39 continued

Name	Segment [1]	Country	Registered office	Parent company	Shareholding and voting share
Statkraft IH Holding AS	IP	Norway	Oslo	Statkraft IH Invest AS	100.00%
Statkraft Holding Singapore Pte. Ltd.	IP	Netherlands	Amsterdam	Statkraft IH Holding AS	100.00%
Himal Power Ltd.	IP	Nepal	Kathmandu	Statkraft Holding Singapore Pte. Ltd.	57.07%
Statkraft Holding Chile Pte. Ltd.	IP	Netherlands	Amsterdam	Statkraft Holding Singapore Pte. Ltd.	100.00%
Statkraft Chile Inversiones Electricas Ltd.	IP	Chile	Santiago	Statkraft Holding Chile Pte. Ltd.	100.00%
Empresa Eléctrica Pilmaiquén S.A.	IP	Chile	Santiago	Statkraft Chile Inversiones Electricas Ltd.	99.43%
Empresa Eléctrica Rucatayo S.A.	IP	Chile	Santiago	Empresa Eléctrica Pilmaiquén S.A.	100.00%
Transrucatayo S.A	IP	Chile	Santiago	Empresa Eléctrica Rucatayo S.A.	100.00%
Eléctrica del Sur S.A.	IP	Chile	Santiago	Empresa Eléctrica Pilmaiquén S.A.	100.00%
Hidrotransmision del Sur S.A.	IP	Chile	Santiago	Empresa Eléctrica Pilmaiquén S.A.	100.00%
Statkraft Chile Tinguiririca SCC	IP	Chile	Santiago	Statkraft Chile Inversiones Electricas Ltd.	100.00%
Statkraft Market Services Chile S.A.	IP	Chile	Santiago	Statkraft Chile Inversiones Electricas Ltd.	100.00%
Statkraft Holding Nepal Ltd.	IP	Nepal	Kathmandu	Statkraft Holding Singapore Pte. Ltd.	100.00%
Statkraft Holding Peru Pte. Ltd.	IP	Netherlands	Amsterdam	Statkraft Holding Singapore Pte. Ltd.	100.00%
Statkraft Peru Holding S.A.C.	IP	Peru	Lima	Statkraft Holding Peru Pte. Ltd.	100.00%
Statkraft Peru S.A.	IP	Peru	Lima	Statkraft Peru Holding S.AC.	100.00%
Inversiones Shaqsa S.A.C.	IP	Peru	Lima	Statkraft Peru S.A.	100.00%
Statkraft India Pvt. Ltd.	IP	India	New Dehli	Statkraft Holding Singapore Pte. Ltd.	100.00%
Statkraft Markets Pvt. Ltd.	MO	India	New Dehli	Statkraft Holding Singapore Pte. Ltd.	100.00%
Statkraft Industrial Holding AS	IO	Norway	Oslo	Statkraft AS	100.00%
Fjordkraft AS [2]	IO	Norway	Oslo	Statkraft Industrial Holding AS	3.15%
Trondheim Kraft AS	IO	Norway	Trondheim	Fjordkraft AS	100.00%
Skagerak Energi AS	IO	Norway	Porsgrunn	Statkraft Industrial Holding AS	66.62%
Skagerak Kraft AS	IO	Norway	Porsgrunn	Skagerak Energi AS	100.00%
Grunnåi Kraftverk AS	IO	Norway	Porsgrunn	Skagerak Kraft AS	55.00%
Sauland Kraftverk AS	IO	Norway	Hjartdal	Skagerak Kraft AS	67.00%
Skagerak Nett AS	IO	Norway	Porsgrunn	Skagerak Energi AS	100.00%
Skagerak Varme AS	IO	Norway	Porsgrunn	Skagerak Energi AS	100.00%
Skien Fjernvarme AS	IO	Norway	Skien	Skagerak Varme AS	51.00%
Statkraft Brussel Sprl	OA	Belgium	Brussels	Statkraft AS	100.00%
Statkraft Treasury Centre SA	OA	Belgium	Brussels	Statkraft AS	100.00%
Statkraft UK Ltd.	WP, MO	United Kingdom	London	Statkraft AS	100.00%
Andershaw Wind Power Ltd.	WP	United Kingdom	London	Statkraft UK Ltd.	100.00%
Statkraft Energy Ltd.	EF	United Kingdom	London	Statkraft UK Ltd.	100.00%
Rheidol 2008 Trustees Ltd.	EF	United Kingdom	London	Statkraft Energy Ltd.	100.00%
Statkraft Pure Energy Ltd.	MO	United Kingdom	London	Statkraft UK Ltd.	95.00%
Bryt Energy Storage	MO	United Kingdom	London	Statkraft Pure Energy	100.00%
Bryt Energy Ltd	MO	United Kingdom	London	Statkraft Pure Energy	100.00%
Statkraft Vind Holding AS	WP	Norway	Oslo	Statkraft AS	100.00%
Statkraft Western Balkans d.o.o.	MO	Serbia	Beograd	Statkraft AS	100.00%

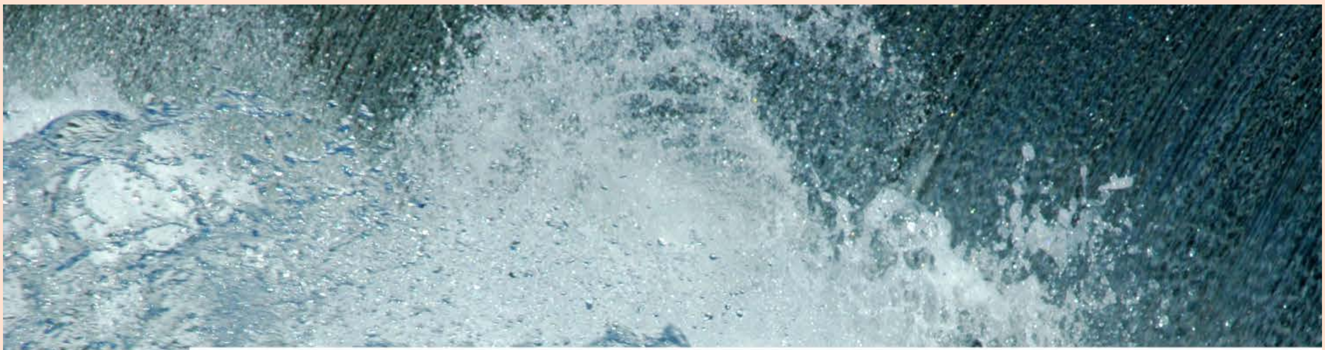
[1] EF: European flexible generation, MO: Market operations, IP: International Power, WP: Wind power, DH: District heating, IO: Industrial ownership, OA: Other activities.
[2] Fjordkraft AS is owned by Statkraft Industrial Holding AS (3.15%), Skagerak Energy AS (48%) and BKK AS (48.85%).

Significant non-controlling interests' share of the Group's activities

There are significant non-controlling shareholdings in SKIHI Group and Skagerak Energi Group. However, in September 2017 Statkraft increased its ownership in SKIHI Group up to 100%. See note 5 for additional information.

	SKIHI Group [1]		Skagerak Energi Group	
NOK million	2017	2016	2017	2016
Gross revenues	1 775	2 297	2 817	2 257
Total comprehensive income	1 061	1 098	631	374
- of which allocated to non-controlling interests	252	-49	-71	-85
Assets	-	34 045	16 414	15 899
Debt	-	7 110	9 141	9 079
Equity	-	26 935	7 272	6 821
- of which accumulated non-controlling interests	-	1 239	2 464	2 525
Dividend disbursed to non-controlling interests	940	118	38	-
Net cash flow from operating activities	N/A	N/A	931	986

[1] SKIHI Group was established as a part of the restructuring of old SN Power in 2014 and is now owned 100% by Statkraft



The Devoll hydropower project in Albania consists of two hydropower plants; Banja and Moglicë. The Banja plant was finalised in 2016.

The Moglicë plant is well on its way to open in 2019. The plants will then have a combined capacity of 243 MW.

Statkraft AS Financial Statements

Income statement

Statkraft AS parent company

NOK million	Note	2017	2016
Operating revenues	23	1 055	1 052
Payroll and related cost	5, 6	-787	-768
Depreciation	10	-56	-61
Other operating expenses	7, 20, 23	-688	-757
Operating expenses		-1 531	-1 585
Operating profit (EBIT)		-476	-532
Revenues from investments in subsidiaries and associates	8, 23	22 148	3 403
Financial income	8, 23	1 019	598
Financial costs	8, 23	-1 151	-1 127
Net realised and unrealised securities	8, 23	1 158	-4 971
Net realised and unrealised currency and derivatives	8	-2 897	4 926
Net financial items		20 277	2 829
Profit before tax		19 801	2 296
Tax expense	9	-263	-926
Profit for the year		19 538	1 371

Appropriation of profit for the year and equity transfers			
Dividends payable	15	6 100	4 350
Transfer to/from retained earnings	15	13 438	-1 648
Transfer from other paid-in capital	15	-	-16
Transfer from share premium account	15	-	-1 315

Statement of Financial Position
Statkraft AS parent company

NOK million	Note	31.12.2017	31.12.2016
Assets			
Deferred tax asset	9	540	790
Property, plant and equipment	10	250	300
Investments in subsidiaries, associates and joint arrangements	11	78 973	78 017
Derivatives	19, 23	9	48
Other non-current financial assets	12, 23	15 794	20 824
Non-current assets		95 566	99 979
Receivables	13, 23	26 290	12 039
Derivatives	19, 23	754	428
Cash and cash equivalents	14	11 985	5 201
Current assets		39 029	17 668
Assets		134 595	117 647
EQUITY AND LIABILITIES			
Paid-in capital	15	56 402	54 261
Retained earnings	15	13 375	-
Equity		69 777	54 261
Provisions	16	886	771
Long-term interest-bearing debt	3, 17, 23	33 887	29 140
Derivatives	19, 23	718	1 657
Long-term liabilities		35 491	31 569
Short-term interest-bearing debt	3, 17, 23	20 909	23 843
Taxes payable	9	-	49
Derivatives	19, 23	1 602	1 241
Other interest-free liabilities	18, 23	6 816	6 684
Short-term liabilities		29 327	31 817
Equity and liabilities		134 595	117 647

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

Thorhild Widvey
Chair of the Board

Halvor Stenstadvold
Deputy chair

Hilde Drønen
Director

Peter Mellbye
Director

Ingelise Arntsen
Director

Bengt Ekenstierna
Director

Vilde Eriksen Bjerknes
Director

Thorbjørn Holøs
Director

Asbjørn Sevlejordet
Director

Christian Rynning-Tønnesen
President and CEO

Statement of Cash Flow
Statkraft AS parent company

NOK million	Note		2017	2016
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax			19 801	2 296
Gain/loss on sale of property, plant and equipment			-5	-
Depreciation	10		56	61
Write-downs/reversal of write-downs from previous years	8		-1 178	4 962
Gain/loss on sale of shares			80	20
Unrealised changes in value			-866	-1 679
Changes in long-term items			452	38
Changes in other short-term items			1 653	-99
Booked income from dividend and group contribution with no cash effects			-21 891	-3 397
Group contribution and dividend received			10 248	7 127
Taxes paid			-45	-
Cash flow from operating activities		A	8 306	9 329
CASH FLOW FROM INVESTING ACTIVITIES				
Investments in property, plant and equipment			-8	-42
Proceeds from sale of property, plant and equipment			7	-
Loans to subsidiaries and associates			-26	-1 690
Repayment of loans from subsidiaries and associates			7 624	-
Investments in subsidiaries and associates			-9 150	-3 082
Capital reduction in subsidiaries and associates			2 641	15 196
Divestments of shares			86	5
Cash flow from investing activities		B	1 174	10 387
CASH FLOW FROM FINANCING ACTIVITIES				
Changes in cash pool			1 802	-16 810
New debt			5 247	4 413
Repayment of debt			-7 693	-7 589
Dividend and Group contribution paid			-2 052	-
Cash flow from financing activities		C	-2 696	-19 986
Net change in cash and cash equivalents		A+B+C	6 784	-270
Cash and cash equivalents 01.01	14		5 201	5 471
Cash and cash equivalents 31.12	14		11 985	5 201
Unused commited credit lines			10 080	11 000
Unused overdraft facilities			1 000	1 000

SIGNIFICANT ACCOUNTING POLICIES

The cash flow statement has been prepared using the indirect method. The statement starts with the company's result for the year in order to show cash flow generated by regular operating, investing and financing activities respectively.

