



Quarterly and
half year report
Q2/2017
Statkraft AS

Q2

Key figures

NOK million	Second quarter			Year to date			Year
	2017	2016	Change	2017	2016	Change	2016
From income statement							
Share of profit/loss in equity accounted investments	82	-124	205	408	252	155	474
Gross operating revenues, underlying	13 487	10 563	2 924	29 585	25 065	4 521	52 241
Net operating revenues, underlying	5 108	4 486	622	12 403	10 724	1 679	21 875
EBITDA, underlying	3 047	2 438	609	8 233	6 440	1 794	12 705
Operating profit, underlying	2 128	1 546	582	6 442	4 660	1 781	9 148
Operating profit, booked	2 795	-1 333	4 128	7 679	1 430	6 249	3 086
Net financial items	-403	413	-816	-777	1 589	-2 366	2 137
Profit before tax	2 392	-920	3 313	6 902	3 019	3 883	5 223
Net profit	1 884	-1 899	3 783	4 633	490	4 143	-179
EBITDA margin, underlying (%) ¹⁾	22.6	23.1	-0.5	27.8	25.7	2.1	24.3
ROACE, underlying (%) ²⁾				10.1	6.4	3.7	8.3
Items excluded from the underlying operating profit ³⁾							
Unrealised value changes from energy derivatives	682	-633	1 315	1 036	-997	2 033	-1 270
Gain/loss from acquisitions/divestments of business activities	14	-	14	240	20	220	16
Impairments and related costs	-30	-2 247	2 217	-38	-2 253	2 215	-4 808
Balance sheet and investments							
Total assets				173 035	169 508	3 527	166 630
Equity				83 776	83 248	528	83 519
Net interest bearing debt				34 601	37 951	-3 350	32 453
Capital employed				106 643	104 126	2 517	101 130
Total investments	779	1 705	-926	1 457	3 394	-1 937	5 657
Cash Flow							
Cash flow from operating activities	-527	1 184	-1 711	1 916	1 719	197	8 371
Cash and cash equivalents				10 830	7 360	3 470	7 308
Currency rates							
NOK/EUR average rate	9.37	9.32	0.05	9.18	9.42	-0.25	9.29
NOK/EUR closing rate				9.57	9.30	0.27	9.09

Definitions

¹⁾ EBITDA margin, underlying (%): (Underlying operating profit before depreciation and amortisation x 100) / Underlying gross operating revenues.

²⁾ ROACE, underlying (%): (Underlying operating profit excluding share of profit/loss in equity accounted investments (rolling 12 months) x 100) / Average capital employed (rolling 12 months) ³⁾.

³⁾ Items excluded from the underlying operating profit and Capital employed: See section Alternative Performance Measures at the end of this report for definition.

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STRONG OPERATING RESULT



Statkraft's strong result demonstrates the value of flexible hydropower generation.

The performance improvement programme is progressing according to plan.

Statkraft recorded an underlying EBITDA of NOK 3047 million in the second quarter of 2017. This was an increase of NOK 609 million compared with the corresponding period in 2016. The result showed a quarterly net profit of NOK 1884 million.

The improvement in underlying EBITDA was mainly driven by higher Nordic power prices. The average Nordic system price in the quarter was 27.4 EUR/MWh, an increase of 15% compared with the price level experienced in the same period in 2016. Statkraft's total production was 14.6 TWh, an increase of 3% compared with the second quarter in 2016.

In total for the first half year of 2017 Statkraft achieved an underlying EBITDA of NOK 8233 million, an increase of NOK 1794 million compared with the corresponding period in 2016. The main drivers for the improvement were higher power prices, increased contributions from market operations and lower property tax. Net profit year to date reached NOK 4633 million.

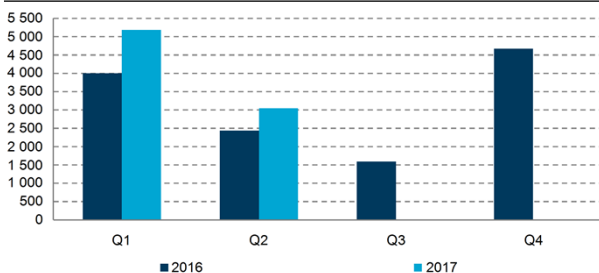
Statkraft's owner has issued a new long term dividend expectation. The change is positive for the strategic development of Statkraft and is expected to improve the predictability and investment capacity in the years to come.

The rating agency Standard & Poor's has affirmed Statkraft's rating to A-. The outlook was revised upwards to "stable", as a result of Statkraft's ability to generate solid earnings during difficult market conditions and the implementation of measures to support the Group's financial position.

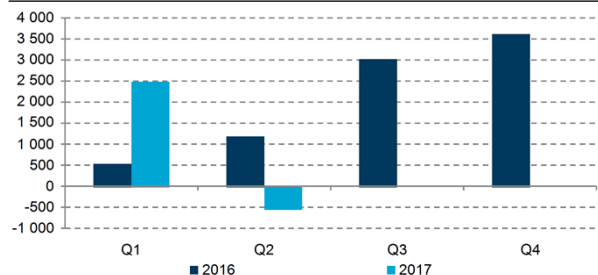
The performance improvement programme is progressing according to plan. The target is to strengthen performance and reduce costs by NOK 800 million measured against 2015. Approximately NOK 200 million has been achieved so far.

Statkraft evaluates investments in hydro, wind and solar power. The construction of Statkraft's second solar power plant has started.

EBITDA – underlying
NOK million



Cash flow from operating activities
NOK million



Corporate responsibility and HSE

	Second quarter		Year to date		Year
	2017	2016	2017	2016	2016
Corporate responsibility and HSE					
Fatalities ¹⁾	0	0	0	0	1
TRI rate ^{1) 2)}	4.9	5.2	4.5	4.8	4.9
Serious environmental incidents	0	0	0	0	0
Full-time equivalents; Group			3 313	3 711	3 484
Absence due to illness, Group (%)	3.2	2.4	3.4	3.0	3.0

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

²⁾ TRI rate: Number of injuries per million hours worked.

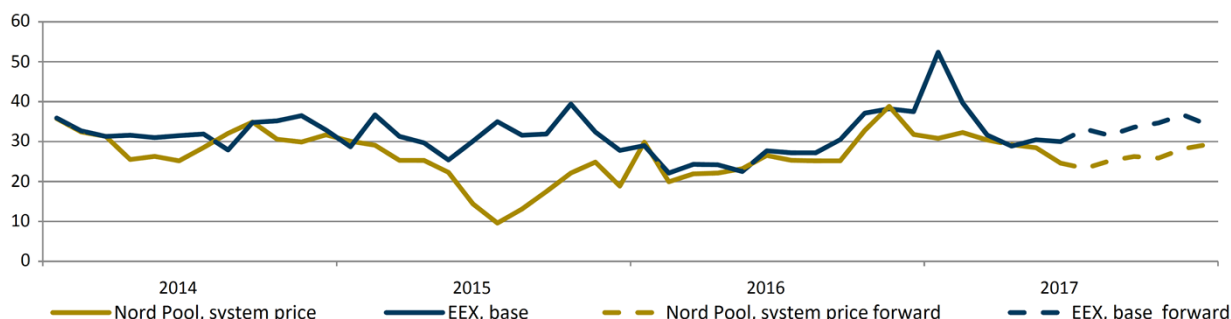
- The Group's TRI rate was 4.9 in the second quarter.
- There were no serious environmental incidents during this quarter.
- Absence due to illness is at a satisfactory level.

Market and production

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

POWER PRICES

Electricity, average monthly system price
EUR/MWh



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

The average system price in the Nordic region was 27.4 EUR/MWh in the quarter, an increase of 15% compared with the same period in 2016. The price increase in the second quarter was driven by cold weather, late snow melting and a tighter hydrological balance. Forward prices in the Nordic region increased throughout the quarter.

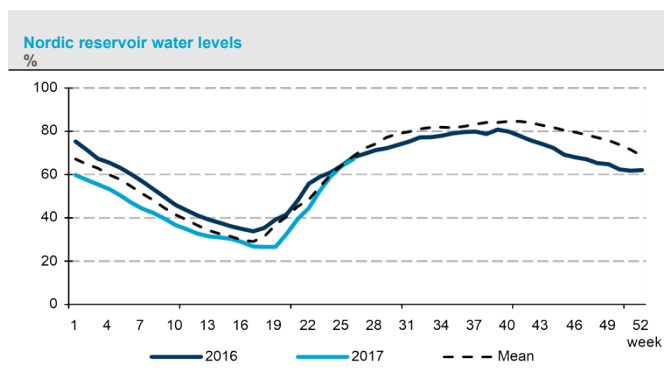
The average spot price in the German market (EEX) was 29.8 EUR/MWh in the quarter, an increase of 20% compared with the same period in 2016. The increased power price level was mainly driven by higher coal and gas prices, but was somewhat offset by higher wind power production. Forward prices in Germany remained stable during the quarter.

The average system price in the UK was 40.0 GBP/MWh in the quarter, an increase of 14% compared with the same period in 2016. Higher coal and gas prices were the main drivers for increased power prices in the second quarter.

	Second quarter			Year to date			Year
EUR/MWh	2017	2016	Change	2017	2016	Change	2016
Market prices (average)							
System price, Nord Pool	27.4	24.0	3.5	29.3	23.9	5.4	26.9
Spot price (base), EEX	29.8	24.8	5.0	35.5	25.0	10.5	29.0
Spot price (peak), EEX	33.6	29.3	4.3	43.5	30.7	12.7	35.3
Gas price, TTF	15.6	13.3	2.3	17.0	13.2	3.8	14.1

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

CONSUMPTION AND RESOURCE ACCESS IN THE NORDIC REGION



	Second quarter		Year to date		Year
TWh	2017	2016	2017	2016	2016
Consumption and output					
Nordic					
Nordic consumption	85.2	85.0	198.2	201.3	385.6
Nordic output	88.8	86.3	203.6	204.8	389.3
Net Nordic import(+)/export(-)	-3.6	-1.2	-5.4	-3.6	-3.8
Norway					
Norwegian consumption	29.1	29.1	68.8	69.8	132.2
Norwegian output	33.0	33.7	74.6	78.6	148.6
Net Norwegian import(+)/export(-)	-3.9	-4.7	-5.8	-8.8	-16.4

The total reservoir level in the Nordic region was 98% of normal level at the end of the quarter, corresponding to 67.1% of total capacity.

