

Annual Report
2015

Statkraft AS



Statkraft

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Providing Pure Energy

Statkraft's history began 120 years ago when the Norwegian government purchased its first waterfall and decided to develop hydropower. Since then, Statkraft has grown into an international provider of renewable energy, with 4200 employees in more than 20 countries.

Financial key figures

Statkraft AS Group	Unit	2015	2014	2013	2012 (restated)	2011
From the income statement						
Gross operating revenues	NOK mill	53 094	52 254	49 564	37 550	22 449
Net operating revenues	NOK mill	20 090	25 805	24 246	18 352	17 161
EBITDA	NOK mill	10 214	17 631	16 047	10 492	9 795
Operating profit	NOK mill	3 814	13 560	13 002	5 559	6 218
Share of profit from associates	NOK mill	683	661	1 101	871	898
Net financial items	NOK mill	-5 318	-6 283	-11 592	2 341	-3 642
Profit/loss before tax	NOK mill	-821	7 937	2 511	8 771	3 466
Net profit/loss	NOK mill	-2 369	3 892	208	4 551	40
Items excluded from underlying business						
Unrealised changes in value energy contracts*	NOK mill	609	2 396	3 288	-1 030	-1 152
Non-recurring items	NOK mill	-3 610	2 053	125	-2 224	-1 035
Underlying business**						
Gross operating revenues	NOK mill	50 578	48 348	47 458	38 910	22 377
Net operating revenues	NOK mill	19 255	20 602	20 545	19 207	18 187
EBITDA	NOK mill	10 169	12 132	12 444	11 347	10 880
Operating profit	NOK mill	6 815	9 111	9 589	8 813	8 405
From the balance sheet						
Property, plant & equipment and intangible assets	NOK mill	117 029	102 638	104 779	91 788	88 331
Investments in associates	NOK mill	19 388	19 027	16 002	15 924	15 080
Other assets	NOK mill	40 488	46 152	32 906	38 195	41 514
Total assets	NOK mill	176 905	167 817	153 687	145 907	144 925
Total equity	NOK mill	88 340	88 059	71 107	62 350	65 655
Interest-bearing debt	NOK mill	44 606	36 744	40 377	40 625	37 287
Capital employed, basic ¹⁾	NOK mill	91 089	82 244	82 985	71 282	62 546
Cash flow						
Net change in cash flow from operating activities	NOK mill	8 639	6 898	8 106	10 290	9 521
Dividend for the year to owner (incl. non-controlling interests)	NOK mill	5 157	74	3 094	4 293	9 400
Depreciation, amortisation and impairment	NOK mill	6 401	4 071	3 045	4 933	3 564
Cash and cash equivalents	NOK mill	9 056	12 663	7 685	5 440	8 605
Unused drawing rights	NOK mill	15 200	14 200	14 200	14 205	14 200
Investments						
Maintenance investments ²⁾	NOK mill	1 970	2 368	1 980	1 811	1 129
Investments in increased capacity, fixed assets ³⁾	NOK mill	7 797	7 525	11 303	7 327	5 217
Investments in shareholdings ⁴⁾	NOK mill	3 790	1 287	62	2 583	1 923
Financial variables						
Interest-bearing debt ratio ⁵⁾	%	33.6	29.4	36.2	39.5	36.2
Equity ratio ⁶⁾	%	49.9	52.5	46.3	42.7	45.3
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⁾	%	19.2	33.7	32.4	27.9	43.6
EBITDA-margin, underlying ⁷⁾	%	20.1	25.1	26.2	29.2	48.6
ROACE before tax ⁸⁾	%	7.9	11.0	12.5	13.0	13.9
Net return on investments in associated companies ⁹⁾	%	3.5	3.5	6.9	5.5	5.6
Tax rate ¹⁰⁾	%	-188.5	51.0	91.7	48.1	98.8
Key figures, upstream business						
Production cost hydropower*** ¹¹⁾	Øre/kWh	8.1	7.8	7.5	7.8	7.3
Production capacity****	TWh	58.7	53.7	51.2	50.4	50.1
Production, actual	TWh	56.3	56.0	55.9	60.0	51.5
Installed capacity*****	MW	17 758	17 161	16 630	16 055	15 800
Key figures, downstream business*****						
Energy delivered through grid to end-user ¹²⁾	TWh	7.0	6.9	7.3	7.2	7.1
Distribution grid capital (NVE capital) ¹³⁾	NOK mill	3 288	2 858	2 743	2 685	2 690
Total volume supplied, electricity customers	TWh	13.3	12.6	13.0	13.2	11.9
District heating supplied	TWh	0.8	0.8	1.0	1.0	0.8
Market variables						
System price, Nord Pool	EUR/MWh	21.0	29.6	38.1	31.3	47.2
Spot price, European Energy Exchange	EUR/MWh	31.7	32.8	37.8	42.6	51.1
Electricity consumption in the Nordic market	TWh	379	375	382	385	376
Electricity generated in the Nordic market, actual	TWh	394	385	380	399	371
Statkraft's share of Nordic electricity production	%	13.1	13.5	13.3	15.0	13.9

The 2012 financial statements are restated due to change in accounting principles. For 2011, only the balance sheet is restated.

* Exclusive of trading and origination

** Adjusted for unrealised changes in values of energy contracts and material non-recurring items

*** Including consolidated companies (not associates) in the Nordics, Germany and the UK

**** Exclusive of gas power and district heating

***** Includes the share of consolidated companies and the associated gas power companies Herdecke and Naturkraft

***** Key figures include consolidated companies (not associates) in the Nordics

1) Property, plant & equipment
+ intangible assets
+ receivables
+ inventories
- provisions for liabilities
- taxes payable
- other interest-free liabilities
+ provisions for dividend payable (NGAAP)

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) Interest-bearing debt * 100
Interest-bearing debt + equity

6) Total equity * 100
Total assets

7) Operating profit before depreciation * 100
Gross operating revenues

8) Operating profit * 100
Average capital employed, basic

9) Share of profit from associates * 100
Investments in associates

10) Tax expense * 100
Profit before tax

11) Production cost, incl. property tax and depreciation, excl. sales costs, overhead, net financial items and tax
Normal output from power plants under own management

12) Preliminary estimate for year 2015

13) Key figures used to calculate the revenue ceiling.
Published at www.nve.no

Non-financial key figures

The following tables present Statkraft's most significant results within the areas of environmental impact, society, employees, and health and safety for the period 2011-2015. More detailed results can be found in the corporate responsibility statement.

Power generation and district heating production

	Unit	2015	2014	2013	2012	2011
Installed capacity power generation ¹⁾	MW	16 778	16 401	16 041	16 257	15 764
Of which hydropower	MW	13 464	13 273	12 886	13 522	13 249
Of which wind power ²⁾	MW	647	488	514	528	321
Of which gas power ²⁾	MW	2 600	2 600	2 600	2 178	2 178
Of which bio power	MW	67	40	40	29	16
Installed capacity, district heating	MW	838	760	674	710	666
Capacity under development, power generation ^{1), 3)}	MW	909	1 262	1 673	1 701	1 811
Of which hydropower	MW	873 ⁵⁾	1 016	1 172	910	1 037
Of which wind power ²⁾	MW	36	247	500	361	344
Of which gas power ²⁾	MW	0	0	0	430	430
Capacity under development, district heating	MW	21	23	8	91	112
Power generation, actual ¹⁾	TWh	56.3	56.0	55.9	60.0	51.5
Of which hydropower	TWh	52.7	53.4	52.6	57.6	46.0
Of which wind power ²⁾	TWh	2.5	1.7	1.4	0.8	0.8
Of which gas power ²⁾	TWh	0.5	0.5	1.5	1.5	4.6
Of which bio power	TWh	0.3	0.3	0.3	0.1	0.1
District heating	TWh	1.1	1.0	1.1	1.1	0.9
Proportion of renewable power generation ⁴⁾	%	99.1	99.1	97.3	97.5	92.1

¹⁾ Includes Statkraft's shareholdings in subsidiaries where Statkraft has a majority interest.

²⁾ Includes the jointly controlled Herdecke (Germany), Kårstø (Norway), Scira and WUKI (United Kingdom) power plants.

³⁾ Includes projects with an investment decision.

⁴⁾ Non-renewable production covers gas power and share of district heating based on fossil fuel. From 2015 the waste used in the incineration plant in Trondheim is defined as input for waste heat and therefore counted as renewable.

⁵⁾ The Cetin project is included in the figures, but is currently suspended.

Emissions and environmental incidents

	Unit	2015	2014	2013	2012	2011
Emissions of CO₂ equivalents ¹⁾	Tonnes	257 600	313 300	469 600	483 900	1 161 900
Environmental incidents						
Serious environmental incidents	Number	0	0	0	0	0
Less serious environmental incidents	Number	228	159	127	128	185

¹⁾ Statkraft's ownership is >50%.

Contribution to society

	Unit	2015	2014	2013	2012 ¹⁾	2011
Distribution of value created						
Dividend ²⁾	NOK mill	1 604	5 600	0	4 000	4 900
The Norwegian state and municipalities ³⁾	NOK mill	3 665	6 059	4 291	5 891	4 987
Lenders	NOK mill	5 740	7 143	11 830	3 123	1 630
Employees	NOK mill	3 107	2 667	2 788	2 720	2 453
The company	NOK mill	-3 376	-2 392	-274	321	-4 517

¹⁾ As from 1 January 2013 Statkraft has implemented IFRS 11 Joint Arrangements. The effect of this is that some companies that prior were using the equity method now are using proportionate consolidation.

Figures for 2012 have been restated to reflect Statkraft's financial position and results based on IFRS 11.

²⁾ Includes dividend and Group contribution from Statkraft AS to Statkraft SF.

³⁾ Includes taxes, property tax, licence fees and employer's contribution.

Business ethics and anti-corruption

	Unit	2015	2014	2013	2012	2011
Whistleblower cases registered by Statkraft corporate audit	Number	12	5	2	0	0

Employees and recruitment

	Unit	2015	2014	2013	2012	2011
Employees 31. 12	Number	4 170	3 731	3 734	3 615	3 414
Percentage of women						
Total	%	23	24	23	24	23
In management positions	%	23	22	22	21	20
Among new employees	%	26	25	23	29	23
Preferred employer ¹⁾						
Business students	Ranking	53	48	43	33	30
Technology students	Ranking	7	7	7	7	7

¹⁾ 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 respectively.

Health and safety

	Unit	2015	2014	2013	2012	2011
Fatalities, consolidated operations ¹⁾						
Employees	Number	0	0	0	0	0
Contractors	Number	0	3	1	2	1
Third parties	Number	0	0	1	2	0
Fatal accidents, associated activities ²⁾						
Employees	Number	0	0	0	0	1
Contractors	Number	0	1	0	0	3
Third parties	Number	0	0	0	0	0
Lost-time injury rate ^{3), 4)}						
Employees	Frequency	3.3	3.0	2.4	3.7	4.5
Contractors	Frequency	3.6	3.7	4.2	3.8	3.4
Injury frequency ^{3), 5)}						
Employees	Frequency	5.6	5.6	6.8	6.6	10.0
Contractors	Frequency	6.0	5.4	6.3	6.4	6.2
Absence due to illness	%	3.0	2.8	2.9	3.1	3.4

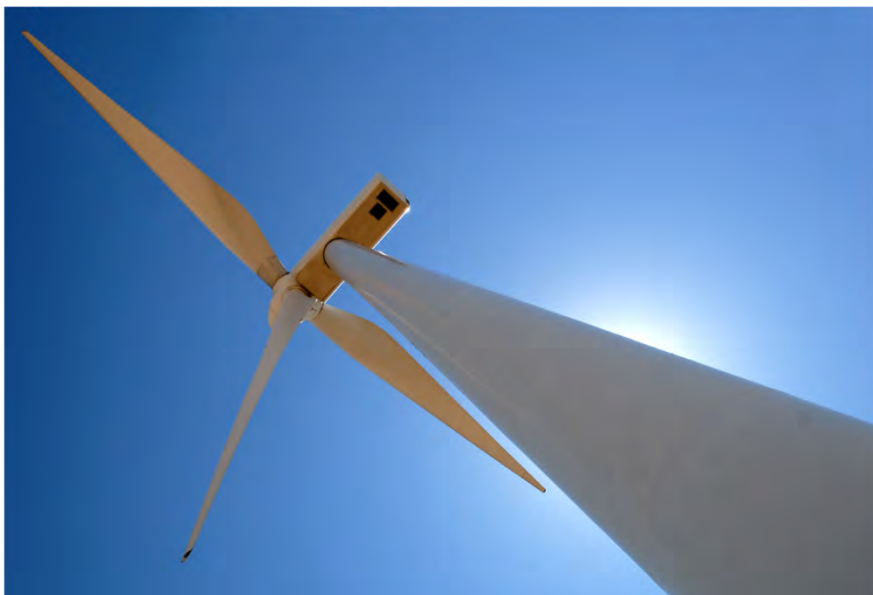
¹⁾ Activities where Statkraft has > 50% ownership.

²⁾ Activities where Statkraft has 20 - 50% ownership.

³⁾ Includes activities where Statkraft has > 20% ownership.

⁴⁾ Lost-time injuries per million hours worked.

⁵⁾ Injuries per million hours worked.



Statkraft's 120th anniversary was kicked off in June 2015 with more than 800 guests from around the world gathering at the Norwegian Opera and Ballet in Oslo. The anniversary was then duly celebrated throughout Statkraft's organisation, as seen here from Oslo, London in the UK, Sauda, Cheves in Peru and Istanbul in Turkey.