Notes
Statkraft AS parent company

Index of notes to Statkraft AS parent company financial statement

Note 1 Significant accounting policies

GENERAL INFORMATION

The annual accounts for Statkraft AS have been prepared in accordance with the Accounting Act and generally accepted accounting principles in Norway (Norwegian GAAP).

The descriptions of accounting policies in the statements and notes form part of the overall description of accounting policies:

• Statement of cash flow	
• Pensions	Note 6
• Research and development costs	Note 7
• Income taxes	Note 9
• Property, plant and equipment	Note 10
• Investments in subsidiaries, associates and joint arrangements	Note 11
• Other non-current financial assets	Note 12
• Receivables	Note 13
• Cash and cash equivalents	Note 14
• Long-term debt	Note 17

VALUATION AND CLASSIFICATION PRINCIPLES

Uncertainties in estimates The accounts are based on assumptions and estimates that affect the book value of assets, liabilities, income and costs. The best estimate at the time when the accounts are rendered form the basis, but the actual figures may deviate from the initial estimates.

Principles for recognition of income and expensing of costs Recognition of revenues from sale of goods and services takes place when earned, whilst expensing of costs takes place in accordance with the accrual principle.

Gains/losses from sale of property, plant and equipment are treated as operating revenues or expenses.

Classification and valuation of assets and debt Assets intended for lasting ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables that will be repaid within 12 months are classified as current assets. Corresponding criterias are used to classify current and long-term liabilities.

Fixed assets are valued at cost, but are impaired when the reduction in value is not expected to be transitory. Impairment is reversed when the basis for the impairment no longer exists. Fixed assets with limited useful economic life are depreciated according to schedule.

Current assets are valued at the lower of cost and fair value. Short-term loans are recognised in the balance sheet at the nominal received amount at the time of establishment.

Contingent liabilities Contingent liabilities are recognised if settlement is more likely than not. Best estimates are used when calculating settlement value.

Foreign currency Money items denominated in foreign currency are valued at the exchange rate on the balance sheet date. Realised and unrealised currency effects are presented as net in the financial statements as financial income or financial cost. Transactions denominated in foreign currency are translated using the exchange rate at the transaction date.

Note 2 Market risk

RISK AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS IN GENERAL

The risk management policy is based upon assuming the right risk based on the Group's ability and willingness to take risks, expertise, financial strength and development plans. The purpose of risk management policy is to identify threats and opportunities for the Group, and to manage the risk within an acceptable level. The central treasury function in Statkraft AS coordinates and manages the financial risks relating to currency, interest rates, credit and liquidity of the Group. A more detailed explanation of how these are managed will be provided in the following.

FOREIGN EXCHANGE AND INTEREST RATE RISK

Statkraft is exposed to two main types of risk in regards to its finance activities: foreign exchange risk and interest rate risk. Statkraft therefore employs interest rate and foreign currency derivatives to mitigate these risks.

Interest rate swaps, currency and interest rate swaps and forward exchange rate contracts are used to achieve the desired currency and interest rate structure for the company's debt portfolio. Forward exchange rate contracts and debt in foreign currency are also used to hedge cash flows denominated in foreign currency.

Statkraft's methods for managing these risks are described below:

Foreign exchange risk Statkraft AS manages the Group's currency risk. Statkraft incurs currency risk in the form of transaction risk, mainly in connection with energy sales revenues, investments and dividend from subsidiaries and associates in foreign currency. Balance sheet risk is related to shareholdings in foreign subsidiaries. There is also balance sheet risk related to investments in some associated companies. Statkraft's settlement currency at the Nordic power exchange Nord Pool is EUR, and all power contracts traded in the Nordic power exchange Nasdaq are denominated in EUR. In addition most of Statkraft's bilateral power purchase agreements in Norway and all power purchase and sales abroad are denominated in foreign currency. The objective of Statkraft's hedging is to secure the NOK value of future cash flows exposed to changes in foreign currency rates. The currency exposure in Statkraft is treated in accordance with the company's treasury strategy. Economic hedging is achieved by using financial derivatives and debt in foreign currencies as hedging instruments. Few of the hedging relationships fulfil the requirements of hedge accounting.

Interest rate risk Statkraft's interest rate exposure is related to its debt portfolio. The management of interest rate risk is based on a balance of keeping interest cost low over time and contributing to stabilise the Group's cash flows with regards to interest rate changes. The interest rate risk is monitored by having duration as the measure. Statkraft shall at all times keep the average duration of its debt portfolio within the range of 2 to 5 years.

Compliance with the limit for currency and interest rate risk is followed up continuously by the middle-office function. Responsibility for entering into and following up the various positions has been delegated and allocated to separate organisational units.

LIQUIDITY RISK

Statkraft AS assumes a liquidity risk because the terms of its financial obligations are not matched to the cash flows generated by its assets. Statkraft AS has good borrowing opportunities from the Norwegian and international money markets and from the banking market. Drawdown facilities have been established to secure access to short-term financing.

Liquidity forecasts are prepared as an important part of the daily liquidity management and for planning future financing requirements. The liquidity reserve is a tool for risk management and functions as a buffer in relation to the liquidity forecast.

CREDIT RISK

Credit risk is the risk of a party to a financial instrument inflicting a financial loss on the other party by not fulfilling its obligations. Statkraft AS assumes credit risk when placing surplus liquidity and when trading in financial instruments.

Placement of surplus liquidity is mainly divided among institutions rated BBB (Standard & Poor's) or better. There are established exposure limits with individual counter-parties, which are used for short-term placements.

For financial derivatives, credit risk is reduced by using cash collateral. Cash collateral is settled on a weekly basis and will therefore not always be settled on 31 December. Therefore there could be an outstanding credit risk at year-end.

Note 3 Analysis of market risk

Specification of debt by currency [1)]

NOK million	2017	2016
Debt in NOK	13 018	11 778
Debt in EUR	19 545	18 047
Debt in GBP	2 662	5 306
Total	35 225	35 131

[1)] The specification includes long-term interest-bearing debt, the first-year installment on long-term interest-bearing debt, certificate loans, the currency effect of allocated forward exchange rate contracts and the currency effects of combined interest rate and currency swaps. Specifications of debt by currency includes effects from allocated forward exchange rate contracts and combined interest rate and currency swaps, since Statkraft uses these derivatives to achieve the desired currency structure for the company's debt portfolio.

Specification of interest by currency	2017	2016
Nominal average interest rate, NOK	4.00%	4.40%
Nominal average interest rate, EUR	2.60%	2.60%
Nominal average interest rate, GBP	0.50%	0.70%

Fixed interest rate debt portfolio [1)]

	Future interest rate adjustments				
NOK million	0-1 year	1–3 years	3–5 years	5 years and later	Total
Debt in NOK	3 385	2 783	600	6 250	13 018
Debt in EUR	9 348	2 950	-27	7 274	19 545
Debt in GBP	2 662	-	-	-	2 662
Total fixed interest 2017	15 395	5 733	573	13 524	35 225
Total fixed interest 2016	21 885	2 460	1 113	9 673	35 131

[1)] The specification includes long-term interest-bearing debt, first-year installment on long-term interest-bearing debt, certificate loans, the currency effect of allocated forward exchange rate contracts and the currency effect of combined interest rate and currency swaps. The split between years also take into account maturity of allocated forward exchange rate contracts, interest rate adjustments in interest rate swaps and combined interest rate and currency swaps. Negative figures reflect that Statkraft receives fixed interest from interest rate swaps.

Repayment schedule

NOK million	0-1 year	1–2 years	2–3 years	3–4 years	4–5 years	5 years and later	Total
Instalments on debt to Statkraft SF (back-to-back agreement)	-	400	-	-	-	-	400
Bonds issued in the Norwegian market	-	1 000	3 000	800	1 500	750	7 050
Debt issued in non-Norwegian markets	1 968	4 912	-	-	6 861	14 654	28 395
Other debt	-	8	-	-	2	-	10
Currency effect of allocated forward exchange rate contracts and currency effects of combined interest rate and currency swaps	168	-355	-	-	-443	-	-630
Total repayment schedule 2017	2 136	5 965	3 000	800	7 920	15 404	35 225
Total repayment schedule 2016	6 198	1 876	3 014	800	17 576	5 667	35 131

Note 4 Hedge accounting

Fair value hedging Statkraft AS treats some loan arrangements as fair value hedges. Issued bond loans have been designated as hedging objects in the hedging relationships, and the associated interest rate swaps have been designated as hedging instruments.

The hedging objects are issued fixed-interest bonds with a total nominal value of EUR 180 million and NOK 2900 million. The hedging instruments are interest rate swaps with a nominal value of respectively EUR 180 million and NOK 2900 million, entered into with major banks as the counterparties. The agreements swap interest rate from fixed to floating 3-month and 6-month EURIBOR or NIBOR. The critical terms of the hedging object and hedging instrument are deemed to be approximately the same, and 90–110% hedging efficiency is assumed. The inefficiency is recognised in the income statement. The hedges expire during the period 2019-2022.

Fair value of hedging instruments

NOK million	2017	2016
Hedging instruments used in fair value hedging	365	504

Other information on fair value hedging

NOK million	2017	2016
Net gain (+)/loss (-) in income statement on hedging instruments	-932	-229
Net gain (+)/loss (-) in income statement on hedging objects, in relation to the hedged risk	934	229
Hedge inefficiency	2	-

Note 5 Payroll costs and number of full-time equivalents

NOK million	2017	2016
Salaries	510	512
Employers' national insurance contribution	93	89
Pension costs [1)]	106	107
Other benefits	78	60
Total	787	768

[1)] Pension costs are described in further detail in note 6.

Remuneration to the Chairman and the Board of Directors are disclosed in note 37 in the Group accounts.

	2017	2016
Average number of full-time equivalents	462	500
Number of full-time equivalents as of 31.12	453	489

Note 6 Pensions

GENERAL INFORMATION

Statkraft AS is obligated to and fulfills the requirements of the act regarding mandatory occupational pension scheme ("Lov om obligatorisk tjenestepensjon").

Defined contribution schemes A defined contribution scheme is a retirement benefit scheme where Statkraft AS pays fixed contributions to a fund manager without incurring further obligations for the company once the payment has been made. The payments are expensed as salaries and payroll costs.

Statkraft AS' pension scheme for new employees from 1 January 2014 is a defined contribution scheme. The contributions are 6% of the pensionable salary up to 7.1 of the National Insurance Scheme's basic amount (G), and 18% of the pensionable salary between 7.1G and 12G. In addition to retirement pensions, the contribution scheme also entails risk covers.

Defined benefit schemes A defined benefit scheme is a retirement benefit scheme that defines the retirement benefits that an employee will receive on retirement. The retirement benefit is normally set as a percentage of the employee's salary. To be able to receive full retirement benefits, contributions will normally be required to be paid over a period of between 30 and 40 years. Employees who have not made full contributions will have their retirement benefits proportionately reduced.

Funded defined benefit schemes Statkraft AS has organised their defined benefit scheme in the National Pension Fund (SPK). The defined benefit schemes cover retirement, disability and survivor pensions. The retirement schemes provide pension benefits amounting to 66% of pensionable income, up to 12G, with maximum accrual. Statkraft AS also offers early retirement from the age of 62 under the Norwegian early retirement pension scheme.

Statkraft AS pays an annual premium and is responsible for the financing of the scheme in the National Pension Fund (SPK). Pension benefits from the SPK are guaranteed by the Norwegian state (Section 1 of the Pension Act). The SPK scheme is not asset based, but management of the pension fund assets is simulated as though the assets were invested in Norwegian government bonds. In simulations it is assumed that bonds are held to maturity.