STATKRAFT'S POWER PRODUCTION

Statkraft's production and power optimization is determined by water reservoir capacity and reservoir water levels, access to resources (inflow and wind), the margin between power prices and gas plus CO₂ prices (spark spread) and grid restrictions.

	Second quarter		Year to date		Year
TWh	2017	2016	2017	2016	2016
Production, technology					
Hydropower	13.6	13.7	29.4	32.3	61.2
Wind power	0.6	0.5	1.4	1.1	2.3
Gas power	0.3	0.0	0.8	0.2	2.2
Bio power	0.1	0.1	0.1	0.1	0.3
Total production	14.6	14.3	31.8	33.7	66.0

	Second quarter		Year to date		Year
TWh	2017	2016	2017	2016	2016
Production, geography					
Norway	11.5	11.5	25.2	27.3	52.8
Sweden	1.4	1.6	3.1	3.6	6.1
Europe ex. Nordic	0.5	0.3	1.3	0.7	3.2
Rest of the world	1.1	1.0	2.2	2.1	3.9
Total production	14.6	14.3	31.8	33.7	66.0

The Group produced a total of 14.6 TWh in the second quarter, an increase of 3% compared with the corresponding period in 2016. The increase was primarily related to higher production from gas-fired power plants. In addition, the Group's district heating deliveries amounted to 0.2 TWh.

Financial performance

NOK million	Second quarter			Year to date			Year
	2017	2016	Change	2017	2016	Change	2016
Key figures							
Net operating revenues, underlying	5 108	4 486	622	12 403	10 724	1 679	21 875
EBITDA, underlying	3 047	2 438	609	8 233	6 440	1 794	12 705
Profit before tax	2 392	-920	3 313	6 902	3 019	3 883	5 223
Net profit	1 884	-1 899	3 783	4 633	490	4 143	-179

YEAR TO DATE

The underlying EBITDA was 28% higher than in 2016. The increase in net operating revenues was primarily related to higher Nordic power prices combined with increased contribution from market operations. In addition, the Group's equity accounted investments showed an increased contribution, in particular SN Power. Operating expenses were somewhat lower than in the first six months of 2016, with lower property tax as the main driver for the decrease.

Underlying EBITDA is adjusted for unrealised value changes from energy derivatives. These amounted to NOK 1036 million compared with NOK -997 million in 2016. The positive effects in 2017 were mainly related to long-term power sales agreements denominated in EUR and were due to a weakening of NOK against EUR.

Net financial items amounted to NOK -777 million compared to NOK 1589 million in the first six months of 2016. The change was primarily related to currency gains and losses. Profit before tax ended at NOK 6902 million compared with NOK 3019 million in 2016. Net profit amounted to NOK 4633 million compared with NOK 490 million in 2016. Net profit in 2016 was negatively affected by impairments.

SECOND QUARTER

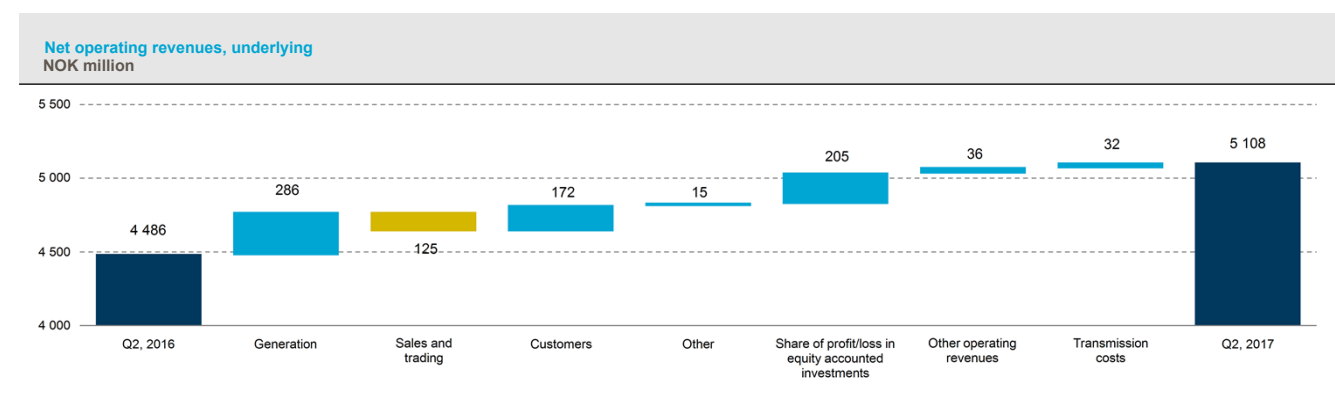
The quarterly report shows the development in the quarter compared with the same quarter in 2016, unless otherwise stated. Figures in parentheses show the comparable figures for the corresponding period in 2016.

UNDERLYING EBITDA

The underlying EBITDA was NOK 3047 million, NOK 609 million higher than in the same quarter in 2016. The increase was primarily a result of higher Nordic power prices.

OPERATING REVENUES - UNDERLYING

	Second quarter			Year to date			Year
NOK million	2017	2016	Change	2017	2016	Change	2016
Net operating revenues, underlying							
Generation	4 532	4 201	331	10 109	9 533	576	19 346
Sales and trading	1 150	514	636	2 455	1 837	618	3 634
Customers	6 936	5 308	1 628	14 876	11 963	2 913	25 813
Other	517	429	88	1 235	989	246	1 925
Sales revenues	13 135	10 452	2 682	28 674	24 321	4 353	50 718
Share of profit/loss in equity accounted investments	82	-124	205	408	252	155	474
Other operating revenues	270	234	36	504	491	13	1 049
Gross operating revenues	13 487	10 563	2 924	29 585	25 065	4 521	52 241
Generation	-119	-74	-45	-241	-186	-56	-368
Sales and trading	-1 197	-436	-761	-1 756	-1 601	-155	-3 249
Customers	-6 583	-5 127	-1 456	-14 138	-11 613	-2 525	-24 897
Other	-204	-131	-73	-432	-268	-165	-579
Energy purchase	-8 103	-5 768	-2 334	-16 568	-13 667	-2 901	-29 093
Transmission costs	-276	-309	32	-615	-673	58	-1 273
Net operating revenues	5 108	4 486	622	12 403	10 724	1 679	21 875



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

- Net generation revenues were higher, mainly due to higher Nordic power prices.
- Net revenues from sales and trading decreased, mainly due to value changes of long-term contracts in Brazil.
- Net revenues from customers increased, mainly due to higher net revenues from market access activities in the UK.
- Share of profit/loss in equity accounted investments were higher, mainly due to increased contribution from SN Power and Agder Energi.

OPERATING EXPENSES - UNDERLYING

NOK million	Second quarter			Year to date			Year
	2017	2016	Change	2017	2016	Change	2016
Operating expenses, underlying							
Salaries and payroll costs	-841	-752	-89	-1 773	-1 727	-46	-3 648
Depreciation	-919	-892	-26	-1 792	-1 780	-12	-3 557
Property tax and licence fees	-294	-415	121	-642	-831	189	-1 733
Other operating expenses	-926	-881	-46	-1 754	-1 726	-28	-3 789
Operating expenses	-2 979	-2 939	-40	-5 961	-6 064	103	-12 727

- Salaries and payroll costs increased, mainly due to restructuring costs as part of the performance improvement programme in addition to effects from salary increases in line with inflation.
- Property tax and licence fees were lower, mainly due to reduced property tax in Norway and Sweden. The reduction in Norway was related to lower tax base and the reduction in Sweden was related to a lower tax rate. In addition, there was a positive effect from a favourable verdict in the Supreme Court in June, see note 13 for further details.

ITEMS EXCLUDED FROM THE UNDERLYING OPERATING PROFIT

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

NOK million	Second quarter			Year to date			Year
	2017	2016	Change	2017	2016	Change	2016
Items excluded from the underlying operating profit							
Unrealised value changes from energy derivatives	682	-633	1 315	1 036	-997	2 033	-1 270
Embedded derivatives	703	-61	764	812	-366	1 178	-370
Derivatives acquired for risk reduction purposes	-20	-571	551	224	-631	855	-900
Gain/loss from acquisitions/divestments of business activities	14	-	14	240	20	220	16
Impairments and related costs	-30	-2 247	2 217	-38	-2 253	2 215	-4 808

- Embedded derivatives: There was a positive effect on long-term power sales agreements denominated in EUR due to a weakening of NOK against EUR.
- Derivatives acquired for risk reduction purposes: Decrease mainly driven by lower forward UK power prices.
- Gain/loss from acquisitions/divestments of business activities: Gain from divestment of waterfall rights in Sweden.
- Impairments and related costs: Impairment mainly related to updated estimate of dismantling provision for Naturkraft of NOK 20 million.