Letter from the CEO

The development of supply and demand in the world's energy markets has strongly affected prices through 2015. The oil price has plummeted from a level of around 100 USD per barrel in 2014 to below 40 USD per barrel at year-end 2015. This has impacted prices downwards on other fuels such as coal and gas, which contributed to pull down power prices in the continental power market. The development has also influenced the Nordic power market, already significantly affected by strong hydrology and a growing power surplus. Nordic power prices were as a result on their lowest level in 15 years.

The market development has led to declining revenues and impairments for many European energy companies, including Statkraft. Statkraft is nevertheless uniquely placed with a low cost position, world class assets and strong competence within energy management, operation and maintenance. In addition, we have a solid portfolio of long term contracts in the Nordics and an increasing share of contracted revenues in growth markets outside Europe that contributes to stabilize our cash flow.

New disruptive technologies drive the development within a wide range of industries, including the energy sector. Looking forward we see deployment of more renewable capacity. There is also increased momentum in distributed energy. In order to benefit from this development, Statkraft will continue to explore and develop low capital business models in a transforming market.

In Paris, the world's political leaders agreed to keep global temperature increase "well below" 2°C and to pursue efforts to limit the increase to 1.5°C. This ambition needs to be followed up with concrete actions all over the world. Norway has a better starting position than most countries, through political stability, a highly educated workforce, an advanced economy and an almost entirely renewable power system. Increased electrification and increased use of biofuels in the transport sector are central to further decarbonizing the Norwegian energy consumption. This will give opportunities for Statkraft.

The Norwegian Parliament decided in December 2015 to increase its dividend expectations from Statkraft in the coming years. Together with the decline in market prices, this led to a revised strategy and a reduced investment plan. As a result, Statkraft is now entering a phase with consolidation and targeted growth. Statkraft will in the short term prioritize investments to refurbishments and maintenance of Nordic hydropower plants, 1000 MW onshore wind power in Central-Norway, some international hydropower projects, expansions of existing district heating systems and development of new low capital business models.

Statkraft is a robust company with a strong strategic position and a competent workforce. We will strengthen the focus on cost efficiency in all operations and continue to adapt the organization and activities to the market opportunities and our financial capacity. We will continue to deliver what the world needs: Pure energy.



Christian Rynning-Tønnesen
President and CEO

Statkraft in facts and figures

Statkraft in facts and figures shows that the Group delivered robust results from operations despite a challenging market situation. Acquisitions in Chile and Brazil, new production capacity and significant contribution from market activities helped to partially offset the negative effects from lower power prices and decreased production in the Nordics. Statkraft invested more than NOK 13 billion in 2015. More than a half of this was in new generating capacity. With a total production of 56.3 TWh, Statkraft is the second largest producer of electric power in the Nordics and Europe's largest supplier of renewable energy.

Power generation

 **56.3** TWh

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 2015 the Group's power production totalled 56.3 TWh and 1.1 TWh of district heating. This represents an increase of 0.3 TWh and 0.1 TWh respectively compared to year 2014.

Serious environmental incidents

 **0**

There were no serious environmental incidents in the Group in 2015. However, 228 minor environmental incidents were registered. Most of these were related to short-term breaches of river management regulations and minor oil spills. Reported incidents had little or no impact on the environment.

Injuries

 **5.9** per million hours worked

There were no fatal accidents in Statkraft in 2015, but 39 of the registered accidents and near-misses were categorised as serious incidents. The indicator for total recordable injuries (TRI) per million hours worked was 5.9 in 2015. In total 176 injuries were registered.

Net operating revenues

 **20.1** NOK billion

Statkraft's revenues are generated by 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 to Norwegian municipalities. Net operating revenues in 2015 was NOK 20.1 billion, NOK 5.7 billion lower than in 2014. The decrease was mainly driven by lower prices and production in Nordic hydropower segment as well as deconsolidation of the UK wind farms.

EBITDA

 **10.2** NOK billion

EBITDA (operating profit before depreciation and amortisation) was NOK 10.2 billion in 2015. The Group's EBITDA stems mainly from Nordic hydropower operations.

Loss before tax

 **0.8** NOK billion

The Group's financial result was impacted by lower Nordic power prices, lower Norwegian hydropower production, impairments and negative currency effects. As a result the Group posted a loss before tax of NOK 0.8 billion in 2015. In 2014 the Group achieved profit before tax of NOK 7.9 billion.

ROACE, underlying

 **7.9** %

The Group had a return on average capital employed (ROACE) of 7.9% in 2015, 3.1% points lower than in 2014. The decline was primarily related to lower operating profit, mainly due to lower Nordic power prices and lower Norwegian hydropower production.

Investments

 **13.6** NOK billion

In total the Group invested NOK 13.6 billion in 2015. Approximately three fifths of this were made in new generating capacity. Maintenance investments were primarily in connection with Nordic hydropower, whereas investments in shareholdings were related to acquisitions made in International hydropower.

Cash flow from operations

 **8.6** NOK billion

The Group generated a cash flow from operating activities of NOK 8.6 billion in 2015. This is 25% higher than in 2014. Statkraft monitors its ability to meet future liabilities through the target figure "Short-term liquidity". At the end of 2015 the target figure was within the target range of 1.5 to 4.0.

Power plants and district heating plants in the Group as of 31.12.2015

	Pro-rata ¹		Consolidated power plants	
	No. of plants	Capacity (MW)	No. of plants	Capacity (MW)
POWER GENERATION				
 Hydropower	332	15 017	253	13 630
 Norway	224	12 461	152	11 257
 Sweden	60	1 268	60	1 268
 Germany	10	262	10	262
 UK	3	49	3	49
 Turkey	2	122	2	122
 Brazil	10	93	10	139
 Peru	9	296	9	442
 Chile	3	143	3	56
 Nepal	1	23	1	34
 Philippines	3	146		
 India	2	91		
 Laos	2	50		
 Panama	1	7		
 Zambia	2	5		
 Wind power	17	814	13	647
 Norway	3	245	3	245
 Sweden	6	319	6	319
 Brazil	4	56	4	84
 UK	4	194		
 Gas power	5	2 600	5	2 600
 Norway	1	210	1	210
 Germany	4	2 390	4	2 390
 Bio power	2	40	2	40
 Germany	2	40	2	40
Total power generation	356	18 471	273	16 918
 DISTRICT HEATING				
 Norway	27	630	27	676
 Sweden	4	164	4	164
Total district heating	31	794	31	840

¹⁾ Statkraft equity share

TOTAL NUMBER OF POWER PLANTS/ FACILITIES

Power generation **356**

District heating **31**

STATKRAFT'S CAPACITY

Power generation **18 471** MW

District heating **794** MW

SYMBOLS:

-  = Hydropower
-  = Wind power
-  = Gas power
-  = Bio power
-  = District heating



Statkraft around the world

Since the founding of the company in 1895, Statkraft has developed from a national company, focused on developing Norwegian hydro power resources, into a multinational company diversifying also into other sources of renewable energy. Today, with a total consolidated power generation of 56.3 TWh, Statkraft is the second largest supplier of electric power in the Nordics and Europe's largest supplier of renewable energy.

The Group's 356 power plants have a total installed capacity of 18 471 MW (Statkraft's share). Hydropower is still the dominant technology with 81% of installed capacity followed by natural gas with 14%, wind power with 4% and bio-fuel with 0.2%. Most of the

installed capacity is in Norway with 70%, next is Europe excluding the Nordics with 17%, Sweden with 9% and the rest of the world with 5%. Statkraft also owns shares in 31 district heating facilities in Norway and Sweden with a total installed capacity of 794 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, both classified as associates according to IFRS.

The Board of Directors of Statkraft



Halvor Stenstadvold
*Chair of Statkraft's Audit Committee,
Board member since 2003*

Asbjørn Sevløjordet
*Employee-elected Board member,
member of Statkraft's Compensation
Committee, Board member since 2014*

Elisabeth Morthen
Board member since 2014

Hilde Drønen
*Member of Statkraft's Audit Committee,
Board member since 2014*

Olav Fjell
*Chair of the Board, Chair of
Statkraft's Compensation Committee,
Board member since 2012*

Vilde Eriksen Bjerknes
*Employee-elected Board member,
Board member since 2014*

Berit Rødseth
*Deputy Chair, Member of Statkraft's
Audit Committee, Board member
since 2007*

Thorbjørn Holøs
*Employee-elected Board member,
member of Statkraft's Audit Committee,
Board member since 2002*

Report from the Board of Directors

Statkraft's operating result was held back by the lowest Nordic power prices in 15 years. The contribution from the growth investments within International Hydropower increased and the market operations continued to deliver a significant contribution to the Group's EBITDA. All segments contributed positively to the Group's underlying EBITDA of NOK 10.2 billion. Impairments and negative currency effects under the financial items impacted the Group's net profit, which amounted to a loss of NOK 2.4 billion.



Statkraft, TrønderEnergi and the European investor consortium Nordic Wind Power DA have joined forces to realise Europe's largest onshore wind power project in Central-Norway. The six onshore wind farms will have a combined capacity of 1000 MW. Commissioning will be completed in 2020.

The Group has reduced its investment plans as a result of lower power prices and a revised dividend policy from the Norwegian Parliament. The main changes are that there will be no new investments in offshore wind and some international hydropower projects will be postponed.

Key points

- ▶ Significant refurbishment of Nordic hydropower plants
- ▶ Decided to realise Europe's largest onshore wind project in Central-Norway
- ▶ Strengthened international position through acquisitions in Brazil and Chile
- ▶ Reduced investment plan due lower prices and revised dividend policy

Health, safety and the environment

There were no fatal accidents in Statkraft in 2015.

The Group works systematically to avoid injuries and damage in all activities. All serious incidents are subject to investigation and results from these investigations are used to facilitate and transfer learning and experience across the organisation.

Absence due to illness was 3.0% in 2015, and this is considered satisfactory.

The Group experienced no serious environmental incidents in 2015.

Values

The Group's core values govern the activities and the employees' behaviour:

- Competent. Use knowledge and experience to reach ambitious goals and gain recognition as a leading company
- Responsible. Create value while showing respect for employees, customers, the environment and society in general
- Innovative. Seek new opportunities and develop creative solutions

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

Strategy

Statkraft has developed and managed Norwegian hydropower since the origination of the business in 1895. When the company was reorganised into a state-owned enterprise in 1992, its power production in Norway was 32 TWh. More than 20 years later, the Group is Europe's largest generator of renewable energy, with an annual production of 56.3 TWh in 2015. The Group has around 3800 full-time equivalents employed in more than 20 countries. Statkraft's position is a result of growth over many years based on Norwegian and international resources and expertise. The ambition is to strengthen the position as a leading international supplier of pure energy. The company is well positioned to participate in Europe's transition to cleaner power production and to contribute with new, clean production in emerging markets.

The European power market has undergone major changes in recent years, with flat demand, increased production from intermittent new renewable generation and low prices. Rapid deployment and reduced costs of new technologies such as onshore wind and solar, driven by direct and indirect subsidies has reduced the profitability of conventional generation capacity. Statkraft expects that the EU will continue its development towards a low-carbon energy system, with increased focus on

security of supply and energy costs. This transition entails challenges, but will also create new business opportunities in renewable power production and sale of services and products to consumers and small-scale power producers. In many emerging markets strong economic growth is expected to result in high power demand growth. Several countries have a good basis for developing new renewables, including hydropower.

Statkraft's competitive advantage

Over several years, Statkraft has emphasised developing the Group's strategic resources. These are resources which provide Statkraft with a competitive advantage and therefore form a basis for excess value creation compared to other companies. Statkraft's competitive advantage is primarily related to:

- Unique assets and hydropower expertise
- Integrated business model and market expertise
- Market-oriented and adaptable organisation

Furthermore, Statkraft has established attractive market positions in emerging markets and wind power, areas which will play key roles in the future.

Unique assets and hydropower expertise

Statkraft has production plants with low variable costs, long lifespans and low carbon emissions. The hydropower plants are highly flexible and have a total storage capacity of about 40 TWh, 23% of the total European reservoir capacity. Based on solid market knowledge and integrated business processes, the plants enable Statkraft to optimise power production in relation to short, medium and long-term price fluctuations in the power market.

Statkraft is a major hydropower company and has solid expertise in key technical disciplines, especially within operation and maintenance. Statkraft is a large buyer of electro-mechanical hydropower equipment, providing opportunities for economies of scale.

Integrated business model and market expertise

Statkraft has extensive experience from the European power market and has acquired cutting-edge expertise within market analysis, production optimisation of flexible power plants and energy trading. The company has a comprehensive system for collection and processing of hydrological and other market data. Efficient data collection, models, systems and processes to prepare forecasts and exploit market fluctuations are important competitive advantages. Statkraft utilise expertise and assets through an integrated business model where the market analyses form the basis for maintenance planning, power optimisation and market operations, both in the short and long term. The purpose of this business model is to utilise the market expertise in combination with the flexibility of the power plants to maximise production when power prices are high.

The market presence in Europe provides valuable market information to understand the future price formation in the Nordic area. This is important to operate the Norwegian hydropower plants in the best possible manner.

Market-oriented and adaptable organisation

Statkraft has developed a market-oriented organisation with broad experience from deregulated markets. Within market operations, the company has shown an ability to adapt to changes in market conditions. In 2011, Statkraft started to provide services in connection with handling market access for decentralised producers of renewable energy. The combination of an adaptable and business-oriented organisation, extensive knowledge of the power market as well as utilisation of synergies across the Group has generated value.