The pension benefit scheme in SPK was closed for new employees 1 January 2014.

Unfunded defined benefit schemes In addition to the above, Statkraft AS has entered into an additional pension agreement that provides all employees whose pensionable incomes exceed 12G with a retirement and disability pension equivalent to 66% of that portion of their pensionable income exceeding 12G. The agreement was closed 30 April 2012.

Existing members of the closed agreement who leave the company before pensionable age receive a deferred pension entitlement for the scheme above 12G, provided they have at least three years' pension entitlements.

SIGNIFICANT ACCOUNTING POLICIES

The liability recognised in the balance sheet which relates to the defined benefit scheme is the present value of the future retirement benefits that are reduced by the fair value of the plan assets.

Net pension fund assets for overfunded schemes are classified as non-current assets and recognised in the balance sheet at fair value. Net retirement benefit liabilities for underfunded schemes and non-funded schemes that are covered by operations are classified as long-term liabilities.

Gains and losses attributable to changes in actuarial assumptions or base data are recognised directly against equity.

The net retirement benefit cost for the period is included under salaries and payroll costs, and comprises the total of the retirement benefits accrued during the period, the interest on the estimated liability and the -projected yield on pension fund assets.

ESTIMATES AND ASSUMPTIONS

Present value of accrued pension entitlements for defined benefit schemes and present value of accrued pension entitlements for the year are calculated using the accrued benefits method. Net pension liabilities in the balance sheet are adjusted for expected future salary increases until retirement age. Calculations are based on staff numbers and salary data at the end of the year. The discount rate is based on high-quality corporate bonds (covered bonds – OMF).

The actuarial gain recognised directly in equity during the year is mainly due to changes in assumptions for discount rate and salary adjustments.

Note 6 continued

The following assumptions are used	31.12.2017	31.12.2016
Discount rate and projected yield	2.40%	2.30%
Salary adjustment	2.50%	2.25%
Adjustment of current pensions	1.50%	1.25%
Adjustment of the National Insurance Scheme's basic amount (G)	2.25%	2.00%
Demographic factors for mortality and disability	K2013/IR73	K2013/IR73

Members of defined benefit schemes	2017	2016
Employees	305	321
Pensioners and people with deferred entitlements	447	425

Pension cost recognised in the income statement

Defined benefit schemes

NOK million	2017	2016
Present value of accrued pension entitlements for the year	68	67
Interest costs	31	31
Projected yield on pension assets	-16	-15
Employee contributions	-5	-5
Employers' national insurance contribution	11	11
Net pension cost defined benefit schemes	89	89

Defined contribution schemes

Employers payments	17	18
Total pension costs	106	107

Breakdown of net defined benefit pension liability

NOK million	2017	2016
Present value of accrued pension entitlements for funded defined benefit schemes	1 146	1 040
Fair value of pension assets	799	737
Net pension liability for funded defined benefit schemes	347	303
Present value of accrued pension entitlements for unfunded defined benefit schemes	403	336
Employers' national insurance contribution	106	90
Net pension liabilities	855	729

Actuarial gains and losses recognised directly in equity

NOK million	2017	2016
Accumulated actuarial gains and losses recognised directly in equity before tax 31.12	261	182

Note 7 Other operating expenses

SIGNIFICANT ACCOUNTING POLICIES

Principles for expensing of costs Expensing of costs takes place in accordance with the accrual principle, whilst own research and development expenses are expensed as incurred.

NOK million	2017	2016
Purchase of third-party services [1)]	272	286
Materials	15	15
Rent	126	121
IT expenses	143	138
Marketing	18	28
Travel expenses	32	32
Insurance	5	5
Other operating expenses	77	132
Total	688	757

[1)] Purchase of third-party services mainly includes consultants and other services.

Note 8 Financial items

Revenues from investments in subsidiaries and associates

NOK million	2017	2016
Dividend from group companies	17 861	3 403
Group contribution	4 287	-
Total	22 148	3 403

Financial income

NOK million	2017	2016
Interest income from group companies	761	436
Interest income	144	51
Other financial income	114	111
Total	1 019	598

Financial costs

NOK million	2017	2016
Interest expense to group companies	-107	-209
Interest expenses external debt	-957	-899
Other financial costs	-87	-20
Total	-1 151	-1 127

Net realised and unrealised securities

NOK million	2017	2016
Write-downs/reversal of write-downs from previous years [1)]	1 178	-4 962
Gains and losses on securities, realised and unrealised	-20	-9
Total	1 158	-4 971

[1)] The write-downs/reversal of write-downs from previous years are related to the shares in Statkraft Germany GmbH and Statkraft Enerji A.S.

Based on an assessment of impairment considerations of German gas-fired power plants, valuation of trading activities and currency effects, previous years write-downs of NOK 1178 million have been reversed in 2017. In 2016, an assessment of the same parameters conluded with a write-down of NOK 3883 million.

In 2017 there has been no write-down or reversal of write-downs from previous years, of the shares in Statkraft Enerji A.S. In 2016 the shares in Statkraft Enerji A.S. were written down with NOK 1079 million based on an assessment of the assets, investments and liabilities of the company, including currency effects.

Net realised and unrealised currency and derivatives

NOK million	2017	2016
Currency gains and losses, realised	-2 072	1 892
Currency gains and losses, unrealised	-1 798	2 963
Gains and losses derivatives, realised	-79	-186
Gains and losses derivatives, unrealised	1 052	257
Total	-2 897	4 926

Net financial items	20 277	2 829

Note 9 Income taxes

SIGNIFICANT ACCOUNTING POLICIES

Statkraft AS is subject to tax on profits that is calculated in accordance with ordinary tax rules. The tax charge in the income statement comprises taxes payable and changes in deferred tax liabilities/assets. Taxes payable are calculated on the basis of the taxable income for the year.

Deferred tax liabilities/assets are calculated on the basis of temporary differences between the accounting and tax values and the tax effect of losses carried forward. Deferred tax assets are only recognised in the balance sheet to the extent it is probable that the assets will be realised in the future. Tax related to equity transactions is recognised in equity.

The tax expense in the income statement

NOK million	2017	2016
Income tax payable	-	474
Withholding tax	1	5
Previous years payable tax expense	-3	-
Change in deferred tax	265	446
Tax expense in the income statement	263	926

Taxes payable in the balance sheet

NOK million	2017	2016
Income tax payable on profit for the year	-	474
Tax effect of group contribution	-	-425
Taxes payable in the balance sheet	-	49

Reconciliation of nominal tax rate and effective tax rate

NOK million	2017	2016
Profit before tax	19 801	2 296
Expected tax expense at a nominal rate of 24% (25%)	4 752	574
Effect on taxes of		
Tax-free income	-4 287	-854
Changes relating to previous years	-3	-76
Withholding tax	1	5
Impairment/reversal of impairment previous years	-283	1 241
Changes in tax rates	20	31
Other permanent differences, net	63	5
Tax expense	263	926
Effective tax rate	1%	40%

Breakdown of deferred tax

NOK million	2017	2016
Current assets/current liabilities	-598	-1 738
Derivatives	-932	-877
Other long-term items	94	102
Property, plant and equipment	-58	-49
Pension liabilities	-855	-728
Total temporary differences and tax loss carry forward	-2 349	-3 290
Total deferred tax (+)/deferred tax asset (-)	-540	-790
Applied tax rate	23%	24%
Deferred tax (+)/deferred tax asset (-) as of 01.01	-790	-1 245
Recognised in income	265	446
Recognised directly in equity	-15	9
Deferred tax (+)/deferred tax asset (-) as of 31.12	-540	-790

Note 10 Property, plant and equipment

SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment are recognised in the balance sheet and depreciated on a straight-line basis from the time the property, plant or equipment starts regular operations. The acquisition cost consists solely of directly attributable costs. Indirect administration costs are excluded when recognising own hours in the balance sheet.

NOK million	Buildings, office equipment and other	Plants under construction	Total
Balance at 01.01	297	4	300
Additions	4	4	8
Transferred from plants under construction	4	-4	-
Disposals	-2	-	-2
Depreciation and impairment	-56	-	-56
Balance at 31.12	247	4	250
Cost 31.12	556	4	559
Accumulated depreciation and impairment as of 31.12	-309	-	-309
Balance at 31.12	247	4	250
Period of depreciation	3–75 years		

Note 11 Shares in subsidiaries, associates and joint arrangements

SIGNIFICANT ACCOUNTING POLICIES

Investment in subsidiaries, associated companies and joint arrangements Subsidiaries are companies where Statkraft AS has controlling influence over financial and operational principles. Controlling influence is normally achieved when the company owns more than 50% of the voting shares. Associated companies are companies where Statkraft AS has significant influence. Significant influence is normally deemed to exist where the company owns or controls from 20 to 50% of the voting shares. Joint arrangements are where Statkraft shares control of a company together with another party.

The investment is valued at cost for the shares unless impairment has been necessary. Impairment is done when the reduction in value is due to reasons that cannot be considered transitory. Impairment is reversed when the basis for the impairment no longer exists.

Dividends and group contributions from subsidiaries are recorded as income during the year when earned, while dividends from other companies are recognised as income in accordance with the cash basis of accounting. If the dividend exceeds the share of retained profits after the purchase, the excess part represents repayment of invested capital and the disbursements received are deducted from the value of the investment in the balance sheet.

NOK million	Registered office	Shareholding and voting share	Equity 31.12.2017 [1]	Net profit 2017 [1]	Carrying value
Shares in subsidiaries					
Hitra Vind AS	Oslo	100.00%	117	2	95
Kjøllefjord Vind AS	Oslo	100.00%	90	-2	102
Renewable Energies and Photovoltaics Spain S.L.	Malaga	70.00%	-2	-	-
Smøla Vind 2 AS	Oslo	100.00%	259	6	150
Statkraft Asset Holding AS	Oslo	100.00%	19 039	2 594	13 878
Statkraft Carbon Invest AS	Oslo	100.00%	9	-	4
Statkraft Elektrik Enerjisi Toptan Satıs¸ Ltd. Sirketi	Istanbul	100.00%	19	-13	44
Statkraft Energi AS	Oslo	100.00%	15 524	4 310	14 295
Statkraft Enerji A.S.	Istanbul	100.00%	1 717	-2 124	1 359
Statkraft Financial Energy AB	Stockholm	100.00%	23	-3	1
Statkraft Forsikring AS	Oslo	100.00%	392	10	80
Statkraft Germany GmbH	Düsseldorf	100.00%	4 706	-146	7 420
Statkraft Industrial Holding AS	Oslo	100.00%	14 859	538	18 548
Statkraft IH Invest AS	Oslo	100.00%	14 157	142	15 957
Statkraft Treasury Centre SA	Brussels	100.00%	24	132	1
Statkraft UK Ltd.	London	100.00%	11 072	3 472	5 759
Statkraft Vind Holding AS	Oslo	100.00%	1 127	2	1 060
Statkraft Western Balkans d.o.o.	Belgrade	100.00%	15	-	28
Statkraft Brussels sprl	Brussels	99.90%	-	-	1
Total subsidiaries					78 779
Associates and joint arrangements					
Grønn Kontakt AS	Kristiansand	47.21%	2	-15	33
Naturkraft AS	Tysvær	50.00%	709	61	76
Statkraft Agder Energi Vind DA [2]	Kristiansand	62.00%	-	-42	85
Total associates and joint arrangements					194
Total					78 973

[1] Based on preliminary unaudited financial statements 2017.

[2] Shareholders' agreements indicate joint control.

Note 12 Other non-current financial assets

SIGNIFICANT ACCOUNTING POLICIES

Long-term share investments and shareholdings All long-term investments are treated in accordance with the lowest value principle.