FINANCIAL ITEMS

NOK million	Second quarter			Year to date			Year
	2017	2016	Change	2017	2016	Change	2016
Financial items							
Interest income	97	75	22	182	151	31	323
Other financial income	19	13	6	31	18	13	58
Gross financial income	116	88	28	213	169	44	380
Interest expenses	-311	-329	17	-606	-645	39	-1 301
Other financial expenses	-16	-52	36	-42	-102	60	-110
Gross financial expenses	-327	-381	54	-648	-746	99	-1 411
Net currency effects	-817	918	-1 735	-1 102	2 234	-3 336	2 847
Other financial items	625	-213	838	759	-69	828	321
Net financial items	-403	413	-816	-777	1 589	-2 366	2 137

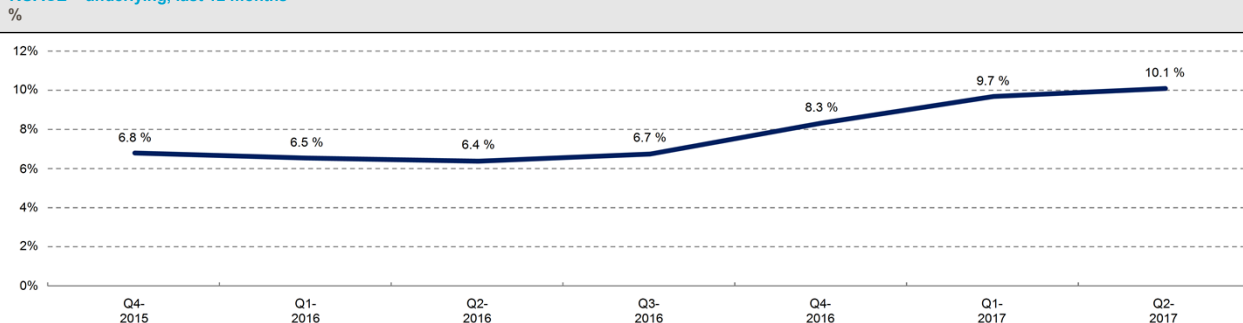
- Interest income up by NOK 22 million, mainly due to increased interest income from loans to associated companies.
- Net currency loss in the second quarter amounted to NOK -817 million, primarily related to a weakening of NOK against EUR and GBP.
- Other financial items included gains on interest rate derivatives, obligations linked to equity instruments and effects from transfer of business activities and loan portfolio from Statkraft Treasury Centre to Statkraft AS. See note 9 for further details.

TAXES

A tax expense of NOK 508 million was recorded in the second quarter (NOK 979 million). The decrease in tax expense was mainly due to change in unrecognised deferred tax assets.

RETURN

ROACE – underlying, last 12 months



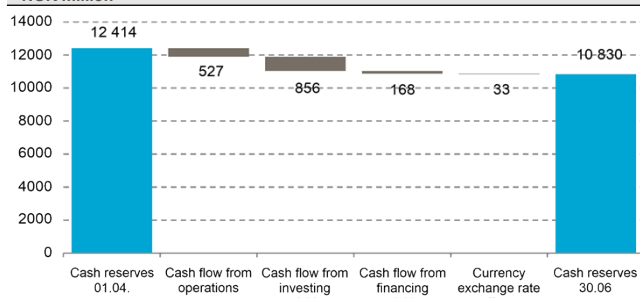
ROACE (%): (Underlying operating profit excluding share of profit/loss in equity accounted investments (rolling 12 months) x 100) / Average capital employed (rolling 12 months).

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

CASH FLOW AND CAPITAL STRUCTURE

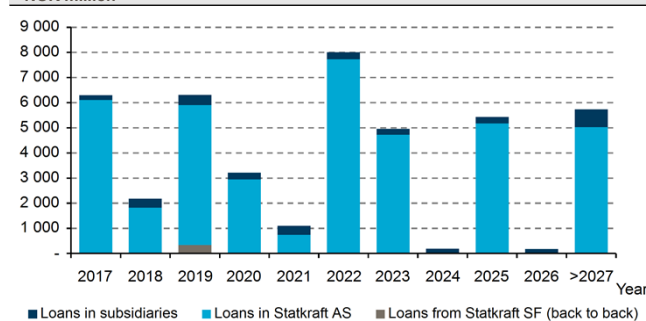
Cash flow Q2 2017

NOK million



Long-term debt, redemption profile

NOK million



Cash flow second quarter

- Cash flow from operating activities amounted to NOK -527 million. Net income¹⁾ was NOK 358 million. The positive profit before tax was more than offset by negative effects from seasonally high taxes paid of NOK -1414 million and changes in short-term items of NOK -2157 million related to working capital and cash collateral²⁾.
- Cash flow from investing activities was mainly related to investments in property, plant and equipment.
- Cash flow from financing activities was related to repayment of debt and dividend to non-controlling interests.

Cash flow year to date

- Cash flow from operating activities amounted to NOK 1916 million (NOK 1719 million). Net income¹⁾ was NOK 4086 million (NOK 3569 million). The positive profit before tax was partly offset by negative effects from taxes paid and changes in short-term items related to working capital.
- Cash flow from investing activities amounted to NOK -1319 million (NOK -4039 million). This was mainly related to investments in property, plant and equipment.
- Cash flow from financing activities amounted to NOK 2934 million (NOK 685 million). This was related to new debt of NOK 4547 million (NOK 2926 million) repayment of debt of NOK -622 million (NOK -2135 million) and dividend and capital decrease related to non-controlling interests of NOK -991 million (NOK -106 million).

Financial structure

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

- Net interest-bearing debt³⁾ totalled NOK 34 601 million, compared with NOK 32 453 million at the beginning of the year.
- The net interest-bearing debt-equity ratio was 29.2%, compared with 28.0% at year-end 2016.
- Current assets, except cash and cash equivalents, amounted to NOK 23 973 million.
- Short-term interest-free debt was NOK 14 343 million.
- Statkraft's equity totalled NOK 83 776 million, compared with NOK 83 519 million at the start of the year. This corresponds to 48.4% of total assets. See Statement of changes in equity for further details.

¹⁾ Net income: Cash flow from operations excluding taxes paid and cash effects from equity accounted investments.

²⁾ Cash collateral: Security related to market operations and financial derivatives.

³⁾ Net interest-bearing debt: Gross interest-bearing liabilities – bank deposits, cash in hand and similar excluding restricted funds – short-term financial investments.

INVESTMENTS AND PROJECTS

Total investments in the quarter amounted to NOK 779 million. Maintenance investments and other investments were primarily related to Nordic hydropower and grid in Skagerak Energi. Investments in new capacity were mainly related to construction of hydropower plants in Albania and wind power projects in Norway.

NOK million	Second quarter 2017	Year to date 2017	The year 2016
Maintenance investments and other investments			
European flexible generation	221	445	1 154
Market operations	3	5	2
International power	14	23	162
Wind power	-	3	-
District heating	2	3	13
Industrial ownership	103	190	387
Other activities	3	6	44
Total	344	673	1 763
Investment in new capacity			
European flexible generation	42	58	582
Market operations	9	9	4
International power	175	236	1 250
Wind power	125	269	1 457
District heating	15	53	142
Industrial ownership	69	158	301
Total	435	784	3 736
Investment in shareholdings			
Market operations	-	-	56
International power	-	-	30
Wind power	-	-	32
Other activities	-	-	39
Total	-	-	158

Projects in consolidated operations

Second quarter	Project	Country	New capacity (MW) ¹⁾	Statkraft's ownership share	Planned completion	
Committed investments in the period						
Solar power	Rundedal	Netherlands	14	100%	2017	Q4
Main projects under construction						
Hydropower	Ringedalen	Norway	23	100%	2017	Q3
	Øvre Røssåga	Norway	-	100%	2018	Q4
	Devoll - Moglice	Albania	184	100%	2019	Q2
Wind power	Fosen - Roan	Norway	256	52%	2018	Q4
	Fosen - Hitra II	Norway	94	52%	2019	Q3
	Fosen - Storheia	Norway	288	52%	2019	Q4
	Fosen - Geitfjellet	Norway	155	52%	2020	Q3
	Fosen - Harbaksfjellet	Norway	108	52%	2020	Q3
	Fosen - Kvenndalsfjellet	Norway	101	52%	2020	Q3

¹⁾ Total for project, incl. partners' share.

Segments

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

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

Second quarter	Statkraft AS Group	European flexible generation	Market operations	International power	Wind power	District heating	Industrial ownership	Other activities	Group items
From income statement									
Gross operating revenues, underlying	13 487	3 791	7 328	708	198	145	1 575	239	-497
Net operating revenues, underlying	5 108	3 389	201	594	187	118	675	239	-295
EBITDA, underlying	3 047	2 399	-24	345	79	60	295	-90	-17
Depreciation, amortisation and impairments, underlying	-919	-420	-3	-203	-93	-42	-141	-16	-1
Operating profit, underlying	2 128	1 980	-27	142	-14	18	154	-106	-19
Operating profit, booked	2 795	2 663	-48	135	-15	17	154	-92	-19
EBITDA-margin (%), underlying	22.6	63.3	-0.3	48.8	40.1	41.1	18.7	n/a	n/a
Maintenance investments and other investments	344	221	3	14	-	2	103	3	-
Investments in new capacity	435	42	9	175	125	15	69	-	-
Investments in shareholdings	-	-	-	-	-	-	-	-	-
Production									
Production, volume sold (TWh)	14.6	11.7	-	1.2	0.5	-	1.2	-	-
- hydropower (TWh)	13.6	11.3	-	1.1	-	-	1.2	-	-
- wind power (TWh)	0.6	-	-	0.1	0.5	-	-	-	-
- gas power (TWh)	0.3	0.3	-	-	-	-	-	-	-
- bio power (TWh)	0.1	0.1	-	-	-	-	-	-	-
Production, district heating (TWh)	0.2	-	-	-	-	0.2	0.0	-	-

EUROPEAN FLEXIBLE GENERATION

NOK million	Second quarter		Year to date		Year
	2017	2016	2017	2016	2016
Sales revenues, underlying	3 595	3 248	7 995	7 333	15 015
Share of profit/loss in equity accounted investments	-	-	-	-	-
Other operating revenues, underlying	196	146	362	336	764
Gross operating revenues, underlying	3 791	3 394	8 357	7 668	15 779
Net operating revenues, underlying	3 389	3 018	7 444	6 860	14 187
EBITDA, underlying	2 399	1 983	5 459	4 694	9 454
Operating profit, underlying	1 980	1 543	4 627	3 810	7 701
Unrealised value changes from energy derivatives	703	-61	812	-366	-370
Gain/loss from acquisitions/divestments of business activities	-	-	-	-	-
Impairments and related costs	-20	-2 229	-20	-2 229	-2 802
Operating profit, booked	2 663	-747	5 420	1 215	4 529
Maintenance investments and other investments	221	380	445	625	1 154
Investments in new capacity	42	240	58	374	582
Investments in shareholdings	-	1	-	1	-
Production, volume sold (TWh)	11.7	11.5	25.6	27.2	54.4

Highlights in the quarter

- Ringedalen power plant produced its first power 29 May, and has from 3 June started trial operations. Average power production will be approximately 60 GWh annually from two 11.5 MW turbines. Official opening of the Ringedalen power plant is planned in September 2017.
- It has been 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 amounting to NOK 123 million in the second quarter of 2017, of which NOK 53 million relates to property taxes with positive effect on EBITDA.