New business opportunities have been created even though power prices have been under considerable pressure in Europe, and our market operations activities have expanded in scope, products and geographic extent.

Attractive positions established in emerging markets

The company has succeeded in establishing positions in several emerging markets with high growth in power consumption and good opportunities for hydropower development. Statkraft was an early investor in hydropower in emerging markets. More than twenty years have passed since the planning of hydropower investments abroad started. The first countries were Laos and Nepal. The goal was to apply Norwegian hydropower expertise internationally for profitable business development. Hydropower development has a long-term perspective and Statkraft's involvement is still in an early phase.

The competitive position in emerging markets will be strengthened by using the competitive advantages it has accumulated in Europe to an even greater extent.

Attractive positions established in wind power

Over time, Statkraft has developed a strong position within onshore wind power and has a substantial portfolio in Norway, Sweden and the UK. In 2002, the Group opened its first wind farm on Smøla, and has since developed solid expertise in all phases from project development to operations and maintenance.

A position within offshore wind power has been established in the UK and Statkraft has been responsible for operation and maintenance of the Sheringham Shoal wind farm since 2014. The Dudgeon offshore wind farm (approximately 400 MW) off the UK coast is under construction in partnership with Statoil and Masdar. Due to changes in the dividend policy for the coming three years, the investment plan has been adjusted and there will be no new investments in offshore wind power. Statkraft will participate in the Triton Knoll project and the development of the Dogger Bank projects, but will not invest in these.

Strategic focus areas

The ambition is to strengthen the position as a leading international provider of pure energy. Statkraft is well-positioned to participate in Europe's transition to cleaner power production and to contribute with new, clean production in emerging markets. The following five strategic areas will be prioritised:

- European flexible power generation
- Market operations
- Hydropower in emerging markets
- Wind power
- District heating

European flexible power generation consists of the hydropower business in the Nordic region, Germany and the UK, as well as the gas power plants, the subsea cable Baltic Cable and the bio-power plants in Germany.

The European power market is undergoing major changes. In addition, new specialised companies are entering other parts of the value chain with new value propositions to the customer. Going forward, the Group expects to see changes in the value chain and increasing requirements to remain competitive. Statkraft has shown the ability to create value in this transition. The energy trading activities will gradually increase to create new business opportunities in a changing European market. In addition, Statkraft aims to develop market operations in selected international markets where the Group owns assets.

Statkraft, SN Power and Agua Imara have in recent years established businesses in markets with expected long-term economic growth, increased need for environmentally friendly energy and substantial hydropower potential. The aim is to strengthen the position in these emerging markets through profitable growth.

Within onshore wind power, the focus is on realising the wind project in Central-Norway. Within offshore wind power, Statkraft will prioritise the Dudgeon construction. The Triton Knoll project will be developed, but Statkraft will not invest in this project or any further offshore wind capacity.

Within district heating, the company will continue to develop the profitability of the existing portfolio and generate organic growth in connection with existing plants in Norway and Sweden.

In addition to these five focus areas, the Group will continue to support sound development in the partly owned regional companies in Norway. Furthermore, Statkraft wants to strengthen innovation activities to increase its competitive advantages within the core activities and promote new business development.

Increased competitiveness - Strengthen and utilise core expertise

Statkraft will strengthen and utilise the Group's core expertise, exploit synergies across areas and develop a more international company which adapts to local conditions and cultures. This will strengthen competitiveness in emerging markets through transfer of expertise and simultaneously strengthen the Norwegian business through increased internationalisation.

Good project execution is a precondition for growth in emerging markets, while also executing the projects in a responsible and sustainable manner within the framework of strict HSE requirements. A dedicated unit for projects and development has been established within hydropower in emerging markets. The unit will be a preferred supplier of project and development services to all international hydropower projects in Statkraft and in the

reorganised SN Power. This will facilitate more efficient use of expertise across a common project portfolio.

Market and production

Most of Statkraft's production is in the Nordic region, and 92% of the production took place in this market in 2015. The Group also has consolidated production (the production of investments which Statkraft fully consolidates in its accounts) in Germany, the UK, Turkey, Brazil, Peru, Chile and Nepal. In other countries, the Group is involved through associated companies and joint ventures.

These power markets reflect the global economic trend towards a mature European market with low growth, and emerging markets with higher growth. In recent years, the growth for emerging markets has been somewhat lower than previously. In spite of differences in the markets, all are influenced by global trends such as the prices of oil, gas and coal, climate change and associated policies, falling 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 the fact that the growth in renewable production capacity has

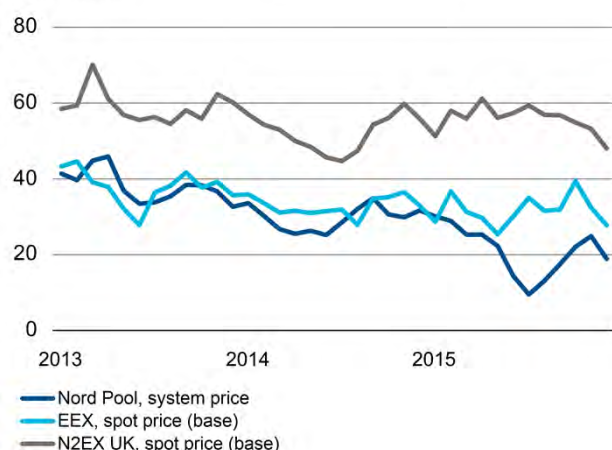
resulted in less need for other power production. As a result of these two factors, power prices in Continental Europe are low and the price of carbon emissions has also fallen to a low level.

Power prices in the Nordic region in 2015 were affected by higher-than-normal temperatures and inflow. Temperatures in Norway and Sweden were on average 1.2 and 1.4 degrees above normal respectively and inflow was 120% above normal in Norway and 122% above normal in Sweden. The average system price on Nord Pool was 21.0 EUR/MWh, 29% lower than in 2014 and 46% below the average for the 2010-2014 period. This was the lowest average yearly price since 2000.

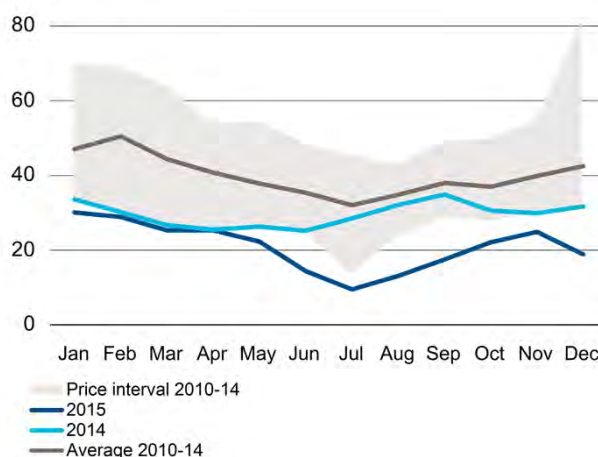
Power prices in Germany were characterised by good access to non-flexible power production (solar and wind power) as well as relatively low fuel prices. The average spot price (base) was 31.7 EUR/MWh, 4% lower than in 2014 and 24% below the average for the 2010-2014 period.

Power prices in the UK were influenced by an increase in the UK carbon tax which offset lower gas and coal prices. The average spot price (base) was 55.8 EUR/MWh, 7% higher than in 2014 and 3% above the average for the 2010-2014 period. A weaker EUR compared to GBP influenced the price development.

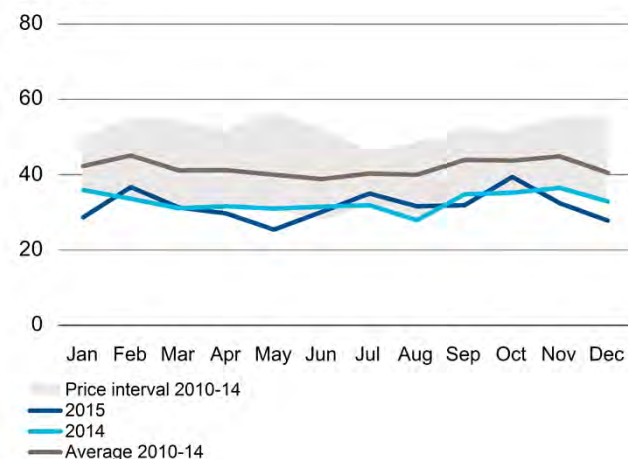
Market prices for power, monthly averages
EUR/MWh



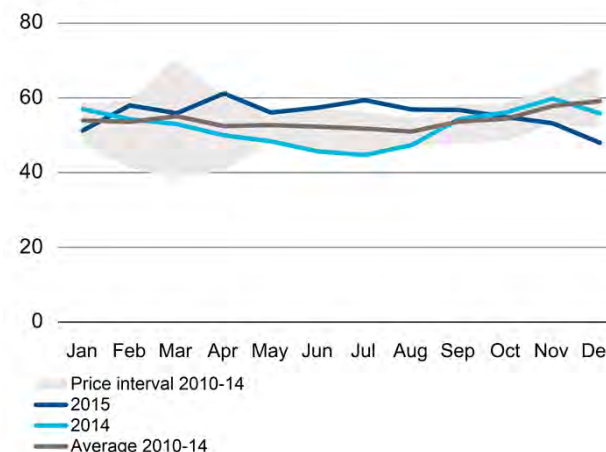
Nord Pool, system price
EUR/MWh



EEX, spot price (base)
EUR/MWh



N2EX UK, spot price (base)
EUR/MWh



Power consumption in the Nordic region is relatively high per capita compared with other European countries, as a result of the combination of cold winters, high percentage of electrical heating and a relatively large percentage of power intensive industry. The demand for power in 2015 was slightly higher than in 2014, both in Norway and the Nordic region. Total production was 144.7 TWh in Norway and 393.8 TWh in the Nordic region, an increase of 2% in both markets compared with 2014. Norway had a net export of power corresponding to about 10% of production, while the Nordic region overall had a net export of about 4%.

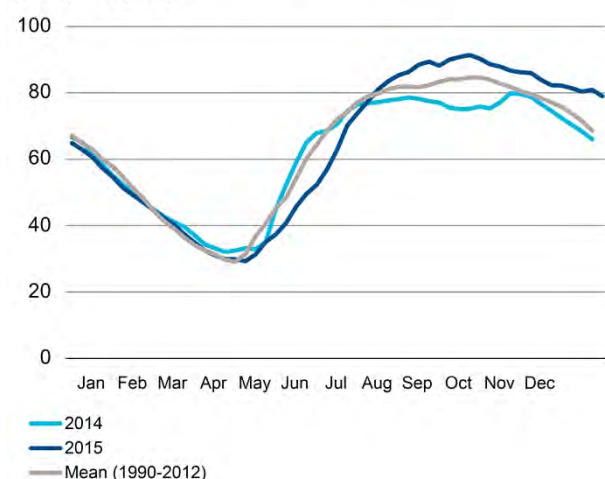
Other power markets

The power prices in Turkey are mainly determined by the gas price, as gas-fired generation accounts for almost half of the country's power production, as well as the hydrological conditions in the country. The average spot price (base) was 46 EUR/MWh, a decline of 19% from the preceding year. The decline was 16% in local currency.

Power prices in India are still relatively low, about 50 USD/MWh, mainly due to substantial growth in new thermal capacity and generally lower consumption growth in recent years. In Peru, prices are low in the spot market, but Statkraft has entered into several contracts with different maturities at prices above the spot prices. In Chile, the hydrology situation has improved after several dry years in a row. Increasing penetration of solar and wind power, grid congestions and lower fuel price levels have pushed average spot price levels for the Central Interconnected System down to about 80 USD/MWh. In Brazil, improved inflow and lower demand growth (impact from the economic recession) have resulted in lower spot price levels compared with 2014. The

Reservoir water levels in the Nordic region

% of total capacity



volume produced by the Brazilian assets is mainly sold on longer term PPAs through the regulated and the free market. In Nepal, power is sold through a power sales agreement with a fixed CPI-regulated price.

Statkraft's production

Statkraft is the largest power producer in Norway. The Group is the Nordic region's second largest supplier of electric power, Europe's largest supplier of renewable energy and one of the ten largest global producers of hydropower.

Statkraft's consolidated production capacity consists of 76% hydropower, 15% gas power, 5% district heating/bio power and 4% wind power. 70% of the capacity is in Norway, 10% in the Nordic region excluding Norway, 16% in Europe excluding the Nordic region and 4% outside Europe.

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. At the end of 2015, the consolidated installed capacity (the capacity that Statkraft fully consolidates in the accounts) was 16 918 MW, with hydropower contributing 13 630 MW, gas power 2600 MW, wind power 647 MW and bio power 40 MW. Consolidated installed capacity for district heating was 840 MW. Statkraft also has ownership interests in associated companies and joint operations with production capacity, and, overall, the Group has ownership interests in power plants with a total installed capacity of 18 471 MW power production and 794 MW district heating (Statkraft's share of direct and indirect ownership).

The demand for power varies throughout the day and year, and the power markets are dependent on the capacity that can be adjusted according to the demand. Statkraft has a large percentage of flexible production capacity, and combined with extensive analysis and production expertise, this contributes to consistent, sound management of the Group's water resources. The Group has an advanced energy management process and aims to have production capacity available in periods with high demand. Statkraft's large reservoir capacity with a combination of seasonal and multiple-year reservoirs enables the Group to manage the water resources in a perspective spanning more than one year. Accordingly, production can be kept high in peak price periods, but can be kept lower in low-price periods. In 2015, Statkraft held back production due to the low prices.