NOK million	2017	2016
Loans to Group companies	15 199	20 740
Loans to associates and joint ventures	562	-
Other shares and securities	33	84
Total	15 794	20 824

Note 13 Receivables

SIGNIFICANT ACCOUNTING POLICIES

Accounts receivable and other receivables are recognised at nominal value after the deduction of expected loss. Loss allocations are made on the basis of individual evaluations of each receivable.

NOK million	2017	2016
Accounts receivable	7	17
Receivables related to cash collateral	1 030	935
Group cash pooling receivable	1	17
Short-term receivables from group companies [1)]	25 048	11 013
Other receivables	204	58
Total	26 290	12 039

[1)] Short-term receivables from Group companies comprise short-term loans, dividends and group contribution from subsidiaries. The main reason for last year increase is activities taken over from Statkraft Treasury Center (see note 23)

As of 31 December 2017 no provision for bad debt has been identified.

Note 14 Cash and cash equivalents

SIGNIFICANT ACCOUNTING POLICIES

The line item cash and cash equivalents also includes certificates and bonds with short residual terms at the time of acquisition. Cashpool deposits and loans to subsidiaries are reported as net values, and the corresponding items are classified gross either as cashpool receivable or cashpool debt (note 13 and 17).

NOK million	2017	2016
Cash and cash deposits	8 831	5 181
Money market funds, certificates	3 154	20
Total	11 985	5 201

Statkraft AS has unused committed credit lines of NOK 10080 million and unused overdraft facilities of NOK 1000 million.

Note 15 Equity

	Paid-in capital				
NOK million	Share capital	Share premium account	Other paid-in capital	Retained earnings	Total equity
Equity as of 01.01.16	33 200	21 077	16	1 629	55 922
Profit for 2016	-	-	-	1 371	1 371
Actuarial gains/losses pensions	-	-	-	19	19
Dividends 2016	-	-1 315	-16	-3 019	-4 350
Capital contribution [1)]	200	1 100	-	-	1 300
Equity as of 31.12.16	33 400	20 862	-	-	54 261
Profit for 2017	-	-	-	19 538	19 538
Actuarial gains/losses pensions	-	-	-	-63	-63
Dividends 2017	-	-	-	-6 100	-6 100
Capital contribution [1)]	200	1 940	-	-	2 140
Equity as of 31.12.17	33 600	22 802	-	13 375	69 777

[1)] The capital contributions were carried out as conversion of debt to equity.

The parent company has a share capital of NOK 33.6 billion, divided into 200 million shares, each with a par value of NOK 168. All shares have the same voting rights and are owned by Statkraft SF, which is a Norwegian state-owned company, established and domiciled in Norway. Statkraft SF is wholly owned by the Norwegian state, through the Ministry of Trade, Industry and Fisheries.

Note 16 Provisions

NOK million	2017	2016
Pension liabilities [1)]	855	729
Other provisions	31	42
Total	886	771

[1)] Pension liabilities are described in further detail in note 6.

Note 17 Interest-bearing debt

SIGNIFICANT ACCOUNTING POLICIES

Long-term debt Funding costs and early redemption penalty or discount are recognised in accordance with the effective interest rate method (amortised cost) for fixed interest debt. The first year's repayments relating to long-term debt are presented as current liabilities.

Short-term debt Market settlements for derivatives connected with financial activities (cash collateral) are recognised in the balance sheet as receivable or short-term debt. Cash collateral is a payment to/from counterparties as security for the net unrealised gains and losses that Statkraft AS has on interest rate swaps, combined interest rate and currency swaps and forward exchange contracts (see also note 13).

NOK million	2017	2016
Short-term interest-bearing debt		
First year's instalment of long-term debt	1 968	5 892
Group cash pooling debt	17 588	15 802
Debt related to cash collateral	1 181	1 292
Certificate loans	-	500
Short-term debt to Group companies	158	304
Other short term debt	14	53
Total	20 909	23 843
Long-term interest-bearing debt		
Debt to Statkraft SF (back-to-back agreement)	400	400
Bonds issued in the Norwegian market	7 050	7 050
Debt issued in non-Norwegian markets	26 427	21 673
Other debt	9	17
Total	33 887	29 140
Total interest-bearing debt	54 796	52 983

Statkraft's net debt repayment in 2017 amounted to NOK 2446 million. Other changes are mainly explained by increased group cash pooling debt and changes in exchange rates on foreign currency loans.

Note 18 Other interest-free liabilities

NOK million	2017	2016
Accounts payable	69	42
Indirect taxes payable	41	42
Dividends payable	6 100	4 350
Debt to subsidiaries in Statkraft Group	16	1 746
Other interest-free liabilities	590	504
Total	6 816	6 684

Note 19 Derivatives

GENERAL INFORMATION

Statkraft AS trades in financial derivatives for different purposes, and accounts will depend on the purpose as described below.

SIGNIFICANT ACCOUNTING POLICIES

Interest rate derivatives Statkraft AS uses interest rate derivatives to adapt interest rate exposure to the Group's debt portfolio. Recognition of gains and losses depends on whether the interest rate derivative has been classified as a hedging instrument. Interest rate derivatives that are not hedging instruments are recorded in accordance with the lowest value principle. Unrealised losses or gains are included in the financial result. Interest rate derivatives that are defined as hedging instruments are accrued in the same way as interest on hedged debts or receivables. Interest rate derivatives are classified as non-current assets or long-term liabilities if the remaining term is longer than one year. Gains and losses are recognised in the income statement when settling loans before maturity. Any interest rate derivatives connected to loans that have been repaid are normally cancelled. Gains and losses from cancelled interest rate swaps, are accrued together with the underlying loans.

Currency derivatives In order to hedge against fluctuations in the foreign currency rates, Statkraft AS uses currency derivatives in line with approved financial policy. Forward exchange rate contracts are valued at fair value. Changes in value are recorded in the income statement as net realised and unrealised currency and derivatives. Combined interest rate and currency swaps are recorded in accordance with the lowest value principle.

Hedging The accounting treatment of financial derivatives designated as hedging instruments is recorded in line with the principles for fair value hedging. In the event of hedging of assets or liabilities in the balance sheet, the derivative is recognised at fair value.

The carrying value of the hedged asset or liability is adjusted for the value of the financial derivative's change in value which is related to hedged risk. More information about hedge accounting can be found in note 4.

ESTIMATES AND ASSUMPTIONS

The fair value of interest rate swaps, as well as combined interest rate and currency swaps, is determined by discounting expected future cash flows to present value through use of observed market interest rates and quoted exchange rates from ECB. The valuation of forward currency exchange contracts is based on quoted exchange rates, from which the forward exchange rate is extrapolated. Estimated present value is subject to a test of reasonableness against calculations made by the counterparties to the contracts.

The interest rate swaps, including the interest portion of combined interest rate and currency swaps, are part of risk management and are accounted for as hedging or at the lowest value principle, depending on whether the requirements for hedge accounting are achieved.

Currency and interest rate agreements

Accounting value and fair value of currency and interest rate derivatives:

	31.12.2017		31.12.2016	
Derivatives – non-current assets NOK million	Carrying Value	Fair value [1]	Carrying Value	Fair value [1]
Currency and interest rate derivatives				
Interest rate swaps	-	702	-	837
Forward exchange rate contracts	9	9	48	48
Combined interest rate and currency swaps	-	866	-	340
Total	9	1 577	48	1 225
Derivatives – current assets				
NOK million				
Currency and interest rate derivatives				
Interest rate swaps	-	5	-	3
Forward exchange rate contracts	754	754	428	428
Combined interest rate and currency swaps	-	90	-	413
Total	754	849	428	844
Derivatives – long-term liabilities				
NOK million				
Currency and interest rate derivatives				
Interest rate swaps	571	571	791	791
Forward exchange rate contracts	100	100	353	353
Combined interest rate and currency swaps	47	47	513	513
Total	718	718	1 657	1 657
Derivatives – current liabilities				
NOK million				
Currency and interest rate derivatives				
Interest rate swaps	12	12	30	30
Forward exchange rate contracts	1 590	1 590	864	864
Combined interest rate and currency swaps	-	-	347	347
Total	1 602	1 602	1 241	1 241

[1] Fair value does not include accrued interests.

Note 20 Fees paid to external auditors

Deloitte AS is the Statkraft Group's auditor. The total fees paid for auditing and other services for Statkraft AS (excluding VAT) were as follows:

NOK thousand	2017	2016
Statutory auditing	2 316	2 986
Other attestation services	187	451
Tax consultancy services	488	451
Other services [1)]	543	1 236
Total	3 534	5 124

[1)] The main items in the fees for other services in 2017 relate to the attestation of the sustainability report. The corresponding figure for 2016 relates to assistance to map various existing processes and procedures, and the attestation of the sustainability report.

Note 21 Obligations and guarantees

Statkraft AS has guarantees and off-balance-sheet obligations totaling NOK 20534 million. Of this, NOK 18806 million concerns parent company guarantees.

Statkraft AS leases office buildings in Lilleakerveien 4 and 6 in Oslo and Sluppenveien 17B in Trondheim. The lessors are Mustad Eiendom AS and Sluppenvegen 15 AS respectively. The lease agreements in Oslo expire in 2028 with an option to prolong for ten plus ten years. The annual lease totals NOK 100 million for the Oslo premises. The lease agreement in Trondheim expires in 2030 with an option to prolong for 5 years. The annual lease totals NOK 8 million for the Trondheim premises.

Note 22 Disputes

Statkraft AS has received a draft decision of a tax reassessment from the Norwegian tax authorities, regarding reassessment of income tax returns for the fiscal years 2008-2014 related to the investment in the Statkraft Treasury Centre SA (STC) in Belgium. See note 33 in the Group accounts for further information.

Note 23 Related parties

The Company's related parties are considered to be:

- Directly owned subsidiaries, see specification in note 11
- Other group companies, see specification in note 24 and 39 to the Consolidated Financial Statements
- The parent company of the Group, Statkraft SF
- Associated companies and joint arrangements, see specification in note 11
- Group management and the board of directors, see specification in note 37 to the Consolidated Financial Statements

Transactions with subsidiaries, associated companies and joint arrangements mainly relate to the following:

- Statkraft AS sells intra-group services from centralised service centres
- Dividends and group contributions are accrued through Statkraft AS' own shareholdings
- Statkraft AS is also the borrower for the majority of the Group's external debts and is the owner of the cash pooling facilities. The central treasury function in Statkraft AS coordinates and manages the financial risks relating to currency, interest rates and liquidity of the Group.
- Statkraft AS finances subsidiaries, associates and joint arrangements through loans.

All intra-group transactions are conducted at market terms.

Guarantees related to group companies are listed in note 21.

On 24 April 2017, Statkraft AS bought the lending portfolio from Statkraft Treasury Centre SA at market value and transferred all operations to Statkraft AS. Statkraft AS has received dividends of NOK 14910 million in 2017. The share capital of Statkraft Treasury Centre SA was in 2017 and 2016 reduced by respectively NOK 2641 million and NOK 15196 million, thereby reducing the cost price of the shares in the company.