Quarterly financial performance

- Underlying EBITDA was higher than in the same quarter of 2016, mainly driven by higher Nordic power prices. Operating expenses decreased, mainly due to lower property taxes in Norway and Sweden.

Year-to-date financial performance

- Underlying EBITDA was higher than the same period in 2016, mainly due to higher Nordic power prices and improved gas to power margin for gas-fired power plants in Germany.

Quarterly investments

- Investments in maintenance and other projects were mainly related to Lio and Sira-Kvina.
- Investments in new capacity were mainly related to Ringedalen power station in Norway.

MARKET OPERATIONS

NOK million	Second quarter		Year to date		Year
	2017	2016	2017	2016	2016
Sales revenues, underlying	7 294	5 237	15 002	11 813	25 735
Share of profit/loss in equity accounted investments	-1	-1	-1	-1	-2
Other operating revenues, underlying	35	24	59	48	110
Gross operating revenues, underlying	7 328	5 261	15 059	11 860	25 843
Net operating revenues, underlying	201	280	1 068	324	980
EBITDA, underlying	-24	61	632	-108	156
Operating profit, underlying	-27	57	626	-115	142
Unrealised value changes from energy derivatives	-20	-571	224	-631	-900
Gain/loss from acquisitions/divestments of business activities	-	-	-	-	-
Impairments and related costs	-	-	-	-	-
Operating profit, booked	-48	-514	850	-746	-758
Maintenance investments and other investments	3	1	5	2	2
Investments in new capacity	9	-	9	-	4
Investments in shareholdings	-	4	-	4	56
Production, volume sold (TWh)	-	-	-	-	-

Highlights in the quarter

- Statkraft approved the acquisition of project rights and construction of a 13.9 MW solar PV project in the Netherlands.

Quarterly financial performance

- Underlying EBITDA was lower compared with the same quarter of 2016. The decrease was mainly driven by changes in value of long-term contracts in Brazil, partly offset by higher revenues from market access activities in the UK.

Year-to-date financial performance

- The increase in underlying EBITDA was mainly due to higher contribution from market access activities in the UK and from long-term contracts in Brazil. In addition, higher contribution from trading and Nordic origination activities.

INTERNATIONAL POWER

NOK million	Second quarter		Year to date		Year
	2017	2016	2017	2016	2016
Sales revenues, underlying	635	596	1 243	1 218	2 501
Share of profit/loss in equity accounted investments	57	3	97	52	16
Other operating revenues, underlying	15	9	34	42	42
Gross operating revenues, underlying	708	608	1 373	1 312	2 559
Net operating revenues, underlying	594	534	1 180	1 177	2 234
EBITDA, underlying	345	290	710	701	1 195
Operating profit, underlying	142	129	338	389	557
Unrealised value changes from energy derivatives	-	-	-	-	-
Gain/loss from acquisitions/divestments of business activities	-	-	-	-	-
Impairments and related costs	-8	4	-16	-	-1 377
Operating profit, booked	135	134	322	389	-819
Maintenance investments and other investments	14	37	23	80	162
Investments in new capacity	175	379	236	669	1 250
Investments in shareholdings	-	27	-	30	30
Production, volume sold (TWh)	1.2	1.1	2.3	2.3	4.3

Highlights in the quarter

- La Higuera in Chile was back to normal operation in May after the flooding event in Chile in February. La Confluencia is still out of operation.
- In April, Statkraft entered into an agreement to sell the shares in the Turkish project company Çetin Energy. The sales agreement was closed in July and the financial effects will be recognised in the third quarter. See note 11 in the interim financial statements for further information.
- In July, SN Power entered into an agreement, subject to certain conditions precedent, to acquire a partial interest in the 255 MW Bujagali hydropower plant in Uganda.

Quarterly financial performance

- The increase in underlying EBITDA was mainly related to higher share of profit from SN Power, operation start for Banja in Albania and higher revenues for Pilmaiquén in Chile. These factors were partly offset by a stop of production for the Kargi hydropower plant in Turkey due to a needed tunnel repair and the outages of La Higuera and La Confluencia in Chile.

Year-to-date financial performance

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

Quarterly investments

- Investments in new capacity were mainly related to the construction of the Devoll hydropower project in Albania.

WIND POWER

NOK million	Second quarter		Year to date		Year
	2017	2016	2017	2016	2016
Sales revenues, underlying	152	119	358	280	649
Share of profit/loss in equity accounted investments	36	-45	48	4	41
Other operating revenues, underlying	10	20	13	43	96
Gross operating revenues, underlying	198	94	419	327	786
Net operating revenues, underlying	187	84	396	308	743
EBITDA, underlying	79	-48	163	-10	176
Operating profit, underlying	-14	-143	-16	-201	-191
Unrealised value changes from energy derivatives	-	-	-	-	-
Gain/loss from acquisitions/divestments of business activities	-	-	256	20	16
Impairments and related costs	-1	-21	-1	-21	-606
Operating profit, booked	-15	-164	239	-202	-781
Maintenance investments and other investments	-	5	3	7	-
Investments in new capacity	125	379	269	1 158	1 457
Investments in shareholdings	-	-	-	32	32
Production, volume sold (TWh)	0.5	0.4	1.2	0.9	1.9

Quarterly financial performance

- The increase in EBITDA was driven by improved share of profit from equity accounted investments in UK. This was mainly from Dudgeon and related to new production capacity and positive effects from financial derivatives.
- The EBITDA contribution from Nordic wind farms increased mainly due to higher production.
- In addition, the underlying EBITDA was positively influenced by lower operating expenses due to reduced number of employees.

Year-to-date financial performance

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

Quarterly investments

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

DISTRICT HEATING

NOK million	Second quarter		Year to date		Year
	2017	2016	2017	2016	
Sales revenues, underlying	145	136	419	410	761
Share of profit/loss in equity accounted investments	-	-	-	-	-
Other operating revenues, underlying	1	3	2	4	6
Gross operating revenues, underlying	145	139	421	413	767
Net operating revenues, underlying	118	105	313	290	552
EBITDA, underlying	60	43	189	158	279
Operating profit, underlying	18	1	105	73	111
Unrealised value changes from energy derivatives	-	-	-	-	-
Gain/loss from acquisitions/divestments of business activities	-	-	-	-	-
Impairments and related costs	-1	-1	-2	-2	-22
Operating profit, booked	17	-	103	71	89
Maintenance investments and other investments	2	4	3	5	13
Investments in new capacity	15	43	53	57	142
Investments in shareholdings	-	-	-	-	-
Production, volume sold (TWh)	0.2	0.2	0.5	0.6	0.9

Quarterly financial performance

- The EBITDA was higher than in the corresponding quarter of 2016, primarily due to better prices on heating, higher volume, high availability and good fuel mix. In addition, operating expenses were lower due to improvement of existing business and the performance improvement programme.

Year-to-date financial performance

- The year to date improvement was mainly due to better prices on heating, high availability, good fuel mix and lower operating expenses.

Quarterly investments

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

INDUSTRIAL OWNERSHIP¹⁾

NOK million	Second quarter		Year to date		Year
	2017	2016	2017	2016	
Sales revenues, underlying	1 532	1 315	4 135	3 551	6 741
Share of profit/loss in equity accounted investments	-8	-79	273	203	432
Other operating revenues, underlying	50	55	103	92	194
Gross operating revenues, underlying	1 575	1 291	4 512	3 846	7 367
Net operating revenues, underlying	675	565	2 130	1 866	3 364
EBITDA, underlying	295	208	1 321	1 135	1 803
Operating profit, underlying	154	75	1 037	869	1 261
Unrealised value changes from energy derivatives	-	-	-	-	-
Gain/loss from acquisitions/divestments of business activities	-	-	-	-	-
Impairments and related costs	-	-	-	-1	-2
Operating profit, booked	154	75	1 037	867	1 259
Maintenance investments and other investments	103	83	190	164	387
Investments in new capacity	69	75	158	132	301
Investments in shareholdings	-	-	-	-	-
Production, volume sold (TWh)	1.2	1.4	2.7	3.3	5.5

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

Highlights in the quarter

- Agder Energi Venture has sold its 63.3% share of NetNordic to Norvestor.

Quarterly financial performance

- The increase in underlying EBITDA compared with the second quarter in 2016 was mainly due to increased spot sales from higher Nordic power prices. In addition, the share of profit from equity accounted investments improved.

Year-to-date financial performance

- The increase in underlying EBITDA year to date was mainly related to increased revenues from end-user and grid activities, in addition to increased share of profit from equity accounted investments.