The Nordic hydrological resource situation was relatively robust throughout the year and at year-end (week 52) the overall reservoir water levels in the Nordic region were 118% of the normal level. This corresponded to 98 TWh, which is 81% of the maximum reservoir capacity of 121 TWh. Statkraft's reservoir levels were somewhat higher than this due to relatively low Norwegian hydropower production in 2015.

In 2015, the Group's power production totalled 56.3 TWh (56.0 TWh), plus 1.1 TWh of district heating (1.0 TWh). Hydropower production totalled 53.1 TWh, which was on a par with 2014. Wind power production increased by 43% from the preceding year as a result of new production capacity. The market situation in Europe resulted in only marginal power production at Statkraft's gas power plants.

Spot sales are trading of electric energy with production and physical delivery taking place simultaneously at market price. The price is typically stipulated for a short time interval, for example for every hour of the day. In 2015, the Group sold 31.6 TWh (33.3 TWh) in the spot market, which corresponds to 56% of the total production (60%).

Statkraft is a major supplier to the power-intensive industry. In 2015, the volume delivered under long-term contracts amounted

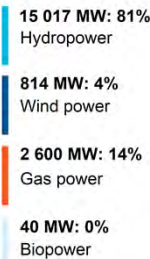
to 21.6 TWh, of which 18.9 TWh went to the industry in the Nordic region.

The high contract coverage has a stabilising effect on Statkraft's revenues. Most of the contract volume for Nordic industry runs until 2020.

In Norway, Statkraft is required to cede a share of the power production 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, which is significantly lower than the market price for power. The concessionary power volume amounted to 6.5% of the Group's Nordic hydropower production in 2015.

Statkraft-owned production capacity
- direct and indirect ownership shares

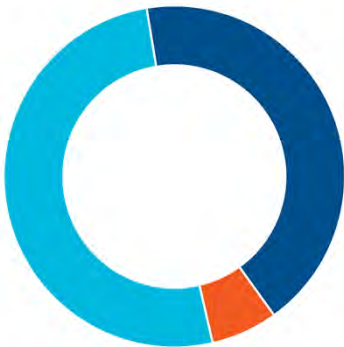
Technology 2015
(18 471 MW)



Geography 2015
(18 471 MW)



Nordic hydropower segment 2015
(43.5 TWh in 2015. Annual mean production is 46.8 TWh)



Statkraft's activities

Key figures - consolidated operations

	Statkraft Group	Nordic hydropower	Continental energy and trading	International hydropower	Wind power	District heating	Industrial ownership	Other activities	Group items
Power production									
Installed capacity (MW) ⁵⁾	16 918 1), 2), 3)	11 175 2)	2 951 1), 2), 3)	878	563	-	1 342 2), 4)	8	-
Production (TWh) ⁵⁾	56.3	43.5	1.1	3.6	2.2	-	5.5	0.4	-
District heating									
Installed capacity (MW)	840	-	-	-	-	702	138 ⁴⁾	-	-
Production (GWh)	1 055	-	-	-	-	967	88	-	-
End-user sales									
Energy delivered, through grid to end-user (TWh)	5.7	-	-	-	-	-	5.7	-	-
Volume delivered, to electricity customers (TWh)	13.3	-	-	-	-	-	13.3	-	-
Income statement (NOK mill.)									
Net operating revenues, underlying	19 255	10 923	2 763	1 574	658	464	2 985	718	-831
EBITDA, underlying	10 169	7 322	1 167	768	21	212	1 336	-668	11
Operating profit/loss, underlying	6 815	5 896	792	377	-312	49	793	-789	11
Operating profit/loss	3 814	6 427	346	-1 709	-2 062	49	1 152	-425	36
Share of profit from associated companies and joint ventures	683	-	-	-196	55	1	835	-12	-
Balance sheet (NOK mill.)									
Total assets	176 905	56 884	5 777	34 309	13 736	3 628	24 801	28 092	9 678
Investments	13 557	1 978	201	6 551	3 406	301	685	435	-

¹⁾ Excluding Baltic Cable (600 MW).

²⁾ Excluding pumped-storage hydropower.

³⁾ Including Emden 4, Robert Frank and Kårstø which are in cold reserve.

⁴⁾ Skagerak Energi's share.

⁵⁾ Includes the share of consolidated companies.

Statkraft's segment structure is presented in accordance with how the Group management makes, follows up and evaluates its decisions. The segments are Nordic hydropower, Continental energy and trading, International hydropower, Wind power, District heating and Industrial ownership. Areas not shown as separate segments are presented under the heading Other activities.

Nordic hydropower

Nordic hydropower is by far the largest segment measured by installed capacity and assets, as well as net operating revenues and results. The segment includes hydropower plants in Norway and Sweden. The production assets are largely flexible. The segment's revenues are mainly generated by selling power in the spot market and on long-term contracts, the latter mainly to power-intensive industry in Norway. In Norway, Statkraft also delivers concessionary power. Multiple-year reservoirs and the flexibility of the power plants enable optimisation of power production in relation to the hydrological situation and price situation. Nordic hydropower is therefore optimised over longer time periods than one year.

The volume traded in the spot market can vary significantly between years, depending on access to resources and production optimisation decisions. The management of Statkraft's multiple-year reservoirs in Norway normally enables the Group to achieve

a higher average market price than other power companies in Norway. The effects of this competitive advantage is assessed through the key performance indicator «Realised price margin Norwegian hydropower», which measures the average price achieved by Statkraft compared to the rest of Norway. In 2015, the realised price margin was higher than the target.

Production costs in connection with hydropower are relatively low in comparison with other types of power production facilities. To ensure that Statkraft maintains its long-term competitiveness the production costs are followed up through the key performance indicator «Total cost per kWh»¹⁾. In 2015, the cost was on a par with the target. The low production costs are partly offset by higher tax rates for Norwegian hydropower production through resource rent taxation.

Availability is an important factor in optimising hydropower revenues, and Statkraft uses the key performance indicator «Market-adjusted availability»²⁾ to measure if Statkraft's installed capacity is available to produce when it is most profitable to do so. The most critical influenceable factor affecting this KPI is how effectively plant maintenance is performed. For 2015, the

¹⁾ Total cost per kWh: Production cost/normalised production volume

²⁾ Market-adjusted availability: Share of available installed capacity when market prices are higher than water value.

availability for Nordic hydropower assets was higher than the target.

Important events in 2015 Statkraft decided to invest NOK 280 million in a full refurbishment of Øvre Røssåga power plant in Northern Norway. All major electromechanical components will be refurbished, and annual production will increase by 50 GWh.

Elkem and Statkraft entered into a new long-term power agreement for a period after year 2020. The new volumes will be delivered to Elkem's smelters in Thamshavn in Nord-Trøndelag County and in Salten in Nordland County.

Financial performance The key performance indicators showed generally good results in 2015. In spite of the sound operations, the segment's underlying EBITDA fell by 17% to NOK 7322 million, compared with 2014. The decline was mainly due to lower Nordic power prices and lower Norwegian hydropower production.

The segment's underlying net operating revenues fell by NOK 1424 million, or 12%, compared with 2014. The decline was primarily related to lower spot sales revenues due to lower Nordic power prices and volume. The volume sold in the spot market was 11% lower and the average Nordic system price, in EUR/MWh, was 29% lower than in 2014. The revenue effect of the fall in prices was somewhat offset by a weaker NOK against EUR as the average system price was 17% lower in NOK/MWh. The revenue from long-term contracts increased 8% due to slightly higher volume, indexed price adjustments and weaker NOK against EUR. 43% of the segment's production in 2015 was sold on long-term contracts (39%), and this large share has a stabilising effect on revenues.

Operating costs were stable compared with 2014. A higher basis for depreciation due to the capitalisation of several projects throughout the year led to slightly higher depreciations.

Continental energy and trading

Continental energy and trading includes gas power plants in Germany and Norway, hydropower plants in Germany and the UK and bio-based power plants in Germany, as well as Baltic Cable, the subsea cable between Sweden and Germany. The power production is optimised in relation to the prices for input factors (fuel and carbon), hydrology and sales prices (power and green certificates). The segment also includes trading and origination in Europe, Brazil and India, as well as revenue optimisation and risk mitigation related to both the Continental and Nordic production activities.

In order to mitigate risk in relation to uncertainty in future price and production volumes, Statkraft hedges the production revenues through financial power trading. The hedged percentage of the production varies with market development expectations.

Statkraft's analysis activities have a key position in the overall trading activities. The analysis activities are based on collection and processing of hydrological, weather and market data. This data is used to estimate future market prices and optimise Statkraft's flexible production. In addition to hedging activities

Statkraft runs a dynamic asset management portfolio holding a varying amount of asset-backed positions for profit. The portfolio outperformed the Group's added value target in 2015, but the contribution was at a lower level than in 2014.

Statkraft also engages in trading with financial standard contracts, structured products and customised agreements for industry and commerce (origination). Revenues can vary substantially between periods and years. Statkraft monitors the performance in trading and origination through the key performance indicator «Trading and origination ROCE». As for the dynamic asset management portfolio the Group's target was reached in 2015, but the return was somewhat lower than in 2014.

Important events in 2015 Statkraft launched a venture capital unit that will partner with dynamic start-ups. The venture capital fund operates out of Düsseldorf and targets investment opportunities across Europe.

Statkraft and Bharat Light and Power (BLP) signed a shareholders' agreement for a new joint venture company in India, Statkraft BLP Solar Solutions Pvt. Ltd. Statkraft and BLP each hold 50% of the new company, which will develop solar installations.

Naturkraft sent an application to the Norwegian Water Resources and Energy Directorate for dismantling the gas-fired power plant at Kårstø in Norway.

Financial performance The good performance shown by the key performance indicators was reflected in the segment's underlying EBITDA. Despite the fall of NOK 387 million compared with 2014, an EBITDA of NOK 1167 million is historically a strong result and approximately NOK 500 million higher than the average for the years 2010-14. The good result was partly related to the sale of EUA certificates. The decrease compared with 2014 was mainly related to lower contribution from the dynamic asset management portfolio, which showed exceptionally good results in 2014.

The segment's operating costs increased compared with 2014 mainly due to provisions for an onerous power purchase contract.

International hydropower

International hydropower operates in emerging markets with anticipated high growth and increasing need for energy. Statkraft is focusing on selected markets where the Group's hydropower expertise can create value. The operations include the Group's hydropower activities in Southeast Europe, South America and South Asia, as well as the 50% shareholding in SN Power. Investments are often made together with local partners or international investors.

Production costs are followed up through the key performance indicator «Total cost per kWh»³. In 2015, the cost was within the target.

Important events in 2015 Statkraft purchased 99.39% of the shares in the listed hydropower company Investments Empresa Eléctrica Pilmaiquén in Chile.

³) Total cost per kWh: Production costs/normalised production volume.

Statkraft completed the acquisition of Desenvix in Brazil, becoming majority owner with 81.3% of the shares, and changed the name to Statkraft Energias Renováveis. In August, the company completed the sale of two transmission lines.

The construction of the new hydropower plants Kargi (102 MW) in Turkey and Cheves (171 MW) in Peru were completed.

The security situation in Southeast Turkey has resulted in increased risk related to the Cetin project, and there have been major challenges related to project execution. Statkraft has therefore decided to suspend the majority of the construction works. This has led to an impairment and related costs of NOK 2086 million. Going forward, Statkraft will assess different alternatives for the project.

Hydropower plants in India were written down by NOK 384 million due to lower price expectations.

Financial performance The segment's underlying EBITDA doubled compared with both 2014 and the average for the years 2010-14. The increase was primarily related to the acquisitions and new power plants in operation. A weaker NOK against USD also contributed positively.

The share of profit from associates and joint ventures amounted to a loss of NOK 196 million (loss of NOK 240 million). The loss in 2015 was primarily related to the impairments in India, while the loss in 2014 was mainly related to an impairment of an investment in Brazil.

Wind power

Wind power includes Statkraft's investments in onshore and offshore wind power. The segment has onshore wind farms in operation in Norway, Sweden and the UK, as well as an offshore wind farm in operation and one under construction in the UK. The revenues derive from sale of power at spot prices as well as revenues from support schemes.

The costs associated with wind power are followed up through the target figure «Variable cost per kWh»⁴. Adjusted for currency effects, the cost in 2015 was within the target for both onshore and offshore wind.

Availability is followed up through the target figure «Market-adjusted availability»⁵. The availability for both onshore and offshore wind power was within the target.

Important events in 2015 Statkraft purchased half of the offshore wind power project Triton Knoll (up to 900 MW) off the coast of the UK from RWE Innogy. The two companies will develop the project up to the investment decision.

An investment decision was taken for Andershaw Wind Farm, a 36 MW onshore project in Scotland under the UK support scheme. The project is expected to be fully commissioned late 2016.

Phase 2 of the Björkhöjden wind farm (126 MW) in Sweden was finalised.

The Board of Directors decided to adjust Statkraft's investment plan. The main change being that there will be no new investments in offshore wind power and the focus will be on managing positions in offshore wind to maximise the value of existing assets and projects.

Statkraft, TrønderEnergi and the European investor consortium Nordic Wind Power DA have joined forces to realise Europe's largest onshore wind power project in Central-Norway. The six onshore wind farms will have a combined capacity of 1000 MW and the total investment will amount to approximately NOK 11 billion. Construction will commence in the second quarter of 2016 and commissioning will be completed in 2020. The wind farms will be built on the Fosen peninsula, on the island of Hitra and in Snillfjord, in a coastal area providing some of the best conditions for renewable energy production from wind in Europe. The projects' capacity is more than the current total installed capacity of wind power in Norway. Once completed and commissioned in 2020, the wind farms are expected to generate 3.4 TWh power annually.