Note 23 continued

Transactions and balances within the Group are presented below:

Income statement - NOK million	2017	2016
Operating revenues		
Statkraft Energi AS	491	495
Fosen Vind DA	62	56
Statkraft Markets GmbH	48	62
Empresa de Generacion Electric	44	31
Statkraft UK Ltd.	42	47
Statkraft Sverige AB	35	43
Other	223	262
Total	945	996
Other operating expenses		
Statkraft Energi AS	66	89
Statkraft Markets GmbH	4	13
Other	1	10
Total	71	112
Dividend and group contribution from group companies (recognised as financial income)		
Statkraft Treasury Centre SA	14 910	-
Statkraft Energi AS	5 139	2 462
Statkraft Asset Holding AS	1 840	-
Statkraft IH Invest AS	210	837
Other	49	104
Total	22 148	3 403
Financial income from group companies		
Statkraft Energi AS	239	250
Statkraft Asset Holding AS	175	178
Skagerak Energi AS	162	7
Kargi Kizirilmak Enerji A.Ş	137	-
Statkraft Markets GmbH	113	79
Other	46	33
Total	872	547
Financial costs to group companies		
Statkraft IH Invest AS	27	76
Statkraft SF	35	32
Statkraft Asset Holding AS	18	-
Statkraft Energi AS	9	26
Other	20	-
Total	109	134

Balance sheet - NOK million	2017	2016
Non-current assets		
Loan to Statkraft Energi AS	7 800	10 800
Loan to Skagerak Energi AS	4 175	1 300
Loan to Statkraft Varme AS	1 116	-
Loan to Statkraft Asset Holding AS	-	8 250
Other	2 670	390
Other non-current financial assets	15 761	20 740
Statkraft Energi AS	9	14
Statkraft Markets GmbH	-	118
Derivatives	9	132
Current assets		
Statkraft Brasil AS	1	-
Kjøllefjord Vind AS	-	17
Group cash pooling receivable	1	17

Note 23 continued

Statkraft IH Invest AS	1 699	4 099
Statkraft Energi AS	8 225	2 613
Statkraft Industrial Holding AS	752	2 193
Statkraft Asset Holding AS	13 151	1 752
Other	1 221	357
Short-term receivables group companies	25 048	11 013
Statkraft IH Invest AS	146	-
Statkraft Markets GmbH	128	92
Statkraft Energi AS	25	34
Other	-	3
Derivatives	299	129
Long-term liabilities		
Debt to Statkraft SF (back-to-back agreement)	400	400
Long-term interest-bearing debt	400	400
Statkraft Markets GmbH	81	43
Statkraft Energi AS	14	13
Derivatives	95	56
Current liabilities		
Statkraft UK Ltd	5 191	393
Statkraft Asset Holding AS	4 330	1 384
Statkraft IH Invest AS	1 946	5 586
Statkraft Markets GmbH	1 008	1 711
Statkraft Sverige AB	780	994
Statkraft Treasury Centre SA	52	1 930
Other	4 281	3 804
Group cash pooling debt	17 588	15 802
Debt to Statkraft SF	158	304
Current interest-bearing debt to Group companies	158	304
Statkraft Markets GmbH	99	63
Statkraft Energi AS	37	38
Statkraft IH Invest AS	-	29
Derivatives	136	130
Statkraft SF	6 102	4 350
Statkraft Asset Holding AS	-	1 700
Other	14	46
Current interest-free liabilities to Group companies	6 116	6 096

Note 24 Transactions

2017: In September Statkraft AS bought the reminder of the shares in Statkraft IH Invest AS (18,1%) from Norfund via Statkraft Asset Holding AS in a swap with 50% of the shares in SN Power AS. Statkraft AS has paid NOK 2 828 millions for the shares.

For information about the transfer of the lending portfolio from Statkraft Treasury Centre SA, see note 23.

In January Statkraft AS sold its shares in the subsidiary Steinsvik Kraft AS. The loss from the transaction was NOK 14 million and was booked as a financial item.

2016: There were no significant business combinations, asset purchases or sale of business.

Note 25 Subsequent events

There are no significant subsequent events.

Auditor's Report

Deloitte AS
Dronning Eufemias gate 14
Postboks 221 Sentrum
NO-0103 Oslo
Norway

Tel.: +47 23 27 90 00
Fax: +47 23 27 90 01
www.deloitte.no

To the Annual Shareholders' Meeting of Statkraft AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Statkraft AS. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise statement of financial position at 31 December 2017, statement of comprehensive income, the statement of changes in equity and the statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in our audit are:

- Impairments and reversal of prior years' impairments
- Valuation of energy contracts

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Impairments and reversal of prior years' impairments

Key audit matter	How the matter was addressed in the audit
Refer to note 14 to the group financial statements for description of Statkraft's impairment process and key assessments. Refer also to note 2 for a description of Statkraft's process to determine its long-term forecasts for energy prices in the markets in which they operate and the judgements and estimates that are involved in this process. The total carrying value of intangible assets, property, plant and equipment and investments in associates and joint ventures amounted to NOK 119.9 billion at 31 December 2017. To assess recoverability of these non-current assets, management must make assumptions about future energy prices, discount rates as well as future production levels and operating costs. For projects in development, estimates must be made of the total costs to complete the projects and impacts of any delays must be assessed. These assumptions are of particular importance due to the level of uncertainties and judgements involved. The outcome of impairment assessments could vary significantly were different assumptions are applied. The forecasts for energy prices are based on observable marked data for the period such data are available. For the period observable market data are not available, Statkraft applies internal models for analysing and estimating the price curve. As outlined in note 2 to the financial statements, the energy markets in which Statkraft operates are rapidly shifting, influenced by cost levels of competing technologies and fuels, regulatory changes such as the global Co2 markets, connectivity across markets, hydrology, general demand and supply, etc. Consequently, significant amount of judgement is applied in forecasting the power prices for the period observable market data are not available, and thus this period was the main area of focus of our audit procedures. Due to the level of complexity in assessing the appropriate accounting for impairment and impairment reversal and the level of management judgement involved, this has been identified as a key audit matter.	We assessed Statkraft's impairment process and tested the design and implementation of internal controls established related to the estimates and judgments for the carrying values of intangible assets, property, plant and equipment, associates and joint ventures. We challenged management's assessment as to whether indicators of impairment and/or impairment reversal exist for these assets. Indicators of impairment were identified for hydropower assets in Brazil, Chile, Germany and India, wind power assets in Brazil and Sweden, and hydro power assets under construction in Albania. Indicators of impairment reversal were identified for prior years' impairments of gas-fired power plants in Germany and hydropower assets in Norway. For these assets we obtained the valuation models used to determine the recoverable amount. We evaluated and challenged management's judgements, in particular: • the models used by management to establish its forecasts for energy prices; • the significant assumptions on which the price forecasts are built; • capital expenditure and operating cost forecasts; • the discount rate used; and • the estimated production levels and profiles. For projects under development, we challenged the estimate of total cost to complete and tested that these agreed to project reports and approved budgets. We also assessed if any impact of project delays were considered. For assets with indicators of impairment reversal, we challenged the favourable effects that have taken place during the period which lead to the reversal. In particular, we challenged the improved outlook for gas-fired power plants in Germany. We made comparisons to recent analyst forecast commodity price data, reference to third party documentation where available, utilisation of Deloitte valuation specialists and

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Impairments and reversal of prior years' impairments

Key audit matter	How the matter was addressed in the audit
	consideration of sensitivity analyses in order to challenge management's estimates. We performed audit procedures on the mathematical integrity of the models used to determine the value in use. We assessed the adequacy of the related disclosures in the financial statements.

Valuation of energy contracts

Key audit matter	How the matter was addressed in the audit
Refer to note 10 to the group financial statements for description of Statkraft's portfolio of energy contracts, the process and judgments to estimate fair values, presentation in the financial statements and how judgements related to the use of physical energy volumes affect the accounting treatment. The carrying value of energy derivatives measured at fair value amounted to NOK 2.5 billion (net) at 31 December 2017. Refer to note 28 to the group financial statements for a breakdown of the net position as of 31 December 2017. The nature and risk of the energy contracts vary. The main area of audit focus is on long-term industry contracts, long-term energy purchase contracts and origination contracts, with high degree of estimation uncertainty and judgments, involving management assessments. Key risks relate to; • identification and valuation of embedded derivatives such as currency derivatives in contracts nominated in currencies not commonly used in transactions between the buyer and seller. • judgments applied to assess whether the physical long-term contracts are for own use. • valuation of structured power contracts and transportation capacity contracts across borders.	We assessed Statkraft's processes for identification, classification and valuation of energy contracts and tested the design and implementation of internal controls. We utilised Deloitte energy valuation specialists to assess the appropriateness of management's valuation models, and tested the mathematical integrity of the models used. We utilised Deloitte financial instrument specialists to assess the accounting treatment of embedded derivatives, particularly related to embedded currency derivatives in long-term industry contracts. We tested that Statkraft's classification of own use contracts comply with the appropriate accounting treatment. We tested a sample of fair value measurements, specifically testing and challenging the evidence supporting unobservable inputs utilised in Level 2 and 3 measurements in the fair value hierarchy as outlined in note 10 to the financial statements. We also assessed the adequacy of the related disclosures in the financial statements.

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Valuation of energy contracts

Key audit matter	How the matter was addressed in the audit
Due to the level of complexity in assessing the appropriate accounting for energy contracts and the level of management judgement involved, this has been identified as a key audit matter.	

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report and statement on Corporate Governance, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

The Board of Directors and the President and CEO (management) are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

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Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 14 February 2018
Deloitte AS

Aase Aa. Lundgaard

Aase Aa. Lundgaard
State Authorised Public Accountant (Norway)

Unique expertise within operation and maintenance is one of Statkraft's competitive advantages.

In all our power and heat production, it is a strategic priority to ensure safe operations and maximise value creation.

Corporate Responsibility

Corporate responsibility statement

Social disclosures

Health and safety

Fatalities	Unit of measurement	2017	2016	2015
Consolidated operations [1]				
Employees	Number	0	0	0
Contractors	Number	0	1	0
Third party	Number	0	0	0
Associates [2]				
Employees	Number	0	0	0
Contractors	Number	0	0	0
Third party	Number	0	0	0

[1] Activities where Statkraft has > 50% ownership.
[2] Activities where Statkraft has 20 - 50% ownership

Serious incidents [1]	Unit of measurement	2017	2016	2015
Serious injuries	Number	4	5	6
Incidents with, or with potential for, serious consequences	Number	48	40	39

[1] Includes activities where Statkraft has ≥ 20% ownership.

Injuries [1]	Unit of measurement	2017	2016	2015
Employees				
Lost-time injuries (LTI) [2]	Number	40	42	41
Lost-time injuries per million hours worked	LTI rate	3.4	3.3	3.3
Total recordable injuries (TRI) [3]	Number	78	71	70
Total recordable injuries per million hours worked	TRI rate	6.6	5.6	5.6
Contractors				
Lost-time injuries (LTI) [2]	Number	27	39	63
Lost-time injuries per million hours worked	LTI rate	2.2	2.8	3.6
Total recordable injuries (TRI) [3]	Number	46	57	106
Total recordable injuries per million hours worked	TRI rate	3.8	4.2	6.0
Third parties				
Injuries [4]	Number	0	0	0
Statkraft, total				
Lost-time injuries per million hours worked	LTI rate	2.8	3.1	3.5
Total recordable injuries per million hours worked	TRI rate	5.2	4.9	5.9

[1] Includes activities where Statkraft has ≥ 20% ownership.
[2] Work-related injuries which have resulted in absence extending beyond the day of the injury.
[3] Work-related injuries, with and without absence. Includes injuries which resulted in absence, medical treatment or need for alternative work assignments.
[4] Recorded injuries requiring treatment by a doctor.

Sick leave [1]	Unit of measurement	2017	2016	2015
Sick leave, total	%	3.5	3.0	3.0
Of which short-term absence (16 days or less)	%	1.5	1.5	1.4
Of which long-term absence (more than 16 days)	%	2.0	1.5	1.6

[1] Sick leave due to illness or injuries, as percentage of normal working hours.

Judicial sanctions and fines, health and safety	Unit of measurement	2017	2016	2015
Judicial sanctions for non-compliance with health and safety legislation	Number	1	0	0
Judicial fines for non-compliance with health and safety legislation	NOK milion	0	0	0
Administrative fines for non-compliance with health and safety legislation	NOK milion	0.05 [1]	0	0

[1] Fine to District Heating related to safety incident.

Labour practices

Employees	Unit of measurement	2017	2016	2015
Employees 31.12	Number	3 593	3 804	4 119
Of which in Norway	Number	2 241	2 297	2 327
Of which in other Nordic countries	Number	213	224	222
Of which in other European countries	Number	661	732	725
Of which in the rest of the world	Number	478	551	845
Full-time employees 31.12	%	96	96	97
Staff turnover rate [1]	%	5.7	6.6	4.6
Service time				
Average service time	Years	12.0	11.6	10.8
Average service time for employees resigned or dismissed [1]	Years	8.3	9.7	6.6
Apprentices employed 31.12	Number	77	59	61
Trainees employed 31.12	Number	7	15	15
Nationalities represented among Statkraft's employees	Number	51	43	44

[1] Excluding retirements, and not including ENEX in Brazil (2016).