Quarterly investments

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

OTHER ACTIVITIES

NOK million	Second quarter		Year to date		Year
	2017	2016	2017	2016	2016
Sales revenues, underlying	-	11	-	32	40
Share of profit/loss in equity accounted investments	-3	-3	-9	-6	-13
Other operating revenues, underlying	242	240	478	468	950
Gross operating revenues, underlying	239	249	469	493	976
Net operating revenues, underlying	239	249	469	493	975
EBITDA, underlying	-90	-25	-196	-77	-307
Operating profit, underlying	-106	-43	-231	-112	-381
Unrealised value changes from energy derivatives	-	-	-	-	-
Gain/loss from acquisitions/divestments of business activities	14	-	-16	-	-
Impairments and related costs	-	-	-	-	-
Operating profit, booked	-92	-43	-247	-112	-381
Maintenance investments and other investments	3	18	6	26	44
Investments in new capacity	-	-	-	-	-
Investments in shareholdings	-	27	-	28	39
Production, volume sold (TWh)	-	-	-	-	-

Highlights in the quarter

- Business activities and internal loan portfolios were transferred from Statkraft Treasury Center in Belgium to Statkraft AS.

Quarterly financial performance

- The underlying EBITDA was lower than in the same period in 2016. This was mainly due to a reallocation of costs from personnel between segments.

Year-to-date financial performance

- The underlying EBITDA was lower due to the same factors as for the second quarter.

Outlook

The Nordic forward prices are at a moderate level, but Statkraft's large share of long term contracts has a stabilising effect on revenues and net profit. Statkraft utilises the large hydropower reservoir capacity to optimise the production.

The Group's performance improvement programme is progressing according to plan. Most of the initiatives and cost savings will be implemented in 2017 and 2018. The programme will strengthen Statkraft's competitiveness by reducing the annual operational costs by NOK 800 million compared with 2015.

Statkraft's owner has issued a new long term dividend expectation for Statkraft 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. The change is expected to strengthen the investment capacity and will be fully implemented with effect from the accounting year 2017.

Efficient operation and development of Nordic hydropower will continue to be a key priority, and new business opportunities in Norway are also being explored. After a period of consolidation Statkraft plans to invest in selected growth markets. The ambition is to strengthen the position in hydro, wind and solar power and increase competitiveness in all markets where Statkraft operates.

Oslo, 19 July 2017
The Board of Directors of Statkraft AS

Declaration from the Board of Directors and President and CEO

We hereby declare to the best of our knowledge that the six-month interim financial statements for the period 1 January to 30 June 2017 have been prepared in accordance with IAS 34, Interim Reporting, and the accounting information provides a true and fair view of the Group's assets, liabilities, financial position and performance as a whole, and that the six-month interim report provides a true and fair view of important events in the accounting period and their influence on the six-month interim financial statements, associated material transactions and the key risk and uncertainty factors facing the business in the next accounting period.

Oslo, 19 July 2017
The Board of Directors of Statkraft AS



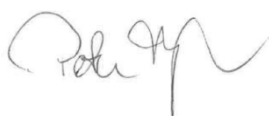
Thorhild Widvey
Chair of the Board



Halvor Stenstadvold
Deputy chair



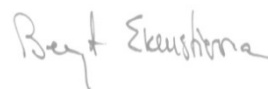
Hilde Drønen
Director



Peter Mellbye
Director



Ingelise Arntsen
Director



Bengt Ekenstierna
Director



Vilde Eriksen Bjerknes
Director



Thorbjørn Holøs
Director



Asbjørn Sevelejordet
Director



Christian Rynning-Tønnesen
President and CEO

Statkraft AS Group Interim Financial Statements

NOK million	Second quarter		Year to date		The year
	2017	2016	2017	2016	2016
COMPREHENSIVE INCOME					
PROFIT AND LOSS					
Sales revenues	13 817	9 820	29 710	23 324	49 448
Share of profit/loss in equity accounted investments	82	-124	408	252	474
Other operating revenues	284	234	774	511	1 065
Gross operating revenues	14 183	9 930	30 891	24 088	50 987
Energy purchase	-8 103	-5 768	-16 568	-13 667	-29 093
Transmission costs	-276	-309	-615	-673	-1 273
Net operating revenues	5 804	3 853	13 709	9 747	20 621
Salaries and payroll costs	-841	-752	-1 773	-1 727	-3 648
Depreciation, amortisation and impairments	-948	-3 139	-1 830	-4 033	-8 260
Property tax and licence fees	-294	-415	-642	-831	-1 733
Other operating expenses	-926	-881	-1 784	-1 726	-3 894
Operating expenses	-3 009	-5 187	-6 029	-8 317	-17 535
Operating profit/loss	2 795	-1 333	7 679	1 430	3 086
Financial income	116	88	213	169	380
Financial expenses	-327	-381	-648	-746	-1 411
Net currency effects	-817	918	-1 102	2 234	2 847
Other financial items	625	-213	759	-69	321
Net financial items	-403	413	-777	1 589	2 137
Profit/loss before tax	2 392	-920	6 902	3 019	5 223
Tax expense	-508	-979	-2 269	-2 529	-5 402
Net profit/loss	1 884	-1 899	4 633	491	-179
Of which non-controlling interest	24	37	235	171	-62
Of which majority interest	1 861	-1 936	4 398	320	-117
OTHER COMPREHENSIVE INCOME					
Items in other comprehensive income that recycle over profit/loss:					
Changes in fair value of financial instruments	1 364	254	1 267	780	1 235
Income tax related to changes in fair value of financial instruments	-329	-57	-309	-191	-320
Items recorded in other comprehensive income in equity accounted investments	-5	41	-213	178	445
Recycling of financial instruments related to cash flow hedges	0	-	-4	-	-
Income tax from recycling of financial instruments related to cash flow hedges	0	-	1	-	-
Reclassification currency translation effects related to foreign operations disposed of in the year	-2 003	6	-2 003	6	6
Currency translation effects	754	-951	1 140	-3 624	-4 851
Items in other comprehensive income that will not recycle over profit/loss:					
Estimate deviation pensions	-229	-320	343	-320	-52
Income tax related to estimate deviation pensions	79	104	-119	104	-17
Other comprehensive income	-369	-923	103	-3 067	-3 554
Comprehensive income	1 515	-2 822	4 736	-2 577	-3 733
Of which non-controlling interest	-244	257	78	296	217
Of which majority interest	1 760	-3 078	4 658	-2 873	-3 950

NOK million	30.06.2017	30.06.2016	31.12.2016
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Deferred tax assets	942	777	675
Intangible assets	3 697	4 428	3 858
Property, plant and equipment	103 636	106 094	103 303
Equity accounted investments	16 904	19 100	19 438
Other non-current financial assets	9 168	8 300	8 961
Derivatives	3 885	4 185	3 047
Non-current assets	138 232	142 884	139 282
Inventories	5 210	1 735	2 653
Receivables	9 179	9 425	10 219
Short-term financial investments	536	516	532
Derivatives	6 944	7 587	6 637
Cash and cash equivalents (included restricted cash)	10 830	7 360	7 308
	32 698	26 623	27 349
Assets held for sale	2 104	-	-
Current assets	34 803	26 623	27 349
Assets	173 035	169 508	166 630
EQUITY AND LIABILITIES			
Paid-in capital	57 079	57 111	58 411
Retained earnings	18 964	18 329	17 360
Non-controlling interest	7 733	7 807	7 747
Equity	83 776	83 248	83 519
Deferred tax	10 391	9 019	9 446
Pension liability	1 970	2 499	2 247
Provisions allocated to capital employed	2 866	4 354	3 423
Other provisions	3 029	5 378	4 079
Long-term interest-bearing liabilities	35 764	38 392	31 886
Derivatives	1 448	3 148	1 805
Long-term liabilities	55 469	62 789	52 885
Short-term interest-bearing liabilities	10 203	7 437	8 407
Taxes payable	4 066	2 375	4 764
Interest-free liabilities allocated to capital employed	8 114	9 259	10 531
Other interest-free liabilities	6 229	236	1 387
Derivatives	5 178	4 163	5 137
Current liabilities	33 790	23 470	30 226
Equity and liabilities	173 035	169 508	166 630