Wind power plants in Sweden were written down by NOK 1750 million as a result of expectations of lower power and electricity certificate prices in the coming years.

Financial performance In 2013 and 2014, the Wind power segment had an EBITDA of around NOK 500 million. The deconsolidation of the UK wind farms during 2014, lower Nordic power prices and business development costs in Norway and the UK have, however, reduced the EBITDA. These effects were partly offset by new production capacity in Sweden and good wind conditions and the segment's EBITDA for 2015 was slightly above zero.

The share of profits from associates and joint ventures amounted to NOK 55 million with the UK offshore wind farm Sheringham Shoal generating the profit. Compared with 2014 this was a reduction of NOK 308 million, which was primarily caused by a reversal of previous year's impairment for Sheringham Shoal of NOK 341 million in 2014.

District heating

District heating operates in Norway and Sweden. The revenues in Norway are influenced by power prices, grid tariffs and taxes. In Sweden, they are determined by the alternative price that customers are faced with, and prices are either fixed or index regulated. Waste, biomass, oil and gas are important input factors in the production of district heating.

At Group level, the performance is measured through the key performance indicator «Realised price margin»⁶. In 2015, the margin was better than the target.

⁴) Variable cost per kWh: All variable production costs/normalised production volume.
⁵) Market-adjusted availability: Actual production / (Actual production + Estimated lost production from production shutdown)

⁶) Total contribution delivered from District Heating reported as cost per kWh of the actual volume supplied to customers.

Important events in 2015 Statkraft bought 100% of the shares in Gardermoen Energi from Hafslund. Total installed capacity is 43 MW and annual production is approximately 54 GWh.

A new gas boiler (16 MW) started operation in Harstad.

Statkraft signed an agreement for supply of surplus heat from Lantmännen Cerealia in Moss and Moelven Van Severn in Namsos.

Financial performance The segment's underlying EBITDA continued to grow on the back of good operations in 2015 and ended at NOK 212 million, a growth of 40% compared with 2014. The improvement was primarily due to better price and higher volume on waste handling, high utilisation of base load, high availability and good fuel mix. Reduced costs and limited use of peak load contributed further to the improvement.

Industrial ownership

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

Important events in 2015 Skagerak Energi sold 51% of Skagerak Elektro to the Telemark Group.

BKK entered into a 10-year power sales agreement with Hydro, with an agreed delivery of 500 GWh per year for the period 2021-2030.

BKK and co-operating companies entered into contracts for the procurement of equipment and installation services for their automatic metering and control system projects covering 700 000 customers. Skagerak Nett has entered into similar contracts for their automatic metering project.

Financial performance The segment's underlying EBITDA of NOK 1336 million was slightly lower than in 2014. The decline was primarily due to significantly lower power prices and slightly lower spot production. The decline was partly offset by higher contribution from end user business and long-term contracts.

The share of profit from associates and joint ventures amounted to NOK 835 million (NOK 535 million), mainly related to BKK and Agder Energi. The increase compared with 2014 was primarily related to positive unrealised value changes from energy contracts in Agder Energi. Gain of NOK 108 million for BKK and Agder Energi from the sale of Småkraft also contributed positively. The 2014 figures included gains of NOK 116 million from the sale of two subsidiaries in Istad.

Other activities

Other activities include small-scale hydropower, innovation and Group functions.

Important events in 2015 Statkraft together with the other owners, Skagerak Energi, BKK and Agder Energi, sold Småkraft to Germany based Aquila Capital. The gain was NOK 226 million for Statkraft and NOK 108 million for the associates BKK and Agder Energi.

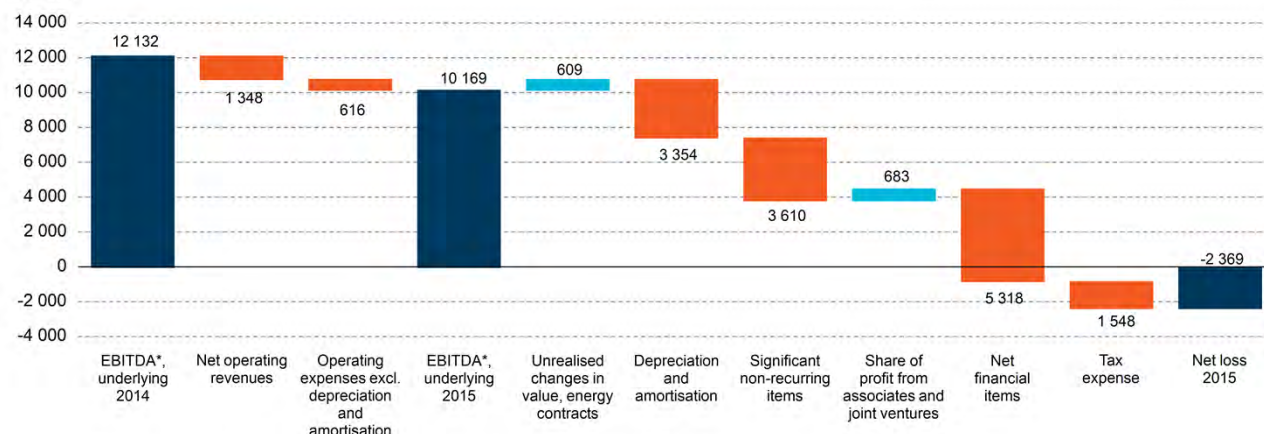
Statkraft purchased 100% of the shares in Södra Cell Tofte and established the biofuel company Silva Green Fuel in cooperation with Södra Skogägarna Ekonomisk Förening (Swedish forest owner association).

New segment structure from 2016

The Group has adopted a new segment structure from 1 January 2016. The new segments are European flexible generation, Market operations, International hydropower, Wind power, District heating and Industrial ownership. Areas not shown as separate segments are presented under Other activities. The new segment structure is aligned with the strategic initiatives and the new internal management reporting for the purpose of performance assessment and resource allocation.

Net profit 2015

NOK mill.



* Adjusted for unrealised changes in value of energy contracts (excluding trading and origination) and material non-recurring items..

Financial performance⁷

The lowest Nordic power prices since 2000, lower Norwegian hydropower generation and deconsolidation of UK wind farms led to a drop in the Group's EBITDA. Increased contribution from acquisitions in Chile and Brazil and new generation capacity partly offset the decrease. Market operations contributed significantly to the EBITDA, but at a lower level than in 2014. Operating expenses were somewhat higher than in 2014, mainly due to the acquisitions, new assets and currency effects.

The share of profit from associated companies and joint ventures was on a par with 2014, and the main contributors were the regional Norwegian companies BKK and Agder Energi.

Impairments and negative currency effects under the financial items impacted the result for the year and 2015 ended with a net loss of NOK 2369 million. The currency effects were offset by currency translation effects in the equity. At the end of 2015, the Group's equity was at the same level as at the end of 2014.

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 changes in value of energy contracts and significant non-recurring items in consolidated activities 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

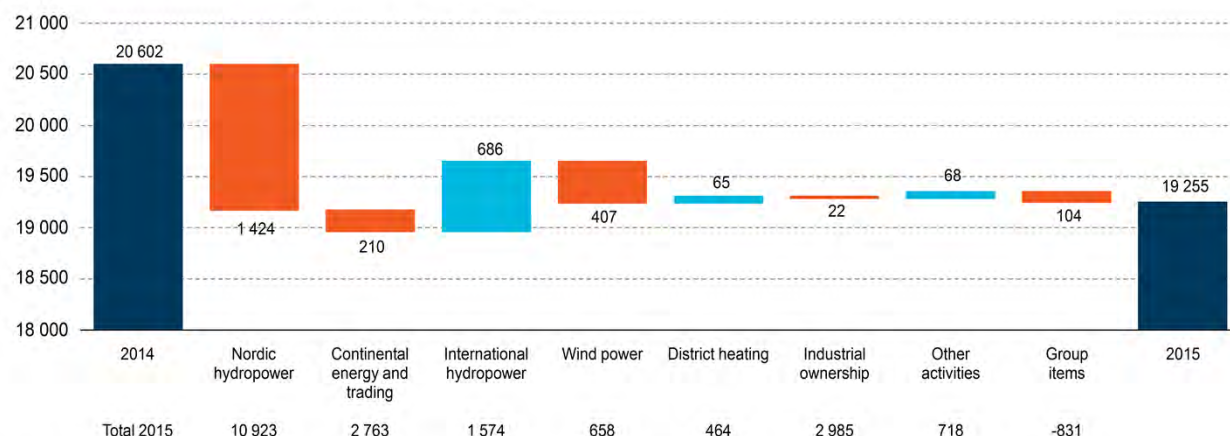
Measured as ROACE⁸, the Group achieved a return of 7.9% in 2015, which was 3.1 percentage points lower than in 2014. The decline was primarily related to lower operating profit, mainly due to lower Nordic power prices and lower Norwegian hydropower generation.

Underlying operating revenues

Statkraft's revenues are generated by 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.

Net operating revenues * - change from 2014 to 2015

NOK mill.



* Adjusted for unrealised changes in value of energy contracts (excluding trading and origination) and material non-recurring items.

⁷⁾ Figures in parentheses show comparable figures for 2014

⁸⁾ ROACE (%): (Operating profit adjusted for unrealised changes in the value of energy contracts and significant non-recurring item x 100 / average capital employed).

ROACE, underlying*



* Adjusted for unrealised changes in value of energy contracts (excluding trading and origination) and material non-recurring items
 ** The figures have not been converted in accordance with IFRS 11.

Net operating revenues totalled NOK 19 255 million in 2015, 7% lower than in 2014. The Nordic hydropower segment saw a substantial decrease due to lower power prices and generation, whereas the Wind power segment's revenues dropped as a result of the deconsolidation of the UK wind farms. International hydropower experienced a significant increase, primarily due to the acquisitions in Brazil and Chile. The other segments had minor changes in net operating revenues.

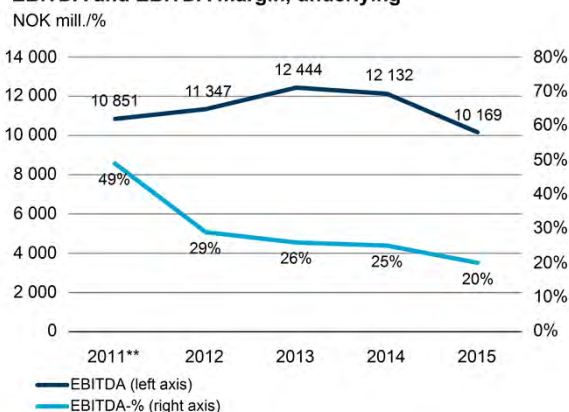
Underlying operating expenses

In total, the Group's operating expenses increased by 8% compared with 2014. The increase related primarily to acquisitions, new assets in operation and currency effects due to a weaker NOK against other currencies.

Underlying EBITDA and underlying operating profit

Historically, Statkraft has had high EBITDA margins⁹ as a result of low operating expenses for hydropower generation. From 2012, the business activity where Statkraft offers market access for small-scale producers of renewable energy started to affect the EBITDA margin. The contracts are recognised gross in the income statement and therefore increase both the sales revenues and the energy purchase costs substantially. This business makes a positive contribution to the Group's EBITDA, but the margins from

EBITDA and EBITDA margin, underlying*



* Adjusted for unrealised changes in value of energy contracts (excluding trading and origination) and material non-recurring items
 ** The figures have not been converted in accordance with IFRS 11.

this business are low and therefore reduce the overall EBITDA margin.

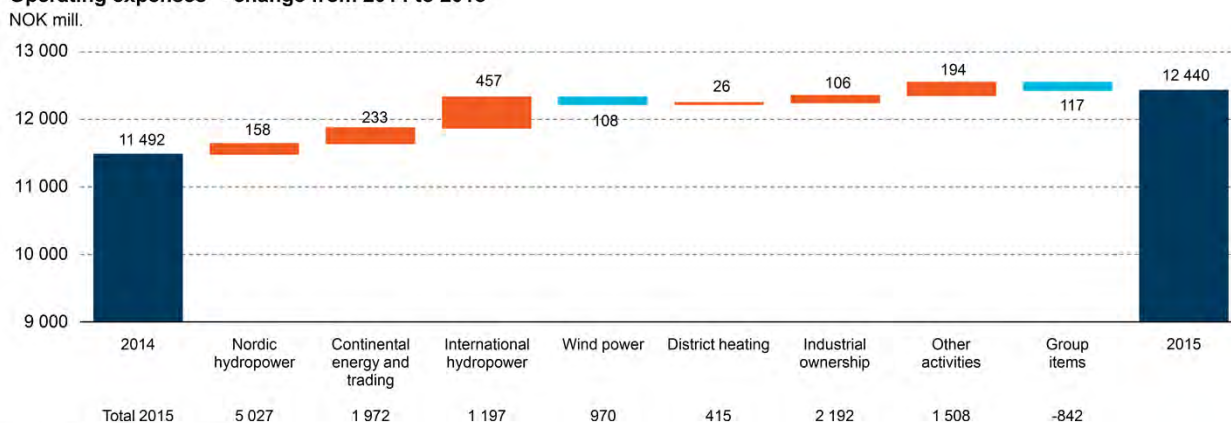
EBITDA (operating profit before depreciation and amortisation) fell by 16% from 2014 and the operating profit fell by 25%, to NOK 10 169 million and NOK 6 815 million, respectively. The Group's EBITDA and operating profit are to a large degree generated by the Nordic hydropower segment, which contributed 72% (73%) and 87% (82%) of the total, respectively.