Gender equality	Unit of measurement	2017	2016	2015
Percentage of women				
Total	%	25	25	23
In Norway	%	27	27	26
In other Nordic countries	%	19	20	20
In other European countries	%	23	24	25
In the rest of the world	%	22	19	14
In management positions	%	22	22	23
In Norway	%	26	25	26
In other Nordic countries	%	9	12	15
In other European countries	%	18	19	20
In the rest of the world	%	18	18	17
In Corporate Management	%	29	29	29
In Statkraft's Board of Directors	%	44	44	50
Among employees recruited in the reporting year	%	22	24	26
Among managers recruited in the reporting year	%	20	19	16
Among full-time employees	%	23	23	22
Among part-time employees	%	57	70	55

Equal salary	Unit of measurement	2017	2016	2015
Salary ratio among employees [1]	Ratio	0.93	0.90	0.97
In Norway	Ratio	0.97	0.93	0.96
In other Nordic countries	Ratio	1.00	0.96	1.05
In other European countries	Ratio	0.81	0.76	0.85
In the rest of the world	Ratio	0.92	0.94	1.07
Salary ratio among managers [1]	Ratio	0.92	0.90	0.91
In Norway	Ratio	0.99	0.97	0.96
In other Nordic countries	Ratio	0.90	0.84	0.91
In other European countries	Ratio	0.74	0.73	0.77
In the rest of the world	Ratio	1.04	0.93	0.89

[1] Average salary for women in relation to average salary for men.

Statkraft as employer	Unit of measurement	2017	2016	2015
Organisation and leadership evaluation [1]				
Result	Scale 0-100	72	[2]	73
Response rate	%	92	[2]	88
Employees who have completed the performance and career development review	%	97	-	81
Ranking as preferred employer [3] among				
Business students	Ranking	58	60	53
Engineering students	Ranking	6	6	7
Business professionals	Ranking	22	31	37
Engineering professionals	Ranking	13	6	8

[1] From Statkraft's internal annual organisation and leadership evaluation survey. Statkraft's score can be compared with the Global Employee and Leadership Index Norway 2017 result of 70.
[2] Evaluation postponed to 2017.
[3] Ranking among final-year students and professionals, as defined and measured in the annual Universum Graduate Survey for Norway and the Universum Professional Survey for Norway.

Human rights

Training on human rights [1), 2)]	Unit of measurement	2017
Number of hours in the reporting period devoted to training on human rights	Hours	217
Employees that have received training on human rights in the reporting year	%	13
Senior management that have received training on human rights in the reporting year	%	100

1) This indicator was introduced in 2017.
2) Human rights training considered here is a "specific" human rights training and awareness. This number does not cover trainings on human rights aspects such as Health and safety, or our report of concern procedures (that are part of our implementation of Pillar 3 of the UN Guiding Principles for Business and Human Rights) for which 100% of employees received training.

Engagements and consultations with indigenous peoples	Unit of measurement	2017	2016	2015
Number of projects with ongoing engagement and consultations involving rights of indigenous peoples [1)]	Number	8	10	9

1) Including ongoing consultations in Norway, Sweden and Chile.

Incidents of violations involving rights of indigenous peoples [1)]	Unit of measurement	2017
Total number of identified incidents of violations involving the rights of indigenous peoples during the reporting period	Number	0

1) This indicator was introduced in 2017.

Judicial sanctions and fines, human rights [1)]	Unit of measurement	2017	2016	2015
Judicial sanctions	Number	0	0	0
Judicial fines	NOK million	0	0	0
Administrative fines	NOK million	0	0	0

1) Material judicial sanctions for discrimination, forced labour, child labour or violations of the freedom of association, indigenous peoples rights or labour rights.

Environmental disclosures

Climate

Greenhouse gas emissions	Unit of measurement	2017	2016	2015
Emissions of CO_2 eqivalents, consolidated activities [1]	Tonnes	818 000	773 400	258 600
Of which from gas power plants (scope 1)	Tonnes	763 900	722 700	188 800
Of which from district heating plants [2] (scope 1)	Tonnes	23 500	24 900	13 000
Of which from SF_6 emissions (scope 1)	Tonnes	900	2 700	2 300
Of which halon emissions (scope 1)	Tonnes	0	1 000	0
Of which from fuel consumption [3] (scope 1)	Tonnes	26 900	19 100	50 900
Of which from electricity consumption [4] (scope 2)	Tonnes	0	-	-
Of which from business travel [5] (scope 3)	Tonnes	2 800	3 000	3 600
Emissions of CO_2 equivalents from affiliated gas power plants [6]	Tonnes	94 500	85 600	26 000
Emissions of CO_2 equivalents from Heimdal incineration plant [2]	Tonnes	79 800	79 000	82 000
Emissions of biogenic CO_2 from district heating plants	Tonnes	153 200	-	-
SF_6 emissions	kg	40	120	101
Halon emissions	kg	0	140	0

[1] Statkraft's ownership is >50%.
[2] Emissions of CO_2 from Heimdal incineration plant is not included in Statkraft's total CO_2 statement, in alignment with the reporting practice to SSB (Statistics Norway).
[3] CO_2 from fuel consumption from the Group's machinery and vehicles.
[4] 100% of Statkraft'selectricity consumption is certified renewable.
[5] Comprises travel by air and car in the Norwegian operations.
[6] Statkraft's share.

Greenhouse gas emissions per scope [1]	Unit of measurement	2017
Scope 1: Direct emissions	Tonnes	815 200
Scope 2: Indirect emissions, related to electricity consumption	Tonnes	0
Scope 3: Other indirect emissions	Tonnes	2 800

[1] Reporting of greenhouse gas emissions per scope was introduced in 2017.

Relative greenhouse gas emissions [1]	Unit of measurement	2017	2016	2015
CO_2-equivalent emissions per MWh power generation, total	kg/MWh	14	12	5
CO_2-equivalent emissions per MWh power generation, gas power	kg/MWh	390	367	408
CO_2-equivalent emissions per MWh district heating production [2]	kg/MWh	19	23	12

[1] Includes Statkraft's share of production and direct fossil CO_2 emissions from the production process. Includes also Statkraft's share of production and emissions of CO_2 in the jointly controlled power plant Herdecke (Germany).
[2] Emissions of CO_2 from Heimdal incineration plant is not included in Statkraft's total CO_2 statement, in alignment with the reporting practice to SSB (Statistics Norway).

Biodiversity and impact on nature

Impacts on watercourses [1], [2]	Unit of measurement	2017	2016	2015
Impacted river courses with:				
Anadromous fish	Number	46	46	46
Catadromous fish	Number	5	5	5
Impacted national salmon rivers	Number	13	13	13
Impacted protected rivers	Number	8	8	8

[1] Impact entails change of waterflow, water levels or other living conditions for fish.
[2] More detailed information related to impact on watercourses is presented on page 42 in Statkraft's CR report.

Fish cultivation	Unit of measurement	2017	2016	2015
Restocking of fish and smolt [1]	Number	2 188 400	916 700	523 000
Of which in Norway	Number	1 614 700	485 400	139 600
Of which in other Nordic countries	Number	543 700	403 300	376 400
Of which in other European countries	Number	30 000	28 000	7 000
Of which in the rest of the world	Number	0	0	0
Stocking of fish roe [2]	Number	568 200	471 800	1 080 000

[1] Includes salmon, inland trout, sea trout, grayling and eel.
[2] Includes salmon in Norway and eel in Sweden.

Red list species (fauna) [1], [2]	Unit of measurement	2017	2016	2015
Red list species with habitat in areas impacted by Statkraft's operations in:				
Norway	Number	32	33	2 [3]
Other Nordic countries	Number	6	6	6
Other European countries	Number	13	2	0
Rest of the world	Number	83 [4]	23	61

[1] More detailed information on red list species is presented on page 43 in Statkraft's CR report.
[2] Includes species defines as red list species by either International Union for Conservation of Nature (IUCN) or national authorities.
[3] Includes red list species with habitat areas impacted by Skagerak Energi's operations.
[4] The increase in red list species is mainly due to the inclusion of Brazil in the statement.

FINANCIAL STATEMENTS

GROUP

STATKRAFT AS

CORPORATE RESPONSIBILITY

Operational sites in, or adjacent to, protected areas [1]	Unit of measurement	2017	2016	2015
Operational sites in, or adjacent to, protected areas	Number	27	21	19
Of which in Norway	Number	16	16	14
Of which in other Nordic countries	Number	6	4	4
Of which in other European countries	Number	5	1	1
Of which in the rest of the world	Number	0	0	0

[1] Limited to natural parks and nature or wildelife reserves.

Consumption

Electricity consumption	Unit of measurement	2017	2016	2015
Electricity consumption	GWh	944	918	1 031
Of which pumped-storage power	GWh	633	566	858
Of which electric boilers for district heating	GWh	65	63	35
Of which other operations	GWh	246	289	138

Fuel consumption	Unit of measurement	2017	2016	2015
Fossil fuel consumption				
Natural gas, gas power plants	Mill. Nm^3	354	349	91
Fuel gas, district heating plants	Tonnes	5 750	6 722	3 506
Fuel oil, district heating plants	Tonnes	1 813	1 556	3 438
Engine fuel [1]	Tonnes	8 493	6 039	14 502
Other fuel consumption				
Waste for district heating plants	Tonnes	221 800	219 400	227 700
Waste for bio power plants	Tonnes	265 400	279 200	110 000
Bio fuel	Tonnes	183 900	207 700	154 200

[1] Includes consumption of fuel for vehicles and machinery (for example generators).

Use of water [1]	Unit of measurement	2017
Cooling water, gas power plants	m^3	1 900 000
Process water [2]	m^3	251 000
Of which used in gas power plants	m^3	185 000
Of which used in district heating plants	m^3	66 000
District heating pipe leakages	m^3	24 600

[1] This indicator was introduced in 2017.
[2] Used for treatment of gas emissions.

Waste

Waste	Unit of measurement	2017	2016	2015
Hazardous waste	Tonnes	15 400	17 000	18 900
Of which from waste incineration plants [1]	Tonnes	6 900	6 800	6 600
Of which from bio power plants	Tonnes	7 900	9 400	8 300
Of which other hazardous waste	Tonnes	600	850	3 980
Non-hazardous waste	Tonnes	51 400	50 000	54 500
Of which non-hazardous waste separated at source	Tonnes	49 800	48 600	52 500
Of which residual non-hazardous waste	Tonnes	1 600	1 300	2 000

[1] Consists of filter dust and filter cake.

Environmental incidents and assessments

Environmental incidents	Unit of measurement	2017	2016	2015
Serious environmental incidents [1)]	Number	0	0	0
Less serious environmental incidents [2)]	Number	187	233	228

[1)] An incident that results in permanent or severe environmental damage (restitution time>1 year).
[2)] An incident that causes a negative environmental impact, but without permanent or severe environmental damage (restitution time<1 year).

Most of the less serious envoronmental incidents in 2017 were related to minor breaches of emission regulations for biomass plants and minor oil spills to water and ground with little or no impact on the environment.

Environmental assessment [1)]	Unit of measurement	2017	2016	2015
Environmental assessment result, total	Rating	B	B+	B+
Environmental management	Rating	C+	B	B
Products and services	Rating	B-	B	B
Eco-efficiency	Rating	A+	A	A

[1)] Environmental assessement from the rating company Oekom Research AG. Rating from E- to A+ (highest), where rating B- and above is considered as leading by Oekom Research.

Judicial sanctions and fines, environment	Unit of measurement	2017	2016	2015
Judicial sanctions	Number	1	0	0
Judicial fines	NOK million	0	0	0
Administrative fines	NOK million	0,2 [1)]	0	0

[1)] Breach of the concessional terms at Alta hydropower plant.