NOK million	Paid-in capital	Other reserves	Other equity	Accumulated translation differences	Retained earnings	Total majority	Non-controlling interests	Total equity
STATEMENT OF CHANGES IN EQUITY								
Balance as of 01.01.2016	57 111	-2 993	14 622	11 158	22 787	79 898	8 443	88 340
Net profit/loss	-	-	320	-	320	320	170	490
Items in other comprehensive income that recycles over profit/loss:								
Changes in fair value of financial instruments	-	765	-	-	765	765	15	780
Income tax related to changes in fair value of financial instruments	-	-187	-	-	-187	-187	-4	-191
Items recorded in other comprehensive income in equity accounted investments	-	178	-	-	178	178	-	178
Reclassification currency translation effects related to foreign operations disposed of in the year	-	-	-	6	6	6	-	6
Currency translation effects	-	-	-	-3 743	-3 743	-3 743	119	-3 624
Items in OCI that will not recycle over profit/loss:								
Estimate deviation pensions	-	-	-314	-	-314	-314	-6	-320
Income tax related to estimate deviation pensions	-	-	102	-	102	102	2	104
Total comprehensive income for the period	-	756	108	-3 737	-2 873	-2 873	296	-2 577
Dividend and Group contribution	-	-	-1 604	-	-1 604	-1 604	-106	-1 710
Reclassification of loan to non-controlling interests ¹⁾	-	-	-	-	-	-	-825	-825
Capital increase in joint ventures from other shareholders	-	-	20	-	20	20	-	20
Balance as of 30.06.2016	57 111	-2 237	13 146	7 421	18 329	75 441	7 807	83 248
Balance as of 01.01.2016	57 111	-2 993	14 622	11 158	22 787	79 898	8 443	88 340
Net profit/loss	-	-	-117	-	-117	-117	-62	-179
Items in other comprehensive income that recycles over profit/loss:								
Changes in fair value of financial instruments	-	1 198	-	-	1 198	1 198	37	1 235
Income tax related to changes in fair value of financial instruments	-	-309	-	-	-309	-309	-11	-320
Items recorded in other comprehensive income in equity accounted investments	-	445	-	-	445	445	-	445
Reclassification currency translation effects related to foreign operations disposed of in the year	-	-	-	6	6	6	-	6
Currency translation effects	-	-	-	-5 101	-5 101	-5 101	250	-4 851
Items in OCI that will not recycle over profit/loss:								
Estimate deviation pensions	-	-	-59	-	-59	-59	7	-52
Income tax related to estimate deviation pensions	-	-	-13	-	-13	-13	-4	-17
Total comprehensive income for the period	-	1 333	-189	-5 095	-3 950	-3 950	217	-3 733
Dividend and Group contribution	-	-	-1 604	-	-1 604	-1 604	-226	-1 830
Changes in provision in connection with equity instruments over non-controlling interests	-	-	245	-	245	245	-	245
Transactions with non-controlling interests	-	-	-138	-	-138	-138	138	-
Reclassification of loan to non-controlling interests ¹⁾	-	-	-	-	-	-	-825	-825
Capital increase in joint ventures from other shareholders	-	-	20	-	20	20	-	20
Capital increase	1 300	-	-	-	-	1 300	-	1 300
Balance as of 31.12.2016	58 411	-1 659	12 957	6 063	17 360	75 771	7 747	83 519
Net profit/loss	-	-	4 398	-	4 398	4 398	235	4 633
Items in OCI that recycle over profit/loss:								
Changes in fair value of financial instruments	-	1 264	-	-	1 264	1 264	3	1 267
Income tax related to changes in fair value of financial instruments	-	-308	-	-	-308	-308	-1	-309
Items recorded in other comprehensive income in equity accounted investments	-	-213	-	-	-213	-213	-	-213
Recycling of financial instruments related to cash flow hedges	-	-4	-	-	-4	-4	-	-4
Income tax from recycling of financial instruments related to cash flow hedges	-	1	-	-	1	1	-	1
Reclassification currency translation effects related to foreign operations disposed of in the year	-	-	-	-2 003	-2 003	-2 003	-	-2 003
Currency translation effects	-	-	-	1 299	1 299	1 299	-159	1 140
Items in OCI that will not recycle over profit/loss:								
Estimate deviation pensions	-	-	343	-	343	343	-	343
Income tax related to estimate deviation pensions	-	-	-119	-	-119	-119	-	-119
Total comprehensive income for the period	-	740	4 622	-704	4 658	4 658	78	4 736
Dividend and Group contribution	-1 332	-	-3 018	-	-3 018	-4 350	-930	-5 280
Liability of the option to increase shareholding in subsidiary	-	-	890	-	890	890	-	890
Business combinations/divestments	-	-	-	-	-	-	-32	-32
Transaction with non-controlling interests	-	-	-927	-	-927	-927	927	-
Capital decrease	-	-	-	-	-	-	-57	-57
Balance as of 30.06.2017	57 079	-920	14 524	5 359	18 963	76 043	7 733	83 776

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

NOK million	Second quarter		Year to date		The year
	2017	2016	2017	2016	2016
STATEMENT OF CASH FLOW					
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before tax	2 392	-920	6 902	3 019	5 223
Profit/loss on disposal of non-current assets	-18	0	-32	-18	-15
Depreciation, amortisation and impairments	948	3 139	1 830	4 033	8 260
Profit/loss from the sale of business	-	-	-238	-	-
Profit/loss from the sale of shares and equity accounted investments	-14	-1	-5	-2	-8
Share of profit/loss in equity accounted investments	-82	124	-408	-252	-474
Realised currency effect from internal loans ²⁾	-642	-666	-619	-1 231	-1 216
Unrealised changes in value	100	443	-167	-798	300
Changes in long term items	-170	85	9	-39	-368
Changes in short term items	-2 157	-372	-3 190	-1 142	-1 312
Dividend from equity accounted investments	529	524	558	544	545
Taxes	-1 414	-1 171	-2 725	-2 394	-2 564
Cash flow from operating activities	A	-527	1 184	1 719	8 371
CASH FLOW FROM INVESTING ACTIVITIES					
Investments in property, plant and equipment ¹⁾	-741	-1 575	-1 408	-3 197	-5 331
Proceeds from sale of non-current assets	8	-2	84	21	31
Reclassification of joint arrangement	-	-404	-	-404	-404
Business divestments net liquidity inflow to the Group	-	25	302	25	25
Business combinations and asset purchase, net liquidity outflow from the Group	-	-27	-	-59	-59
Loans to third parties	-255	-695	-511	-741	-1 526
Repayment of loans from third parties	134	246	216	374	593
Considerations regarding investments in other companies	-2	-51	-2	-58	-148
Cash flow from investing activities	B	-856	-2 483	-4 039	-6 817
CASH FLOW FROM FINANCING ACTIVITIES					
New debt	-	23	4 547	2926	4 642
Repayment of debt	-71	-2092	-622	-2135	-7 632
Dividend and capital decrease in subsidiary related to non-controlling interests	-97	-106	-991	-106	-226
Share issue in subsidiary to non-controlling interests	-	-	-	-	-
Cash flow from financing activities	C	-168	2 934	685	-3 217
Net change in cash and cash equivalents	A+B+C	-1 551	3 531	-1 635	-1 663
Currency exchange rate effects on cash and cash equivalents	-33	90	-10	-63	-85
Cash and cash equivalents 01.01	12 414	10 743	7 308	9 056	9 056
Cash and cash equivalents 31.03/31.12 ²⁾	10 830	7 360	10 830	7 360	7 308
Unused committed credit lines			11 000	12 000	11 016
Unused overdraft facilities			2 035	2 215	2 015
Restricted cash			101	0	58

¹⁾ Investments in property, plant and equipment in the cash flow year to date are NOK 16 million lower than investments shown in the segment reporting due to acquisition of assets not paid as of second quarter 2017.

²⁾ Includes reclassification of currency translation differences of NOK 2003 million related to transfer of loan portfolio. See note 9 for further details.

³⁾ Included in cash and cash equivalents are NOK 538 million related to joint operations.

	Statkraft AS Group	European flexible generation	Market operations	International power	Wind power	District heating	Industrial ownership	Other activities	Group items
NOK million									
SEGMENTS									
2nd quarter 2017									
Operating revenue external, underlying	13 405	3 738	7 299	620	19	145	1 571	38	-25
Operating revenue internal, underlying	-	53	30	31	143	-	12	204	-473
Share of profit/loss from associates and joint ventures	82	-	-1	57	36	-	-8	-3	1
Gross operating revenues, underlying	13 487	3 791	7 328	708	198	145	1 575	239	-497
Net operating revenues, underlying	5 108	3 389	201	594	187	118	675	239	-295
Operating profit/loss, underlying	2 128	1 980	-27	142	-14	18	154	-106	-19
Unrealised value change energy derivatives	682	703	-20	-	-	-	-	-	-1
Gain/loss from acquisition/divestments of business activities	14	-	-	-	-	-	-	14	-
Impairments and related costs	-30	-20	-	-8	-1	-1	-	-	-
Operating profit/loss	2 794	2 663	-48	135	-15	17	154	-92	-20
Year to date 2017									
Operating revenue external, underlying	29 177	8 238	15 079	1 207	-1	421	4 213	71	-51
Operating revenue internal, underlying	-	119	-19	69	372	-	26	407	-974
Share of profit/loss in equity accounted investments	408	-	-1	97	48	-	273	-9	-
Gross operating revenues, underlying	29 585	8 357	15 059	1 373	419	421	4 512	469	-1 025
Net operating revenues, underlying	12 403	7 444	1 068	1 180	396	313	2 130	469	-597
Operating profit/loss, underlying	6 442	4 627	626	338	-16	105	1 037	-231	-44
Unrealised value change energy derivatives	1 036	812	224	-	-	-	-	-	-
Gain/loss from acquisition/divestments of business activities	240	-	-	-	256	-	-	-16	-
Impairments and related costs	-38	-20	-	-16	-1	-2	-	-	1
Operating profit/loss	7 679	5 420	850	322	239	103	1 037	-247	-45
Balance sheet 30.06.2017									
Equity accounted investments ¹⁾	16 904	-	52	5 795	1 515	-	9 516	22	4
Other assets ¹⁾	156 130	57 749	129	27 197	9 969	3 514	15 460	23 397	18 715
Total assets	173 034	57 749	181	32 992	11 484	3 514	24 976	23 419	18 719
Depreciations, amortisation and impairments	-1 830	-851	-6	-388	-180	-86	-285	-34	-1
Maintenance investments and other investments	673	445	5	23	3	3	190	6	-3
Investments in new generating capacity	784	58	9	236	269	53	158	-	1
Investments in other companies	-	-	-	-	-	-	-	-	-
2nd quarter 2016									
Operating revenue external, underlying	10 687	3 326	5 322	576	15	138	1 359	43	-92
Operating revenue internal, underlying	-	68	-60	29	124	1	11	209	-382
Share of profit/loss from associates and joint ventures	-124	-	-1	3	-45	-	-79	-3	1
Gross operating revenues, underlying	10 563	3 394	5 261	608	94	139	1 291	249	-473
Net operating revenues, underlying	4 486	3 018	280	534	84	105	565	249	-349
Operating profit/loss, underlying	1 546	1 543	57	129	-143	1	75	-43	-73
Unrealised value change energy derivatives	-633	-61	-571	-	-	-	-	-	-1
Gain/loss from acquisition/divestments of business activities	-	-	-	-	-	-	-	-	-
Impairments and related costs	-2 247	-2 229	-	4	-21	-1	-	-	-
Operating profit/loss	-1 333	-747	-514	134	-164	-	75	-43	-74
Year to date 2016									
Operating revenue external, underlying	24 813	7 565	11 941	1 229	17	412	3 611	90	-52
Operating revenue internal, underlying	-	103	-80	31	306	1	32	409	-802
Share of profit/loss in equity accounted investments	252	-	-1	52	4	-	203	-6	-
Gross operating revenues, underlying	25 065	7 668	11 860	1 312	327	413	3 846	493	-854
Net operating revenues, underlying	10 724	6 860	324	1 177	308	290	1 866	493	-594
Operating profit/loss, underlying	4 660	3 810	-115	389	-201	73	869	-112	-53
Unrealised value change energy derivatives	-997	-366	-631	-	-	-	-	-	-
Gain/loss from acquisition/divestments of business activities	20	-	-	-	20	-	-	-	-
Impairments and related costs	-2 253	-2 229	-	-	-21	-2	-1	-	-
Operating profit/loss	1 430	1 215	-746	389	-202	71	867	-112	-52
Balance sheet 30.06.2016									
Equity accounted investments	19 100	-	10	5 812	3 695	-	9 545	34	4
Other assets	150 407	59 079	161	28 542	9 123	3 556	15 239	23 594	11 112
Total assets	169 507	59 079	171	34 354	12 818	3 556	24 784	23 628	11 116
Depreciations, amortisation and impairments	-4 033	-3 113	-7	-312	-212	-86	-267	-35	-1
Maintenance investments and other investments	909	625	2	80	7	5	164	26	-
Investments in new generating capacity	2 390	374	-	669	1 158	57	132	-	-
Investments in other companies	95	1	4	30	32	-	-	28	-