Items excluded from the underlying operating profit

Total unrealised changes in value of energy contracts and significant non-recurring items had a negative effect in 2015, and amounted to NOK -3002 million (NOK 4449 million).

Unrealised changes in value of energy contracts adjusted for in the underlying operating profit amounted to NOK 609 million (NOK 2396 million). The primary contributors to the positive profit effect were embedded derivatives for bilateral industry contracts, which showed positive development as a result of a weaker NOK against EUR, and the financial risk reduction portfolio, which showed positive development due to falling Nordic power prices.

Operating expenses* - change from 2014 to 2015

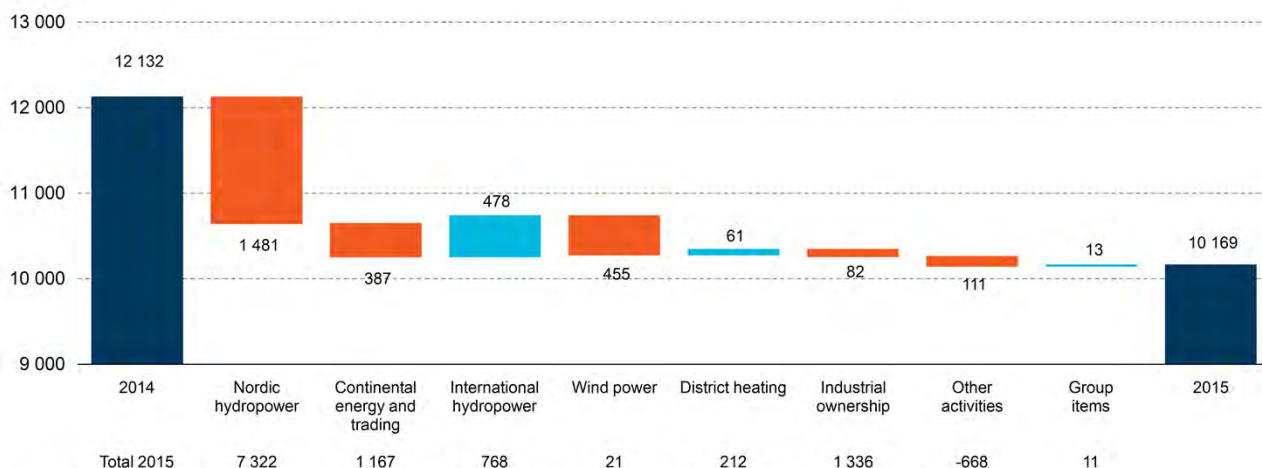


* Adjusted for non-recurring items

⁹ EBITDA margin (%): (Operating profit adjusted for unrealised changes in the value of energy contracts and significant non-recurring items x 100) / gross operating revenues adjusted for unrealised changes in the value of energy contracts and significant non-recurring items.

EBITDA* - change from 2014 to 2015

NOK mill.



* Adjusted for unrealised changes in value of energy contracts (excluding trading and origination) and material non-recurring items..

Non-recurring items excluded from the calculation of the underlying profit amounted to NOK -3610 million in 2015 (NOK 2053 million).

The gain from the sale of Småkraft adjusted for in the underlying profit was NOK 226 million. This does not include the gain of NOK 108 million in the associated companies BKK and Agder Energi.

There was an impairment of wind power in Sweden of NOK 1750 million as a result of expectations of lower power and electricity certificate prices in the coming years.

There was an impairment related to the construction of the Cetin hydropower plant in Turkey of NOK 2086 million. This was split into NOK 1297 million as impairment and NOK 789 million as other operating expenses.

Unrealised changes in value of energy contracts

NOK mill.	2015	2014
Long term contracts	2 097	1 429
Nordic and Continental Dynamic Asset Management Portfolio	-30	-317
End-users	38	14
Energy purchases	-1 681	1 298
Other/eliminations	184	-27
Unrealised changes in value not included in underlying profit	609	2 396
Unrealised changes in value included in underlying profit	-261	206
Unrealised changes in value presented in the profit and loss statement	348	2 602

Significant non-recurring items

NOK mill.	2015	2014
Gain from sale of assets	226	2 767
Impairments and related expenses	-3 836	-1 050
Pension scheme changes	-	280
Trial related to Saurdal power plant - consession power	-	56
Significant non-recurring items	-3 610	2 053

Share of profit from associated companies and joint ventures

The Group has major shareholdings in the regional Norwegian power companies BKK, Agder Energi and Istad, as well as shareholdings in companies outside Norway, where much of the activity takes place through participation in partly-owned companies.

The figures for International hydropower were impacted by impairments in both 2015 and 2014. In 2015, there was an impairment of NOK 384 million in India due to an expectation of lower power prices, while, in 2014, there was a write-down in Brazil of NOK 360 million. Contribution from SN Power increased due to the start-up of the Bajo Frio hydropower plant in Panama in 2015.

The share of profits for Wind power included a reversal of previous years' impairment of NOK 341 million in 2014. Otherwise, the share of profit improved due to the deconsolidation of the Sheringham Shoal wind farm from the end of 2014.

The improvement for Industrial ownership was mainly related to positive unrealised value changes from energy contracts in Agder Energi. Gain from the sale of Småkraft also contributed positively.

Share of profit/loss from associates and joint ventures

NOK mill.	2015	2014
International hydropower	-196	-240
Wind power	55	363
Industrial ownership	835	535
Other	-10	3
Associates	683	661

Financial items

The decrease in financial income was primarily related to gains linked to the SN Power transaction in 2014.

Financial expenses increased mainly due to loss in relation to step-up acquisition of Desenvix.

Net currency effects amounted to a loss of NOK 3445 million (loss of NOK 4791 million), mainly as a result of a weaker NOK against

EUR. The effects mainly stem from internal loans and currency hedging contracts. Most of these effects are offset by translation effects in the equity.

Financial items

NOK mill.	2015	2014
Interest income	378	267
Other financial income	43	592
Financial income	421	859
Interests expense	-1 322	-1 226
Other financial expenses	-736	-83
Financial expenses	-2 058	-1 309
Net currency effects	-3 445	-4 791
Other financial items	-237	-1 043
Net financial items	-5 318	-6 283

Net currency effects

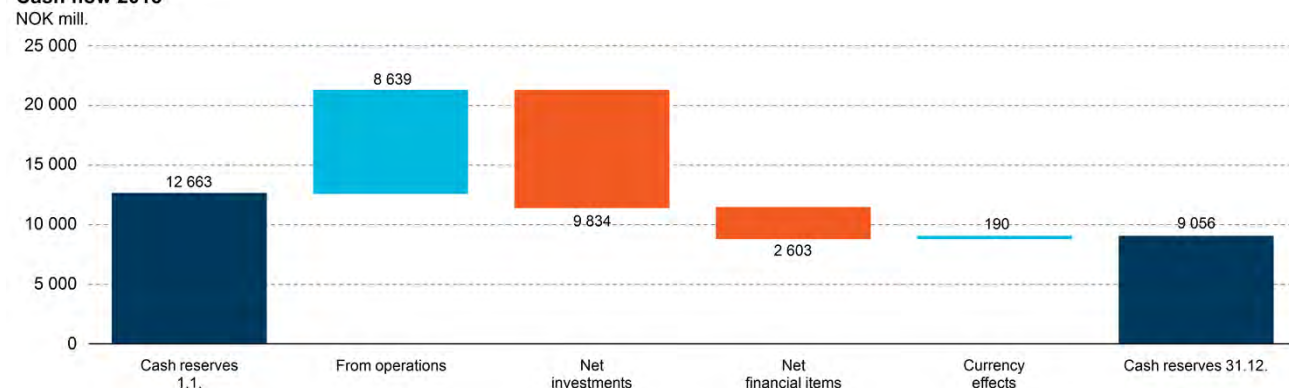
NOK mill.	2015	2014
Currency hedging contracts and short term currency positions	-1 794	-733
Realised	-1 675	-80
Unrealised	-119	-654
Loans in foreign currency	-838	-724
Realised	-306	284
Unrealised	-532	-1 008
Internal loans, joint ventures and associates	-813	-3 332
Realised	-2 635	980
Unrealised	1 822	-4 312
Net currency effects	-3 445	-4 791
Realised	-4 616	1 183
Unrealised	1 171	-5 974

Taxes

The recorded tax expense was NOK 1548 million (NOK 4045 million). The decrease in tax expense was mainly due to a net loss before tax in 2015, while there was a profit before tax in 2014.

Resource rent tax decreased by NOK 311 million compared with 2014 due to lower power prices and hydropower generation, but at NOK 1481 million, it still constitutes a major part of the Group's tax expense. The majority of the tax expense was related to Norway.

Cash flow 2015



Cash flow

The Group generated a cash flow from operating activities of NOK 8639 million in 2015 (NOK 6898 million), an increase of 25% compared with the previous year.

Net income, adjusted for non-cash effects, was NOK 11 167 million (NOK 9762 million), including changes in short and long term items. The changes in short and long-term items had a positive effect of NOK 4651 million (NOK -1746 million). The change in short-term items was mainly related to working capital, cash collateral and provision related to impairment in Turkey. Taxes paid were NOK -3062 million (NOK -3593 million) and dividends received from associated companies and joint ventures were NOK 534 million (NOK 729 million).

Net investments¹⁰ amounted to NOK -9834 million (NOK -5450 million). This was primarily investments in property, plant and equipment totalling NOK -8720 million, acquisition of shares in Pilmaiquén in Chile of NOK -1928 million, in Desenvix in Brazil of NOK -911 million and divestment of Småkraft of NOK 1337 million.

The net liquidity change from financing amounted to NOK -2603 million (NOK 3168 million). New debt totalled NOK 14 409 million (NOK 1917 million), while repayment of debt was NOK -11 864 million (NOK -3900 million). Dividend and Group contribution amounted to NOK -5157 million, primarily from Statkraft AS to Statkraft SF.

Currency exchange rate effects on cash and cash equivalents amounted to NOK 190 million.

Statkraft monitors its ability to meet future liabilities through the target figure "Short-term liquidity"¹¹, and at the end of 2015, the target figure was within the target range of 1.5 to 4.0.

Financial structure

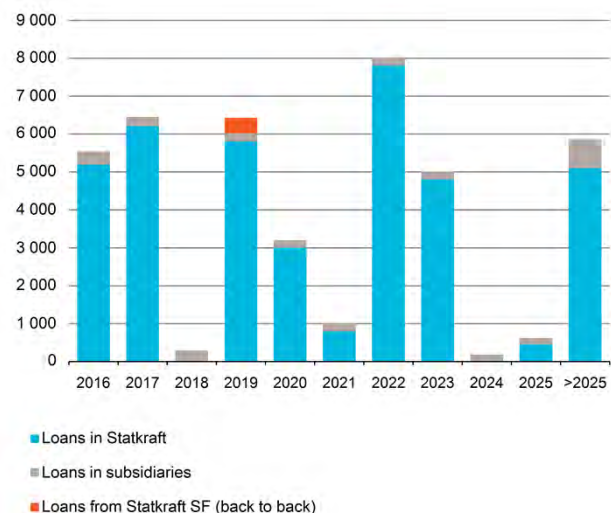
The main objectives of the Group's capital structure management are to maintain a reasonable balance between solidity and the ability to expand, and to maintain a strong credit rating. The most

¹⁰) Net investments include investments paid at the end of the quarter, payments received from sale of non-current assets, net liquidity out from the Group upon acquisition of activities and repayment and disbursement of loans.

¹¹) 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)).

Long-term liabilities, debt redemption profile

NOK mill.



Debt and interest rates

%	Share 31.12.2015	Interest rate 2015
NOK	36%	4.8 %
EUR	44%	2.9 %
GBP*	15%	0.8 %
USD	3%	5.6 %
BRL	2%	8.2 %
Floating rate	60%	
Fixed rate	40%	

* Debt in GBP is synthetically converted from NOK through financial instruments, and does not include credit margin.

important target figure for the Group's management of capital structure is long-term credit rating.

Tools for long-term management of capital structure are primarily comprised by the drawdown and repayment of long-term liabilities and payments of share capital from/to the owner. 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.

The Group endeavours to obtain external financing from different capital markets. When raising loans, Statkraft seeks to ensure an even repayment profile, and the current maturity profile is in line with this objective. New loans are planned in accordance with the liquidity forecast, investment decisions and sale of assets.

At the end of 2015, net interest-bearing debt¹² amounted to NOK 35 036 million, compared with NOK 23 638 million at the beginning of the year. The increase was primarily related to new investments, payment of dividend and debt in acquired companies in Chile and Brazil. The net interest-bearing debt-equity ratio was 28.4%, compared with 21.2% at year-end 2014.

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

Current assets, except cash and cash equivalents, amounted to NOK 18 883 million (NOK 21 780 million) and short-term interest-

free debt was NOK 18 994 million (NOK 20 662 million) at the end of 2015.

At the end of the year, Statkraft's equity totalled NOK 88 340 million, compared with NOK 88 059 million at the start of the year. This corresponds to 49.9% of total assets (52.5%).

Financial strength and rating

It is important to Statkraft to maintain its credit rating with the two major rating agencies Standard & Poor's and Moody's. An important key figure monitored by Statkraft in relation to credit rating is the cash flow from operations in relation to net interest-bearing debt. Statkraft AS has a current credit rating of A- (negative outlook) from Standard & Poor's and Baa1 (stable outlook) from Moody's. See note 6.