Economic disclosures

Power generation and district heating production

Installed capacity per technology and geography [1]	Unit of measurement	2017	2016	2015
Installed capacity power generation	MW	17 478	17 418	16 778
Of which hydropower	MW	14 099	14 075	13 464
Of which wind power	MW	947	703	647
Of which gas power [2]	MW	2 390	2 600	2 600
Of which bio power	MW	43	40	67
Installed capacity, district heating	MW	835	820	838
Installed capacity per geography, power generation				
Norway	MW	11 857	12 041	11 711
Other Nordic countries	MW	1 813	1 606	1 587
Other European countries	MW	2 974	2 971	2 863
Rest of the world	MW	834	800	617
Installed effect per geography, district heating				
Norway	MW	671	657	675
Other Nordic countries	MW	164	164	164

Installed capacity per technology and geography [1]	Unit of measurement	2017	2016	2015
Installed capacity per technology, power generation				
Hydropower	%	80.7	80.8	80.2
Wind power	%	5.4	4.0	3.9
Gas power [2]	%	13.7	14.9	15.5
Bio power	%	0.2	0.2	0.4
Installed capacity per geography, power generation				
Norway	%	67.8	69.1	69.8
Other Nordic countries	%	10.4	9.2	9.5
Other European countries	%	17.0	17.1	17.1
Rest of the world	%	4.8	4.6	3.7
Installed capacity per geography, district heating				
Norway	%	80.4	80.1	80.5
Other Nordic countries	%	19.6	19.9	19.5

Capacity under development per technology and geography [1), 3)]	Unit of measurement	2017	2016	2015
Capacity under development, power generation	MW	718	729	909
Of which hydropower	MW	184	207 [4]	873
Of which wind power	MW	520	522	36
Of which solar power	MW	14	0	0
Capacity under development, district heating	MW	0	0	21
Capacity under development per geography, power generation				
Norway	MW	520	545	100
Other Nordic countries	MW	0	0	0
Other European countries	MW	198	184 [4]	809
Rest of the world	MW	0	0	0
Capacity under development per geography, district heating				
Norway	MW	0	0	21

Capacity under development per technology and geography [1), 3)]	Unit of measurement	2017	2016	2015
Capacity under development per technology, power generation				
Hydropower	%	25.6	28,4 [4]	96.0
Wind power	%	72.4	71.6	4.0
Solar power	%	1.9	0	0
Capacity under development per geography, power generation				
Norway	%	72.4	74.8	11.0
Other Nordic countries	%	0	0	0
Other European countries	%	27.6	25,2 [4]	89.0
Rest of the world	%	0	0	0
Capacity under development per geography, district heating				
Norway	%	-	-	100.0

Power generation and district heating production per technology and geography [1]	Enhet	2017	2016	2015
Power generation, total	TWh	62.6	66.0	56.3
Of which hydropower	TWh	57.4	61.2	53.1
Of which wind power	TWh	2.7	2.3	2.5
Of which gas power [2]	TWh	2.2	2.2	0.5
Of which bio power	TWh	0.3	0.3	0.3
District heating	TWh	1.1	1.1	1.1
Renewable power generation [5]	%	96.5	96.7	99.1
Renewable district heating [5]	%	91.6	91.8	94.7
Power generation per geography				
Norway	TWh	48.6	52.8	44.4
Other Nordic countries	TWh	6.6	6.1	7.2
Other European countries	TWh	3.2	3.2	1.3
Rest of the world	TWh	4.2	3.9	3.4
District heating per geography				
Norway	TWh	0.9	0.9	0.8
Other Nordic countries	TWh	0.2	0.2	0.2

Power generation and district heating production per technology and geography [1]	Enhet	2017	2016	2015
Power generation per technology				
Hydropower	%	91.7	92.7	94.3
Wind power	%	4.3	3.5	4.4
Gas power [2]	%	3.6	3.3	0.9
Bio power	%	0.4	0.5	0.5
Power generation per geography				
Norway	%	77.6	80	78.9
Other Nordic countries	%	10.5	9.2	12.9
Other European countries	%	5.1	4.8	2.3
Rest of the world	%	6.8	5.9	6.0
District heating per geography				
Norway	%	79.5	81.8	80.1
Other Nordic countries	%	20.5	18.2	19.9

[1] Includes Statkraft's shareholdings in subsidiaries where Statkraft has a majority interest.
[2] Includes the jointly controlled Herdecke (Germany) power plant.
[3] Includes projects with an investment decision.
[4] The Cetin project is no longer included in the figures, as it was sold in 2017.
[5] Non-renewable production consists of gas power and share of district heating based on fossil fuel. Production at Heimdal, the incineration plant in Trondheim, is counted as 100% renewable district heating production (alligned with SSB, Statistics Norway, reporting practice).

Contribution to society

Value creation	Unit of measurement	2017	2016	2015
Gross operating revenues	NOK million	68 968	50 987	53 094
Paid to suppliers for goods and services [1]	NOK million	42 717	34 261	37 655
Gross value added	NOK million	26 251	16 727	15 439
Depreciation, amortisation and impairment	NOK million	4 162	8 260	6 401
Net value added	NOK million	22 089	8 467	9 038
Financial income	NOK million	456	380	421
Share of profit from associates	NOK million	0	0	683
Minority interests	NOK million	-94	-62	-598
Values for distibution	NOK million	22 639	8 909	10 740

[1] Includes energy purchases, transmission costs and operating expenses.

Distribution of value created	Unit of measurement	2017	2016	2015
Employees				
Gross salaries and benefits	NOK million	3 262	3 202	3 107
Lenders/owners				
Interest	NOK million	1 804	-1 757	5 740
Dividend [1]	NOK million	2 052	0	1 604
Taxes [2]	NOK million	5 747	7 581	3 665
The company				
Change in equity	NOK million	9 774	-117	-3 376
Total wealth distributed	NOK million	22 639	8 909	10 740

[1] Includes dividend and Group contribution from Statkraft AS to Statkraft SF.
[2] Includes taxes, property tax, licence fees and employers' contribution.

Taxes [1]	Unit of measurement	2017	2016	2015
Total	NOK million	4 010	4 764	2 825
Of which in Norway	NOK million	3 603	4 366	2 390
Of which in other Nordic countries	NOK million	50	8	100
Of which in other European countries	NOK million	333	293	279
Of which in the rest of the world	NOK million	23	97	56

[1] Taxes payable in the balance sheet.

Business ethics and anti-corruption

Training on anti-corruption [1]	Unit of measurement	2017	2016	2015
Employees that have received training on anti-corruption in the last three years	Percentage	100	100	92
Employees in senior management positions that have received training on anti-corruption in the last two years	Percentage	100	100	90
Statkraft's Board members that have received training on anti-corruption in the last two years [2]	Yes/No	Yes	Yes	-

[1] This indicator was covers the Group, excluding Skagerak Energi and Fjordkraft.
[2] This indicator was introduced in 2016.

Judicial sanctions and fines, business ethics and anti-corruption [1]	Unit of measurement	2017	2016	2015
Judicial sanctions	Number	0	0	0
Judicial fines	NOK million	0	0	0
Administrative fines	NOK million	0	0	0

[1] Material judicial sanctions for accounting fraud, corruption, anti-competetive behaviour, anti-trust and monopoly practices.

Reported concerns covering the scope of the Code of Conduct

Reported concerns (whistleblowing) [1]	Unit of measurement	2017	2016
Total number of reported concerns [2]	Number	57	46
Of which related to business ethics and anti-corruption	Number	40	23
Investigations initiated by Corporate Audit in the reporting year	Number	5	4

[1] The scope of the whistleblowing procedures relates to the full scope of Statkraft's Code of Conduct, e.g. human rights, environment, health and safety, business ethics and anti-corruption.
[2] The format for this indicator was changed in 2016, but historical data related to whistleblowing is available and has been published in Statkraft's annual reports since 2008.

When a reported concern is received, a risk assessment is done in order to decide how to follow up the concern. Most of the reported concerns are handled by the respective business areas according to Statkraft's procedures for handling of reported concerns. Concerns with potentially high consequences for the Statkraft Group are handled by Corporate Audit. In cases where a formal investigation is required, this is the responsibility of the Head of Corporate Audit.

Auditor's statement

Deloitte.

Deloitte AS
Dronning Eufemias gate 14
Postboks 221 Sentrum
NO-0103 Oslo
Norway

Tel.: +47 23 27 90 00
Fax: +47 23 27 90 01
www.deloitte.no

To the management of Statkraft AS

Independent Auditor's Report on the Statkraft Corporate Responsibility Report 2017

We have reviewed certain aspects of Statkraft AS – Corporate Responsibility Report 2017 ("the Report") and related management systems and procedures. The Report is presented under Statkraft Annual Report 2017 on the Internet (www.annualreport2017.statkraft.com). The Report is the responsibility of and has been approved by the management of Statkraft AS ("the Company"). Our responsibility is to draw a conclusion based on our review.

We have based our work on the international standard ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. The objective and scope of the engagement were agreed with the management of the Company and included those subject matters on which we have concluded below. Based on an assessment of materiality and risks, our work included analytical procedures and interviews as well as a review on a sample basis of evidence supporting the subject matters. We have performed interviews and meetings with management and individual resources responsible for corporate responsibility aspects at corporate level and at selected business and staff units.
We believe that our work provides an appropriate basis for us to provide a conclusion with a limited level of assurance on the subject matters. In such an engagement, less assurance is obtained than would be the case had an audit-level engagement been performed.

Conclusions

Based on our review, nothing has come to our attention causing us not to believe that:

- Statkraft has established management processes and systems to manage material aspects related to corporate responsibility, as described in the Report.
- Statkraft has applied procedures to identify, collect, compile and validate information for 2017 to be included in the Report, as described in the Report. Information presented for 2017 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- Statkraft applies a reporting practice for its corporate responsibility reporting aligned with the Global Reporting Initiative (GRI) Standards reporting principles and the reporting fulfils in accordance level Core according to the GRI Standards. Statkraft's GRI index presented in the Report appropriately reflects where information on each of the disclosures of the GRI Standards is to be found within the Statkraft Annual Report 2017 and Statkraft AS – Coporate Responsibility Report 2017.

Oslo, 14. februar 2018
Deloitte AS

Aase Aa. Lundgaard
Aase Aa. Lundgaard
State Authorized Public Accountant

Frank Dahl
Frank Dahl
Deloitte Sustainability

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Medlemmer av Den norske Revisorforening
Organisasjonsnummer: 980 211 282

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 of Average Capital Employed. 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.

Return on average capital employed (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.

ALTERNATIVE PERFORMANCE MEASURES

NOK million	2017	2016
RECONCILIATION OF BOOKED GROSS OPERATING REVENUES TO UNDERLYING		
Gross operating revenues, booked	68 968	50 987
- Unrealised value changes from energy derivatives	1 289	-1 270
- Gain from acquistions/divestments of business activities	5 511	16
Gross operating revenues, underlying	62 168	52 241
RECONCILIATION OF BOOKED NET OPERATING REVENUES TO UNDERLYING		
Net operating revenues, booked	30 097	20 621
- Unrealised value changes from energy derivatives	1 289	-1 270
- Gain from acquistions/divestments of business activities	5 511	16
Net operating revenues, underlying	23 296	21 875
RECONCILIATION OF OPERATING PROFIT/LOSS TO EBITDA		
Operating profit/loss (EBIT), booked	17 041	**3 086**
Items excluded from underlying operating profit/loss[1)]	6 270	**-6 062**
Operating profit/loss (EBIT), underlying	10 770	**9 148**
Depreciation and amortisation, underlying	3 662	**3 557**
EBITDA, underlying	14 432	**12 705**
EBITDA-margin (%)	23.2	24.3
RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES TO NET CASH INCOME		
Cash flow from operating activities	8 415	8 371
- Taxes paid	-4 843	-2 564
- Dividend from equity accounted investments	558	545
Net cash income	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 note 4 for further details on the items.

[2] The item is a part of other non-current financial assets in the statement of financial posistion, but not a part of capital employed.