¹⁾ The previously equity accounted investment Scira Offshore Energy Ltd in the Wind power segment is presented as assets held for sale as of 30 June 2017 and accordingly included in Other assets in Group items.

NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	Wind power	District heating	Industrial ownership	Other activities	Group items
SEGMENTS									
The year 2016									
Operating revenue external, underlying	51 767	15 520	25 953	2 429	92	765	6 877	165	-33
Operating revenue 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, underlying	52 241	15 779	25 843	2 559	786	767	7 367	976	-1 835
Net operating revenues, underlying	21 875	14 187	980	2 234	743	552	3 364	975	-1 160
Operating profit/loss, underlying	9 148	7 701	142	557	-191	111	1 261	-381	-52
Unrealised value change energy derivatives	-1 270	-370	-900	-	-	-	-	-	-
Gain/loss from acquisition/divestments of business activities	16	-	-	-	16	-	-	-	-
Impairments and related costs	-4 808	-2 802	-	-1 377	-606	-22	-2	-	1
Operating profit/loss	3 086	4 529	-758	-819	-781	89	1 259	-381	-52
Balance sheet 31.12.2016									
Equity accounted investments	19 438	-	55	5 860	3 522	0	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
Depreciations, 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 generating capacity	3 736	582	4	1 250	1 457	142	301	-	-
Investments in other companies	158	-	56	30	32	-	-	39	-

Selected notes to the accounts

1. FRAMEWORK AND MATERIAL ACCOUNTING POLICIES

The consolidated financial statements for the second quarter of 2017, closed on 30 June 2017, have been prepared in accordance with the accounting principles in International Financial Reporting Standards (IFRS) and consist of Statkraft AS and its subsidiaries and associates. The interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. As the information provided in the interim financial statements is less comprehensive than that contained in the annual financial statements, these statements should therefore be read in conjunction with the consolidated annual financial statements for 2016. The interim accounts have not been audited. The accounting principles applied in the interim financial statements are the same as those used for the annual financial statements.

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

2. PRESENTATION OF FINANCIAL STATEMENTS

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

3. ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

The most important assumptions regarding future events and other significant sources of uncertainty in relation to the estimates, and which may involve a significant risk of material changes to the amounts recognised in future financial periods, are discussed in the annual financial statements for 2016.

In preparing the consolidated financial statements for the second quarter, the Group's management has exercised its judgment in relation to the same areas where such judgment has had material significance in relation to the figures included in the Group's income statement and balance sheet, as discussed in the annual financial statements for 2016.

4. SEGMENT REPORTING

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

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

5. UNREALISED EFFECTS PRESENTED IN THE INCOME STATEMENT

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

NOK million	Second quarter 2017			Year to date 2017		
	Unrealised	Realised	Total	Unrealised	Realised	Total
UNREALISED EFFECTS REPORTED IN P&L						
Generation	674	4 561	5 235	840	10 081	10 921
Sales and trading	-253	1 403	1 150	-962	3 416	2 455
Customers	198	6 718	6 915	491	14 609	15 100
Other	-	517	517	-	1 235	1 235
Total sales revenues	619	13 198	13 817	369	29 341	29 710
Generation	-	-119	-119	-	-241	-241
Sales and trading	-75	-1 122	-1 197	555	-2 311	-1 756
Customers	27	-6 610	-6 583	-23	-14 115	-14 138
Other	-	-204	-204	-	-432	-432
Total energy purchase	-48	-8 055	-8 103	532	-17 099	-16 568
Net currency effects	841	-1 658	-817	655	-1 757	-1 102
Other financial items	-1 512	2 136	625	-1 389	2 149	759
Total unrealised effects	-100			167		

NOK million	Second quarter 2016			Year to date 2016			The year 2016		
	Unrealised	Realised	Total	Unrealised	Realised	Total	Unrealised	Realised	Total
UNREALISED EFFECTS REPORTED IN P&L									
Generation	36	4 104	4 140	-390	9 556	9 167	-426	19 402	18 976
Sales and trading	98	415	514	836	1 001	1 837	-493	4 128	3 634
Customers	-735	5 471	4 737	-449	11 782	11 332	-849	25 762	24 913
Other	-	429	429	-	989	989	-	1 925	1 925
Total sales revenues	-600	10 420	9 820	-3	23 327	23 324	-1 768	51 216	49 448
Generation	-	-74	-74	-	-186	-186	-	-368	-368
Sales and trading	285	-721	-436	-146	-1 455	-1 601	338	-3 586	-3 249
Customers	19	-5 146	-5 127	25	-11 638	-11 613	66	-24 963	-24 897
Other	-	-131	-131	-	-268	-268	-	-579	-579
Total energy purchase	304	-6 073	-5 768	-121	-13 547	-13 667	404	-29 497	-29 093
Net currency effects	66	852	918	984	1 250	2 234	557	2 290	2 847
Other financial items	-214	1	-213	-63	-6	-69	508	-186	322
Total unrealised effects	-444			797			-299		

6. NORWEGIAN HYDROPOWER AND RELATED BUSINESS

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

	"Norwegian hydropower" from:			Sum "Norwegian hydropower, excluding related business"	Associated regional companies	Sum "Norwegian hydropower and related business"
NOK million	Statkraft AS Group	Statkraft Energi AS	Skagerak Kraft Group			
2017 (year to date)						
Share of profit/loss in equity accounted investments	408	-	-	-	274 ¹⁾	274
Gross operating revenues	30 891	8 192	818	9 002	274	9 277
Net operating revenues	13 709	6 935	784	7 719	274	7 993
Operating profit/loss	7 679	5 138	476	5 614	274	5 888
Net financial items	-777	-49	-45	-94		-94
Tax expense	-2 269	-3 017	-235	-3 252		-3 252
Profit/loss after tax	4 633	2 072	195	2 268	274	2 542
Profit/loss after tax (majority share)	4 398	2 072	130	2 202	274	2 476
Paid dividend and group contribution to Statkraft		1 858 ²⁾	76 ³⁾	1 934	528 ³⁾	2 462
Balance sheet 30.06.17						
Equity accounted investments	16 904	-	1	1	9 428 ¹⁾	9 429
Other assets	156 130	37 815	5 382	43 197		43 197
Total assets	173 034	37 815	5 383	43 198	9 428	52 626
EBITDA	9 509	5 706	572	6 278	274	6 552
Depreciation, amortisation and impairment	-1 830	-568	-97	-664		-664
Maintenance investments and other investments	673	342	35	377		377
Investments in new production capacity	784	58	-	58		58
Investments in shares	-	-	-	-		-

¹⁾ Statkrafts share.

²⁾ Dividend and group contribution after tax paid from Statkraft Energi AS.

³⁾ Dividend paid to Statkraft.

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

¹⁾ Statkrafts share.

²⁾ Dividend and group contribution after tax paid from Statkraft Energi AS.

³⁾ Dividend paid to Statkraft.

7. INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

NOK million	30.06.2017	30.06.2016	31.12.2016
INTANGIBLE ASSETS			
Balance as of 01.01.	3 858	4 524	4 524
Additions	6	41	92
Reclassifications	25	-33	-452
Disposals	-3	-159	-175
Currency translation effects	-92	265	311
Amortisation	-78	-76	-180
Impairment	-19	-133	-262
Balance as of end of period	3 697	4 429	3 858
PROPERTY, PLANT AND EQUIPMENT			
Balance as of 01.01.	103 303	111 207	111 207
Additions	1 418	3 374	5 489
Reclassifications	-25	33	24
Disposals	-133	-2 444	-2 629
Capitalised borrowing costs	33	67	139
Currency translation effects	773	-2 319	-3 109
Depreciation	-1 713	-1 704	-3 411
Impairment	-20	-2 120	-4 407
Balance as of end of period	103 636	106 094	103 303

8. CURRENCY EFFECTS ON INTERNAL LOANS

Net currency effects on internal loans as of the second quarter amounted to NOK -105 million, of which NOK 1279 million was unrealised and NOK -1383 million was realised. The positive effects were mainly due to NOK weakening against EUR. A NOK strengthening against USD reduced the positive effects.