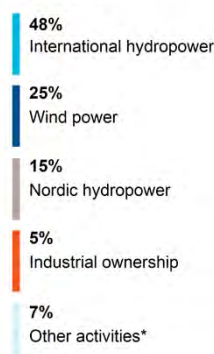
Investments

In accordance with the Group's strategy, the project activity level has been high the last years, especially within wind and hydropower. Going forward, however, the Group's investment programme will be scaled down due to lower power prices and the changes in the dividend policy.

In total, Statkraft invested NOK 13 557 million in 2015, of this NOK 3237 million was invested in Norway. Approximately three fifths of the total investments were made in new generating capacity. Maintenance investments are primarily in connection with Nordic hydropower. The largest investments in new capacity are in connection with wind power in Sweden and the UK, as well as international hydropower.

Investments (13 557 NOK mill.)

NOK mill./%



* Includes Continental energy and trading, District heating and Small-scale hydropower

¹²⁾ Net interest-bearing debt: Gross interest-bearing liabilities – bank deposits, cash in hand 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 market operations, financial management, project execution, operating activities and framework conditions.

Integrated corporate risk management

Growth and increased internationalisation together with dramatic changes in the energy sector set stricter requirements for risk management in the investment portfolio. Statkraft has a central Investment Committee to improve risk handling in relation to individual investments and across the project portfolio. The risk management is an integrated part of other governance through a risk-based system for the corporate management's follow-up of the business areas. The Group's overall risk profile is concluded by the Corporate Management and is reported to the Board of Directors.

Market risk in energy markets

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:

- Both power prices and production volumes are impacted by weather and precipitation volumes, while electricity prices depend on production, consumption and transmission conditions in the electricity market.
- Power prices are also impacted by gas, coal and oil prices, the price of carbon quotas, support regimes and introduction of new power production technology.

Statkraft manages market risk in the energy markets by trading physical and financial instruments in multiple markets. Increased integration of the energy markets is having a significant impact

on business models and risk management. Consequently, Statkraft places significant emphasis on the interrelationship between the various markets. The Group's hedging strategies are regulated by 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 our current 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. New products and services typically have a short lifetime compared with other activities before profitability is reduced as a result of competition from other players or regulatory amendments. Risk is handled through mandates covering raw materials, geographical areas and duration. An independent risk management function ensures objectivity in the assessment and handling of risk.

Sales activities are exposed to uncertainty in the sales price to retail customers and companies, as well as the purchase price in the wholesale market. Statkraft limits the net exposure by securing symmetry between customers and purchases in the wholesale market and by using financial instruments. District heating operations are also exposed to market risk through uncertain fuel prices (waste, oil, gas, electricity prices and others) and prices to customers. However, the fact that prices to customers are linked to fuel prices means that net exposure to price changes is limited.

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. Statkraft

RISK EXPOSURE THROUGH THE VALUE CHAIN

RISK ACROSS THE VALUE CHAIN

REGULATORY FRAMEWORK AND COUNTRY ASPECTS

- Taxes and competition legislation
- EU and EEA regulatory framework
- National laws and regulations
- Licences, concessions
- Support regime
- Government, parliament
- Country culture

PEOPLE

- Roles and responsibilities
- Skills and knowledge

MANAGEMENT

- Leadership
- Strategy, policy and procedures
- Organisation and resources
- Partnership
- Company culture

FINANCIAL

- Interest rate and currency
- Funding/liquidity
- Counterparty risk related to financial counterparties
- Guarantees

RISK IN THE VALUE CHAIN

Development

Construction

Production

Energy optimisation and trading

Distribution/retail customer

Market risk

- Currency risk
- Currency and interest rate risk
- Hydrology
- Power prices, fuel prices, carbon quota prices
- Power and fuel prices
- Volume risk associated with consumption
- Interest rate risk for distribution grid revenues

Counterparty risk

- Counterparty risk related to commitments
- Counterparty risk related to investments
- Counterparty risk in sales and power trading
- Counterparty risk

Operational and project risk

- Claims for compensation, loss of reputation
- Damage to property, health and the environment, human error and system failure, delays, budget overruns and loss of reputation
- Damage to property, health or the environment, human error and system failure, fines and loss of reputation
- Fines, claims for compensation, human error, system failure and loss of reputation
- Damage to property, health or the environment, fines and loss of reputation

is exposed to interest risk through external financing and distribution grid revenues. The Group is exposed to currency risk through:

- Integration between the Nordic and the Continental power market
- The Group's energy trading in EUR
- 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. 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 can mainly be handled through good 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 and investment of surplus liquidity. The credit rating of all counterparties is evaluated before contracts are signed, and exposure vis-à-vis individual counterparties is 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 greatest within implementation of our investment projects and operational activities. This may result in:

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

Statkraft's first priority is to execute development activities and operations in a responsible manner. Risk management at early stages of the development for an investment project has turned out to be 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 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 implement systematic risk assessments. This takes place through each project:

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

The most critical aspects are in connection with development of Statkraft's international activities. Major attention is devoted to development of sound systems for learning, establishing barriers and ensuring compliance to avoid delays, cost overruns and undesirable incidents. Statkraft has a joint corporate project unit to further reduce risk in relation to project 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 the overall risk at Group level.

Other risk

Statkraft's activities in Norway are influenced by framework conditions such as taxes, fees, regulations, grid regulations, changes in mandatory minimum water level and other requirements stipulated by the Norwegian Water Resources and Energy Directorate (NVE), as well as general terms and conditions stipulated for the energy industry. These framework conditions can influence Statkraft's production, costs and revenues.

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

Statkraft's international investments involve both heightened country risk 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 Group standards within HSE and ethics. The standards have been set out and made available in the Group's Code of Conduct. The standards are also communicated to all partners and suppliers.

Statkraft is also exposed to security and corruption risk, which is discussed under «Corporate Responsibility».

Changing environment

Climate change, technology 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 (or avoid the loss of not exploiting them) Statkraft strives to adapt to the changing environment by developing skilled leaders, having sufficient flexibility and adaptability in our business models and decision processes, and continuously monitor the technology development and identify potential business opportunities or threats.

Internal control

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

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. Corporate Audit's responsibilities are defined by the Board of Directors and perform its activities with the purpose to:

- Increase awareness related to governance, risk management and control issues
- Provide recommendations based on cost-benefit evaluations
- 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 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. 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 minimum one meeting per year without the presence of the Group Administration.

Internal control over financial reporting

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

The ICFR system ensures reliable and timely financial information. 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 main elements of the ICFR system are risk assessment, evaluation of control design, continuous performance and monitoring, self-assessment and review and reporting.

In 2015, Statkraft implemented a new support system, GRC tool, for the ICFR process. The system will, amongst others, facilitate efficient monitoring of control performance.

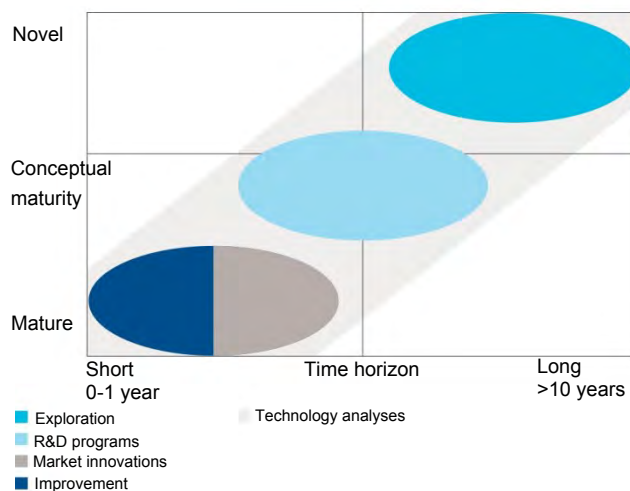
Innovation

The main purpose of innovation in Statkraft is to develop and strengthen competitive advantages in the core activities and to identify and promote new business development opportunities. In addition, innovation is an important measure with regards to long-term competence building and securing good future framework conditions for renewable energy generation. In 2015, about NOK 195 million was expensed on various innovation activities.

Statkraft's innovation logic

All innovation activities are continuously followed up to ensure relevance and benefits. The following logic forms the basis for balancing investments between short-term and long-term innovation activities in the Group:

Innovation logic



Improvement work addresses daily challenges and usually yields quick results. These projects focus on existing plants/equipment and optimal resource utilisation.

Market innovation is focused on exploiting new business opportunities in a transforming energy market. These activities have a relatively short time perspective and are related to development of products and services.

Statkraft Ventures was established in 2015. The venture fund is an innovation and growth tool with focus on business models in and around distributed generation and management.

Research and development (R&D) programmes are established to strengthen Statkraft's competitive advantages in core business, and have a longer time perspective. Statkraft has

multiple-year R&D programmes within hydropower, wind power, bio-energy and climate change.

Exploration activities have been established with the purpose of evaluating and qualifying technologies and solutions which in the long term can form the basis for new insight or activity in Statkraft.

Technology analysis is used to monitor the global technology developments and trends in the energy sector. Technology costs for technologies Statkraft operates in today, as well as for competing technologies are analysed. Special attention is given to potential game changers.

Prioritisation and value creation

Each innovation project in Statkraft is initiated from an operational or strategic business rationale. Estimates of the R&D programme portfolio show an average value potential of several times the project cost. Through thorough selection processes each project is evaluated according to its potential for cost-reduction, increased efficiency or income, reduced risk of unexpected cost or likelihood for improving the future regulatory framework for our technologies. Where cost-benefit calculations are possible, the value potential is used to guide the selection and funding of the projects.

Main exploration initiative - biofuel

Producing and selling second generation biofuels to the transportation sector is considered as a future renewable energy business opportunity for Statkraft. Statkraft and Södra have together established Silva Green Fuel AS with the objective of producing second generation biofuel from forest feedstock. The ambition is to develop a demonstration plant at Tofte, Norway within 2020. If constructed, the plant is expected to produce 50-150 million litres of biodiesel based on Norwegian feedstock. Such a plant, and subsequently others, would represent a significant contribution towards Norway's ambition of reducing transportation-related GHG-emissions.

Corporate Responsibility

Statkraft is committed to act in a sustainable, ethical and socially responsible manner. The goal is to have safe operations where people, communities, the environment and our assets are protected.

In order to operationalise these commitments, Statkraft takes guidance from globally recognised initiatives and standards, including the OECD's Guidelines for Multinational Enterprises and IFC's Performance Standards on Social & Environmental Sustainability. Statkraft is a member of the UN Global Compact and complies with its ten principles relating to human rights, labour rights, environment and anti-corruption. Statkraft's external reporting on initiatives and performance within corporate responsibility is based on the Global Reporting Initiatives guidelines (GRI G4). As part of the corporate responsibility reporting process, a materiality analysis was completed in 2015 where the following material aspects were identified as most central:

- Safety and safeguarding of people
- Human rights

- Water management
- Biodiversity
- Climate change mitigation, adaptation and preparedness
- Business ethics and anti-corruption

Below is a brief summary of Statkraft's work and results in the corporate responsibility area in 2015.

Management of corporate responsibility

The Group's fundamental principles for sustainable, ethical and socially responsible behaviour are described in Statkraft's Code of Conduct. The Code 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 standards and Statkraft has also corresponding requirements for the Group's suppliers.

The procurement process is designed to ensure the follow-up of suppliers at different stages of the process. Risk areas are identified at an early stage, and high-risk areas are followed up closely throughout the procurement process.

Ethical and sustainable behaviour is a line responsibility in Statkraft. With a view to ensuring that all employees follow the Group's ethical standards, systems are in place to provide employees with the necessary guidance and advice to uphold desired behaviour. Principles and requirements associated with corporate responsibility are an integrated part of Statkraft's management system. The management system facilitates a structured and uniform handling of the Group's corporate responsibility, and the system is regularly evaluated to tailor it to new expectations, contexts and challenges. Several aspects of corporate responsibility performance are followed up through Group scorecards and in regular business reviews for each business area. Statkraft's corporate responsibility is also a part of Corporate Audit's scope of work.

Having adequate expertise in all areas associated with corporate responsibility is a critical success factor in terms of achieving the Group's goals. Statkraft works actively to build expertise, develop training plans and transfer experience across the organisation, and corporate responsibility is an integrated topic in the introduction programme for new employees.

Statkraft's Code of Conduct emphasises that employees have both the right and responsibility to report concerns or breaches of the rules through the line organisation or to the Group's independent Whistle-blower Channel, which is managed by Corporate Audit. The Whistle-blower Channel is also available for externals. In 2015, 12 reported concerns were handled by Corporate Audit. Four of those concerns were reported by externals. Corporate Audit is responsible for performing corporate investigations in situations when such investigations are needed. In 2015, Corporate Audit has handled three preventive investigations and two investigations as a response to reported concerns. The concerns reported in 2015 mainly covered the areas of business ethics as well as human rights and labour rights.

Environment and climate

Statkraft's environmental ambition is to support a global transition towards a low-carbon economy by providing renewable and sustainable energy solutions. Continued growth based on international good practice for environmental management are key elements to achieve this ambition. Statkraft has decided to only invest in renewable energy in the future. Statkraft has in 2015 been positioned as one of the leading peers with regard to environmental management by Oekom Research Corporate Rating.

In 2015, Statkraft has worked strategically with the Water Framework Directive in order to enhance coordination of the company's actions related to water management in Norway, Sweden and Germany. This work will continue in 2016.

Statkraft's core activities have a long time perspective and climate change will influence both operations and business opportunities significantly. Statkraft has chosen a specific climate scenario as input to the Group's long-term strategy work to account for this. In 2015, Statkraft joined the World Bank's Carbon Pricing Leadership Coalition, a broad voluntary initiative that aspires to work for the successful implementation of carbon pricing worldwide.