[3] The item is a part of receivables in the statement of financial posistion, 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.

Financial key figures

Statkraft AS Group	Unit	2017	2016	2015	2014	2013
From the income statement						
Share of profit/loss in equity accounted investments	NOK mill	-73	474	683	661	1 101
Gross operating revenues	NOK mill	68 968	50 987	53 777	52 915	50 665
Net operating revenues	NOK mill	30 097	20 621	20 773	26 466	25 347
EBITDA	NOK mill	21 202	11 346	10 898	18 292	17 148
Operating profit	NOK mill	17 041	3 086	4 497	14 221	14 103
Net financial items	NOK mill	-1 347	2 137	-5 318	-6 283	-11 592
Profit/loss before tax	NOK mill	15 693	5 223	-821	7 937	2 511
Net profit/loss	NOK mill	11 732	-179	-2 369	3 892	208
Items excluded from underlying business						
Unrealised value changes from energy derivatives*	NOK mill	1 289	-1 270	n/a	n/a	n/a
Gain/loss from acquisitions/divestments of business activities*	NOK mill	5 481	16	n/a	n/a	n/a
Impairments and related costs*	NOK mill	-500	-4 808	n/a	n/a	n/a
Underlying business*						
Gross operating revenues	NOK mill	62 168	52 241	n/a	n/a	n/a
Net operating revenues	NOK mill	23 296	21 875	n/a	n/a	n/a
EBITDA	NOK mill	14 432	12 705	n/a	n/a	n/a
Operating profit	NOK mill	10 770	9 148	n/a	n/a	n/a
From the balance sheet						
Property, plant & equipment and intangible assets	NOK mill	107 469	107 836	117 029	102 638	104 779
Equity accounted investments	NOK mill	13 410	19 438	19 388	19 027	16 002
Other assets	NOK mill	48 305	39 357	40 488	46 152	32 906
Total assets	NOK mill	169 183	166 630	176 905	167 817	153 687
Total equity	NOK mill	91 776	83 519	88 340	88 059	71 107
Interest-bearing debt	NOK mill	39 979	40 293	44 606	36 744	40 377
Capital employed, basic [1)]	NOK mill	104 017	101 130	109 283	n/a	n/a
Cash flow						
Net change in cash flow from operating activities	NOK mill	8 415	8 371	8 639	6 898	8 106
Dividend for the year to owner (incl. non-controlling interests)	NOK mill	3 089	-226	5 157	74	3 094
Depreciation, amortisation and impairment	NOK mill	4 162	8 260	6 401	4 071	3 045
Cash and cash equivalents	NOK mill	14 217	7 308	9 056	12 663	7 685
Unused drawing rights	NOK mill	12 124	13 031	15 200	14 200	14 200
Investments						
Maintenance investments [2)]	NOK mill	1 820	1 763	1 970	2 368	1 980
Investments in increased capacity, fixed assets [3)]	NOK mill	1 964	3 736	7 797	7 525	11 303
Investments in shareholdings [4)]	NOK mill	111	158	3 790	1 287	62
Financial variables						
Interest-bearing debt ratio [5)]	%	30.3	32.5	33.6	29.4	36.2
Equity ratio [6)]	%	54.2	50.1	49.9	52.5	46.3
Long-term rating - Standard & Poor's		A-	A-	A-	A-	A-
Long-term rating - Moody's		Baa1	Baa1	Baa1	Baa1	Baa1
Key figures, accounts						
EBITDA-margin, accounts [7)]	%	30.7	22.3	19.2	33.7	32.4
EBITDA-margin, underlying [7)]	%	23.2	24.3	n/a	n/a	n/a
ROACE before tax [8)]	%	10.5	8.3	n/a	n/a	n/a
Net return on investments in equity accounted investments [9)]	%	-0.5	2.4	3.5	3.5	6.9
Tax rate [10)]	%	25.2	103.4	-188.5	51.0	91.7
Key figures, upstream business						
Production cost hydropower** [11) 12)]	Øre/kWh	9.5	9.1	8.1	7.8	7.5
Production capacity***	TWh	61.9	61.3	58.7	53.7	51.2
Key figures, downstream business**						
Energy delivered through grid to end-user [13)]	TWh	7.3	7.0	7.0	6.9	7.3
Distribution grid capital (NVE capital) [14)]	NOK mill	3 664	3 405	3 121	2 915	2 743
Total volume supplied, electricity customers	TWh	15.5	14.6	13.3	12.6	13.0
Distric heating supplied	TWh	0.9	0.9	0.8	0.8	1.0
Market variables						
System price, Nord Pool	EUR/MWh	29.4	26.9	21.0	29.6	38.1
Spot price, European Energy Exchange	EUR/MWh	34.2	29.0	31.7	32.8	37.8
Electricity consumption in the Nordic market	TWh	388	386	379	375	382
Electricity generated in the Nordic market, actual	TWh	397	389	394	385	380
Statkraft`s share of Nordic electricity production	%	13.9	15.1	13.1	13.5	13.3

Statkraft has amended the definition of its underlying operating profit with effect from 2017. In addition, Statkraft has amended the definition of capital employed with effect from 2017. 2016 figures are restated. See section regarding Alternative Performance Measures for more information.

* See section regarding Alternative Performance Measures (APM)

** Includes production costs from hydropower assets in the segment European flexible generation

*** Excluding gas-fired power and district heating. Annual mean generation.

**** Key figures include consolidated companies (not equity accounted companies) in the Nordics

1) See section for Alternative Performance Measures for specification

2) Book value of maintenance investments to sustain current generating capacity

3) Book value of investments to expand generating capacity

4) Purchase of shares as well as equity increase in other companies

5) $\frac{\text{Interest-bearing debt} * 100}{\text{Interest-bearing debt + equity}}$

6) $\frac{\text{Total equity} * 100}{\text{Total assets}}$

7) $\frac{\text{Operating profit before depreciation} * 100}{\text{Gross operating revenues}}$

8) $\frac{\text{Operating profit excl. share of profit/loss in equity accounted investments (rolling 12 months)} * 100}{\text{Average capital employed, basic (rolling 12 months)}}$

9) $\frac{\text{Share of profit/loss in equity accounted investments} * 100}{\text{Equity accounted investments}}$

10) $\frac{\text{Tax expense} * 100}{\text{Profit before tax}}$

11) Calculation method for 2015 and previous years.

Production cost, incl. property tax and depreciation, excl. sales costs, overhead, net financial items and tax. This is divided with normal output from power plants under own management.

12) New calculation method from 2016. This will increase the cost compared to previous calculation.

Production cost, incl. property tax and depreciation, excl. sales costs, net financial items and tax. This is divided by 7 years average output from power plants under own management.

13) Preliminary estimate for the last year.

14) New definition based on return of capital. Figures for 2016 and 2015 are restated. Figures for 2014 and 2013 are based on previous definition.

Non-financial key figures

The following tables present Statkraft's most significant results within corporate responsibility for the period 2013-2017. More detailed results can be found in Statkraft's Corporate Responsibility Report.

Power generation and district heating production

	Unit	2017	2016	2015	2014	2013
Installed capacity, power generation [1]	MW	17 478	17 418	16 778	16 401	16 041
Of which hydropower	MW	14 099	14 076	13 464	13 273	12 886
Of which wind power	MW	947	703	647	488	514
Of which gas power [2]	MW	2 390	2 600	2 600	2 600	2 600
Of which bio power	MW	43	40	67	40	40
Installed capacity, district heating	MW	835	820	838	760	674
Capacity under development, power generation [1] [3]	MW	718	729	909	1 262	1 673
Of which hydropower	MW	184	207	873	1 016	1 172
Of which wind power	MW	520	522	36	247	500
Of which solar power	MW	14	0	0	0	0
Capacity under development, district heating	MW	0	0	21	23	8
Power generation, actual [1]	TWh	62.6	66.0	56.3	56.0	55.9
Of which hydropower	TWh	57.4	61.2	53.1	53.4	52.6
Of which wind power	TWh	2.7	2.3	2.5	1.7	1.4
Of which gas power [2]	TWh	2.2	2.2	0.5	0.5	1.5
Of which bio power	TWh	0.3	0.3	0.3	0.3	0.3
District heating production	TWh	1.1	1.1	1.1	1.0	1.1
Renewable power generation [4]	%	96.5	96.7	99.1	99.1	97.3
Renewable district heating [4]	%	91.6	91.8	94.7	83.6	82.0

[1] Includes Statkraft's shareholdings in subsidiaries where Statkraft has a majority interest.

[2] Includes the jointly controlled Herdecke (Germany) power plant.

[3] Includes projects with an investment decision.

[4] Non-renewable production consists of gas power and share of district heating based on fossil fuel. Production at Heimdal, the incineration plant in Trondheim, is counted as 100% renewable district heating production (alligned with SSB, Statistics Norway, reporting practice).

Emissions and environmental incidents

	Unit	2017	2016	2015	2014	2013
Emissions of CO_2 equivalents, consolidated activities	Tonnes	818 000	773 400	258 600	258 600	469 600
Environmental incidents						
Serious environmental incidents	Number	0	0	0	0	0
Less serious environmental incidents	Number	187	233	228	159	127

Contribution to society

	Unit	2017	2016	2015	2014	2013
Distribution of value created						
Dividend [1]	NOK mill	2052	0	1 604	5 600	0
Taxes [2]	NOK mill	5 747	7 581	3 665	6 059	4 291
Interest	NOK mill	1 804	-1 757	5 740	7 143	11 830
Employees	NOK mill	3 262	3 202	3 107	2 667	2 788
The company	NOK mill	9 774	-117	-3 376	-2 392	-274

[1] Includes dividend and Group contribution from Statkraft AS to Statkraft SF.

[2] Includes taxes, property tax, licence fees and employer's contribution.

Reported concerns covering the scope of the Code of Conduct

	Unit	2017	2016	2015	2014	2013
Total number of reported concerns (whistleblowing) [1], [2]	Number	57	46	-	-	-
Of which related to business ethics and anti-corruption	Number	40	23	-	-	-

[1] The scope of the whistleblowing procedures relates to the full scope of Statkraft's Code of Conduct, e.g. human rights, environment, health and safety, business ethics and anti-corruption.

[2] The format for this indicator was changed in 2016, but historical data related to whistleblowing is available and has been published in Statkraft's annual reports since 2008.

Employees and recruitment

	Unit	2017	2016	2015	2014	2013
Employees per 31.12	Number	3 593	3 804	4 119	3 731	3 734
Percentage of women						
Total	%	25	25	23	24	23
In management positions	%	22	22	23	22	22
Among new employees	%	22	24	26	25	23

Health and safety

	Unit	2017	2016	2015	2014	2013
Fatalities, consolidated operations [1]						
Employees	Number	0	0	0	0	0
Contractors	Number	0	1	0	3	1
Third parties	Number	0	0	0	0	1
Fatal accidents, associated activities [2]						
Employees	Number	0	0	0	0	0
Contractors	Number	0	0	0	1	0
Third parties	Number	0	0	0	0	0
Seious incidents [3]						
Injuries with serious consequences	Number	4	5	6	-	-
Accidents with,or with potential for, serious consequences	Number	48	19	12	-	-
Injury rate [4], [5]						
Employees	Frequency	6.6	5.6	5.6	5.6	6.8
Contractors	Frequency	3.8	4.2	6.0	5.4	6.3
Absence due to illness	%	3.5	3.0	3.0	2.8	2.9

[1] Activities where Statkraft has > 50% ownership.

[2] Activities where Statkraft has 20-50% ownership.

[3] This indicator was introduced in 2015.

[4] Includes activities where Statkraft has > 20% ownership.

[5] Injuries per million hours worked.

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Annual Report 2017
Statkraft AS

Statkraft AS
PO Box 200 Lilleaker
NO-0216 Oslo
Tel: +47 24 06 70 00
Fax: +47 24 06 70 01
Visiting address:
Lilleakerveien 6

Organisation no:
Statkraft AS: 987 059 699

www.statkraft.com