9. HEDGE ACCOUNTING

Statkraft has used hedge accounting in 2017 that has reduced the volatility in the income statement. A major share of the debt in EUR has been hedged against market rate changes.

Statkraft has set up hedge accounting of parts of the net investments in Statkraft Treasury Centre SA in EUR, as well as parts of the net investments in Statkraft UK Ltd in GBP. The effect of this is that a year to date loss of NOK 218 million in 2017 was recognised in other comprehensive income instead of in the income statement.

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

10. BRAZIL

On 13 July 2015, Statkraft acquired controlling interest in the Brazilian company Desenvix Energias Renováveis S.A. which subsequently changed name to Statkraft Energias Renováveis (SKER). Over the past years, Brazil has experienced several severe corruption cases. On this background, Statkraft initiated an internal investigation related to the subsidiary acquired in 2015. Based on the investigation the company has contacted Brazilian authorities. It is at this stage not possible to predict if the outcome could have potential negative financial effects.

The Brazilian Federal Prosecutor has been investigating potential crimes committed by representatives of the four main pension funds in Brazil and representatives of companies 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.

Additionally, a civil lawsuit has been filed against the pension funds and companies and individuals related to the pension fund's investments, including SKER. It is at this stage not possible to predict if the outcome of the cases could have potential negative effects on SKER.

11. TURKEY

The civil works contract for the Cetin hydropower project in Turkey was terminated in April 2016. The dispute with the main contractor was settled in June 2017, and all court cases related to the matter have been withdrawn. In April 2017 Statkraft

entered into a sales agreement to dispose of all the shares in the project company Cetin Energy. The sales agreement was closed in July 2017 and the financial effects of the settlement and sales transaction will be recognised in the third quarter.

12. NOTICE OF REASSESSMENT RELATED TO PREVIOUS YEARS TAX

On 16 December 2015 Statkraft AS received a notice of reassessment from Norwegian tax authorities regarding the income tax returns for the fiscal years 2008-2014 related to its investment in the Statkraft Treasury Centre SA in Belgium. The notice was of a preliminary nature with a number of reservations, and it is therefore not possible to quantify any potential exposure. There has been no development in 2017 that has an impact on Statkraft's assessment. Statkraft disagrees that there is a legal basis for any reassessment, and has made no provision for potential tax liabilities.

13. TAXABLE OWNERSHIP OF SØNNÅ HØY HYDROPOWER PLANT

On 22 June 2017 AS Saudefaldene, an external company for Statkraft, lost against the tax authorities in the Supreme Court of Norway. The verdict is final.

AS Saudefaldene was found to have the taxable ownership of the Sønnå Høy hydropower plant. The conclusion implies that Statkraft is not the owner of the power plant for tax purposes. This is a reversal of the conclusion reached in the Gulating Court of Appeal on 25 August 2016.

The Supreme Court verdict led to a reversal of previously expensed payable income tax, resource rent tax and property tax of NOK 123 million in the second quarter of 2017.

14. TRANSACTIONS

23 March 2017 Statkraft sold its shares in the joint operation Forewind Ltd. which includes the Dogger Bank offshore wind project in the UK. This resulted in a gain of NOK 256 million booked as other operating revenues in the first quarter.

15. ASSET HELD FOR SALE

According to Statkraft strategy offshore wind assets will be divested over the next quarters. Sheringham Shoal is a 316.8 MW offshore wind farm located in 'Greater Wash' coastal waters of the UK. Statkraft is a 40% owner of Sheringham Shoal that is classified as a joint venture and accounted for in accordance with the equity method. A process to divest the wind power plant has been ongoing during the past quarters and it is assessed that the assets qualify to be presented as held for sale in the second quarter.

No impairment loss was recognised on reclassification of the power plant as held for sale as the management expect that the fair value less cost to sell is higher than the carrying amount of NOK 2104 million.

There is also a sales process related to Statkraft's 30% share of the 402 MW offshore wind farm Dudgeon located in the same area. It is a premise that Dudgeon is sold as an operating asset. As Dudgeon is still in the construction phase, it does not qualify as an asset held for sale as of 30 June.

16. SUBSEQUENT EVENTS

Following the expiration of a similar agreement on the 31 December 2016, on 5 July 2017 SN Power re-entered into an agreement to acquire 49.75% of the class A shares and 65.78% of the class B shares in Bujagali Energy Limited. The company is located in Uganda and operates the 255 MW Bujagali hydropower plant. Closing of the agreement is subject to certain conditions precedent, which also may influence the final transaction price. Statkraft is a 50% owner of SN Power which is presented under equity accounted investments.

17. IFRS STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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. This is the case under the current applicable standards and will be the case when the new standards are implemented. Statkraft has started a process to identify which energy contracts are within the scope of IFRS 9, IFRS 15 or IAS 17. Statkraft primarily consider the scope of IAS 17, and not IFRS 16, because the new standard on leases will earliest be effective one year later than IFRS 9 and IFRS 15. To ensure that a thorough and proper analysis is performed, representatives from Statkraft's business areas have been included in the process to ensure that the characteristics of energy contracts are correctly understood. The implementation process has a global scope where all material energy contracts are in scope for consideration. Based on the analyses performed to date, Statkraft does not expect any significant effects from IFRS 9 and IFRS 15 with respect to recognition and measurement. Statkraft does however expect to prepare additional disclosures on financial instruments and revenue from contracts with customers when the standards become effective.

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

IFRS 9 Financial Instruments In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The standard includes new principles for classification and measurement, impairment and hedge accounting. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. In addition to the analyses performed for energy contracts, as outlined above, Statkraft has performed a high-level assessment of the other aspects of IFRS 9. The assessment is based on information currently available and may be subject to changes towards the implementation date. Overall, Statkraft expects no significant impacts from IFRS 9, except for additional disclosure requirements. Statkraft does not expect significant increase in use of hedge accounting from the new standard.

IFRS 15 Revenue from Contracts with Customers Issued by the IASB in 2014, IFRS 15 applies to contracts with customers. 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. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. Statkraft plans to adopt IFRS 15 in 2018 using the full retrospective method. During 2016, the Group performed a preliminary assessment of the effects from IFRS 15 on income from energy contracts, as discussed above, and income from other contracts within the scope of the standard such as contracts to sell power on exchanges, e.g. Nord Pool. Based on information currently available, Statkraft expects no significant impacts from IFRS 15 with respect to recognition and measurements. There may be certain changes with respect of gross versus net presentation in the statement of comprehensive income. Further, additional disclosures are being required. The preliminary conclusion may change, as the analysis is still ongoing.

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. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. IFRS 16 also requires lessees to make more extensive disclosures than under IAS 17. The new standard has not yet been endorsed by EU. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. An implementation project for IFRS 16 has been initiated, but is still in an early stage. Statkraft will continue analysing the effects from IFRS 16 in 2017.

Alternative Performance Measures

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

Statkraft amended the definition of its underlying operating profit 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 charges and reversals of impairment charges" and "Gain/loss from acquisition/divestment of business activities". The unrealised items that are adjusted for are described more in detail below.

From 2017 Statkraft has also amended the definition of Capital Employed. In the amended 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 components of Capital Employed are presented in the table below.

Comparable figures are restated.

Statkraft uses the following APMs:

Underlying EBITDA is defined as operating profit before depreciation and amortisation. The APM is used to measure performance from operational activities.

Capital employed and **Net interest bearing debt** are defined in the table on the next page. Capital employed is the capital allocated to perform operational activities. Net interest bearing debt is used to measure indebtedness. The components of Net interest bearing debt are presented in the table below.

ROACE is defined as underlying operating profit, 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.

Items excluded from underlying operating profit:

Statkraft adjusts for the following three items when reporting underlying operating profit:

1. **Unrealised value changes from energy derivatives**
 - **Embedded derivatives** are excluded from underlying operating profit since they only represent part of an energy contract and the other parts of these energy contracts are not reported based on market values.
 - **Derivatives acquired for risk reduction purposes** is excluded when the related item is carried at cost. 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 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; 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.

NOK million	30.06.2017	30.06.2016	31.12.2016
ALTERNATIVE PERFORMANCE MEASURES			
CAPITAL EMPLOYED			
Intangible assets	3 697	4 428	3 858
Property, plant and equipment	103 636	106 094	103 303
Other non-current financial assets	9 168	8 300	8 961
- Loans to equity accounted investments ¹⁾	-7 108	-6 308	-6 740
- Bonds and other long-term investments ¹⁾	-68	-138	-79
- Pension assets ¹⁾	-319	-253	-300
- Other shares and shareholdings ¹⁾	-274	-277	-338
Inventories	5 210	1 735	2 653
Receivables	9 179	9 425	10 219
- Receivables related to cash collateral ²⁾	-983	-2 802	-1 313
- Short-term loans to equity accounted investments ²⁾	-422	-97	-381
- Other receivables not part of capital employed ²⁾	-26	7	5
Provisions allocated to capital employed	-2 866	-4 354	-3 423
Taxes payable	-4 066	-2 375	-4 764
Interest-free liabilities allocated to capital employed	-8 114	-9 259	-10 532
Capital employed	106 643	104 126	101 130
Average capital employed ³⁾	102 044	107 605	104 153
NET INTEREST BEARING DEBT			
Long-term interest bearing liabilities	35 764	38 392	31 886
Short-term interest bearing liabilities	10 203	7 437	8 407
Cash and cash equivalents (including restricted cash)	-10 830	-7 360	-7 308
Short-term financial investments	-536	-516	-532
Net interest bearing debt	34 601	37 951	32 453

¹⁾ The item is a part of other non-current financial assets in the statement of financial position, but not a part of capital employed.

²⁾ The item is a part of receivables in the statement of financial position, but not a part of capital employed.

³⁾ Average capital employed is based on the average for the last four quarters.



Quarterly and
half year report
Q2/2017
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