There were no serious environmental incidents in the Group in 2015. However, 228 minor environmental incidents were registered (159). Most of these were related to short-term breaches of river management regulations and minor oil spills. Reported incidents had little or no impact on the environment.

In 2015, Statkraft's electricity consumption was 1031 GWh (899 GWh). In geographies where applicable, electricity consumed has been certified as renewable in accordance with RECS (Renewable Energy Certificate System). Statkraft's emissions of greenhouse gases were 257 600 tonnes of CO₂ equivalents (313 300 tonnes). Furthermore, Statkraft generated 61 400 tonnes of hazardous waste from power and district heating production (60 400 tonnes). The waste was treated in accordance with applicable regulations. Most of this (80%) was residual products from Statkraft's waste incineration plant.

Health and safety

Statkraft is focusing on health and safety in every workplace and project, and the overall target is zero accidents with serious injuries. Leadership commitment, a proactive attitude towards health and safety, robust planning of projects and clear safety expectations is crucial to achieve this objective.

There were no fatal accidents in Statkraft in 2015, but 39 of the registered accidents and near-misses were categorised as serious incidents (with or with the potential for serious injuries) (30). Six of the accidents resulted in serious injuries, and another 33 incidents had the potential for serious consequences. Serious incidents are investigated according to defined procedures to ensure learning across the organisation. Most of the serious accidents and near-misses in 2015 were associated with operation of vehicles, heavy machinery and lifting operations.

The rate for lost-time injuries, LTI was 3.5 among Statkraft employees and contractors in 2015 (3.4), while the rate for all

types of injuries, TRI, was 5.9 (5.5). In total 176 injuries were registered (170), of which 104 were lost-time injuries among the Group's employees and contractors (106). In addition, 11 400 unsafe conditions (9459) and 3850 near-misses were recorded in 2015 (989).

In 2015, Statkraft has reinforced resources to develop a more mature and proactive approach to health and safety. A step change programme has been launched to support this process. New KPIs to increase focus on serious injuries are rolled out from January 2016. Additional leading indicators to increase management and employee engagement in HSE activities will be implemented in 2016 and the "CEO's HSE award" has been launched to inspire activities that contribute to improved HSE results. HSE training programmes for operation and projects are being developed through Statkraft Academy and will be launched and implemented in 2016.

A number of emergency drills were conducted in 2015 in various areas which incorporate experiences from safety and security situations both in Norway and abroad.

Absence due to illness in Statkraft is at a stable low level and was 3.0% in 2015 (2.8%). All Norwegian companies in the Group have entered into a cooperation agreement on a More Inclusive Working Life (Inkluderende Arbeidsliv), with active follow-up of absence and adaptation of the work as needed.

Security

In Statkraft, the area of security encompasses personnel security, physical security, IT system security and information security. Statkraft takes a comprehensive approach to security topics and follows international good practice for security management.

In 2015, overall country threat assessments have been produced for all countries with Statkraft presence or interests, and updated security risk assessments have been performed for key locations. Statkraft's interests in Turkey are followed up particularly, and the situation in the country and the region is continuously monitored and assessed.

Statkraft has, along with other energy companies, established a new company, Kraftcert. The company co-operates with Norcert and other security authorities and will have as its main objective to strengthen the utility sector's ability to resist cyberattacks. In addition, Statkraft has improved operational abilities to detect and handle security incidents.

Human rights

Statkraft takes its corporate responsibility to respect human rights seriously and its work is guided by the internationally recognised UN's Guiding Principles on Business and Human Rights.

During 2015, Statkraft has launched several initiatives to strengthen its management systems and performance in the human rights area. This included participation in the OECD Norwegian National Contact Point's pilot project on Human Rights Due Diligence and a high-level human rights assessment aimed at identifying its most salient human rights impacts.

Statkraft's approach to human rights management is based on the principles of integration and mainstreaming of human rights considerations into existing processes and systems, for instance those related to health and safety, security, environment, social issues or human resources.

In 2012, a complaint against Statkraft was lodged before the OECD's Norwegian and Swedish National Contact Points in connection with the development of wind power in Sweden. Mediation took place between Jijnjevaerie Sámi Village and Statkraft in 2014 and was concluded without agreement. The Final Statement from the OECD National Contact Points was issued on 9 February 2016, thereby concluding on and closing the case. The National Contact Points have not found any grounds for concluding that Statkraft has failed to comply with the OECD Guidelines. They pointed to some areas where there is room for improvement, including that Statkraft can work in a manner that even more clearly promotes indigenous people's rights and the implementation of the guidelines. The National Contact Points recommended that the parties show renewed will to negotiate an agreement on the further development of the wind power projects.

Business ethics and anti-corruption work

Statkraft has zero-tolerance for corruption and is committed to upholding high ethical standards. With increased activity in markets exposed to corruption, Statkraft places significant emphasis on a strong ethical business culture and on developing robust anti-corruption measures.

Statkraft's anti-corruption programme includes a process of mapping risks and gaps in each of Statkraft's business areas. The process has involved interviews with approximately 10% of staff across the company and most senior managers were involved in final discussions. This is done with the aim to develop customised solutions for training, controls and other corruption-prevention measures. Focus for 2015 has been expanding the work related to integrity checks of business partners, strengthening controls in critical processes and tailored training and guidance.

A training programme on business ethics and anti-corruption has been adopted as part of the anti-corruption programme, where employees have received mandatory training, adjusted to the specific risks they face. The training employed a number of methods, including e-learning, classroom training and dilemma discussions. The mandatory training will be refreshed every year or every second year depending on the risk profile of the department. Specific training has been provided to senior management at different levels. By the end of 2015, 68% of Statkraft's staff has received tailored training on business ethics and anti-corruption.

Statkraft has prepared practical guidelines that advise employees on how to handle ethical challenges. The guidelines are a supplement to governing documents, the existing anti-corruption work manual and anti-corruption e-learning programme. These have been translated into different languages used by Statkraft employees.

Over the past years, Brazil has experienced several severe corruption cases. On this background, Statkraft has initiated an

internal investigation related to the subsidiary acquired in 2015. This investigation is not finalized.

Social impact

Statkraft's power generation can have significant impact on local communities. Considerable efforts are made to avoid, reduce or mitigate negative impact and at the same time 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 International Finance Corporation Performance Standards on Social & Environmental Sustainability.

In 2015, the largest social mitigation programmes and development initiatives were carried out for Devoll (Albania) and Cetin (Turkey) projects in the construction phase, focusing on infrastructural improvements and livelihood programmes. For Cheves (Peru) and Kargi (Turkey) projects, social programmes have been initiated for the operational phases to address any outstanding issues and to promote good relations with communities.

Employees and organisation

Statkraft believes that strengthening and leveraging core competence is fundamental to how the company creates value. Statkraft therefore works to establish global processes and ways of working within key areas like large project execution, operations and maintenance of power stations, energy management, and trading and origination. The company is organised to further support this, with individual business areas having global responsibility for these processes. Over the last year, the company has had a particular focus on strengthening capabilities in large project execution, and the Power Generation business area has made significant efforts and progress in establishing a global operating model for operations and maintenance.

Having a highly competent and engaged workforce is strategically important for Statkraft. In 2015, Statkraft Academy was launched in order to further strengthen the way Statkraft works with competence development. Statkraft Academy lays the foundation for an improved and more targeted approach to training, and makes all Statkraft training available in one point of contact globally. Statkraft offers own training in core business processes such as operations and maintenance, energy management, and project management, as well as in important areas such as business ethics, safety, and leadership.

An employee survey is carried out every year in Statkraft. The survey is used as a tool for monitoring employee engagement, a source for identifying improvements areas within the organisation, and as an input to leadership development. The response rate in 2015 was 87%, and results indicate that Statkraft is a good place to work and that the company has satisfied, committed and loyal employees. The score on the overall indicator "Satisfaction & Motivation" was 73 of 100, which is above both the Norwegian (70) and European (65) industry average.

In Statkraft there is a close link between business goals and goals for individual leaders and employees. The overall goals for the company are cascaded down to individuals and teams and discussed in the goal and development dialogues.

Statkraft has a focused and systematic approach to recruitment and remains an attractive employer both among graduates and experienced employees. The Group has a trainee programme which enrolled eight new trainees with different backgrounds and nationalities in 2015.

Statkraft has a structured collaboration with local employee representatives and represented trade unions. In addition to national cooperation with trade unions, Statkraft has a European works council (Statkraft European Works Council, SEWC), with employee representatives from Norway, Sweden, Germany and the UK. SEWC is an important forum where topics related to working life and labour rights are addressed and discussed with Statkraft's management.

The Group supports and respects internationally recognised labour rights wherever it operates. 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.

Statkraft wants a diverse working environment and considers equal treatment as tenet in its recruitment and HR policy. Statkraft strives to attain an even gender distribution in the Group, and more women in managerial positions. At the end of 2015, 23% of the Group's employees were female (24%), and the percentage of women in management positions was 23% (22%). The percentage of women among new employees in 2015 was 26%. The percentage of women on Statkraft's Board of Directors is 50%. The average salary for women compared with men in Statkraft was 0.97 in 2015. The corresponding figure for management was 0.91.

At the end of 2015, the Group had 3795 full-time equivalents (3348). The Group had employees in 15 countries, and 43% of the employees were located outside of Norway (34%). The average length of service was 10.8 years (11.8) and the employee turnover was 4.6% (4.0%).

Corporate Governance

Efficient and transparent management and control of the business form the basis for creating long-term values for the owner, employees, other stakeholders and society in general, and, as a result, contribute to 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 will ensure that the Group maintains a good relationship with society in general and the 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 profitable 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 on Statkraft's website.

The work of the Board of Directors

Harald Von Heyden left the Board of Statkraft on 1 December 2015. There were no other changes in the Board's composition in 2015.

The Board of Statkraft AS held eleven board meetings in 2015. The Board has a strong focus on daily operations and ongoing development projects. A significant part of the work of the Board of Directors in 2015 was in connection with development of investments in accordance with the Group's strategy.

The Board has a Compensation Committee consisting of the chair of the Board and two of the Board members, and an Audit Committee consisting of four Board members. The Compensation Committee held three meetings during the course of the year, while the Audit Committee held six.

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.

Profit allocation

The parent company Statkraft AS suffered a net loss of NOK 832 million in 2015 (loss of NOK 2442 million).

The Board of Statkraft SF proposes that no dividend be disbursed from Statkraft SF for 2015. The Board of Statkraft AS proposes the following allocation of the annual profit in Statkraft AS:

Coverage of loss	
Amounts in NOK mill.	
Net annual loss in Statkraft AS' company accounts	-832
Coverage of loss for the year:	
Allocated dividend from Statkraft AS to Statkraft SF	1 604
Allocated to (+)/from (-) other equity	-2 436

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

Outlook

Low European power prices and a power surplus in the Nordic region have resulted in low Nordic power prices. However, a significant share of the Group's power generation in several markets is sold through long-term power contracts which help to stabilise the Group's revenues. Going into 2016, Statkraft's hydrological resource situation is robust.

In several emerging markets there is a rising demand for energy. Based on Statkraft's core expertise, this provides opportunities for value creation within renewable energy. The recent acquisitions in Chile and Brazil and completion of new hydropower plants in 2015 have strengthened Statkraft's position and will result in increased income from the Group's international operations. The development of 1000 MW of onshore wind

capacity in Central-Norway will establish Statkraft as one of the leading onshore wind players.

As a result of the lower power prices and the change in the owner's dividend policy, Statkraft has adjusted the investment plan. The main changes are that there will be no new investments in offshore wind and the focus will be on maximising the value of existing assets and projects. In addition, some international hydropower projects will be postponed. For European flexible power generation, market operations and district heating there are no significant changes, and Statkraft will continue to make investments in order to modernise its ageing hydropower plants in Norway and Sweden.

The Board of Directors of Statkraft AS

Oslo, 16 March 2016



Olav Fjell
Chair of the Board



Berit Rødseth
Deputy chair



Halvor Stenstadvold
Director



Elisabeth Mørthen
Director



Hilde Drønen
Director



Asbjørn Sevelejordet
Director



Vilde Eriksen Bjerknes
Director



Thorbjørn Holøs
Director



Christian Rynning-Tønnesen
President and CEO

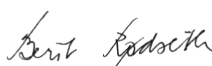
Declaration from the Board and CEO

We confirm to the best of our knowledge that the consolidated financial statements for 2015 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 2015 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, 16 March 2016


Olav Fjell
Chair of the Board


Berit Rødseth
Deputy chair


Halvor Stenstadvold
Director


Elisabeth Mørthen
Director


Hilde Drønen
Director


Asbjørn Sevejordet
Director


Vilde Eriksen Bjerknes
Director


Thorbjørn Holås
Director


Christian Rynning-Tønnesen
President and CEO



Irene Egset

EVP Corporate Staff.

Responsibilities: Corporate communication, corporate office, CR & HSE, legal, public affairs and HR and employee relations.

Steinar Bysveen

EVP Wind Power, Technologies and Strategy.

Responsibilities: Wind power, innovation, district heating, industrial ownership and corporate strategy.

Christian Rynning-Tønnesen

President and CEO

Hallvard Granheim

EVP and CFO.

Responsibilities: Finance, treasury, tax, corporate audit, procurement, investor relations, strategic finance and corporate transactions.

Hilde Bakken

EVP Power Generation.

Responsibilities: Power generation and asset development European flexible generation.

Asbjørn Grundt

EVP International Hydropower.

Responsibilities: International hydropower.

Jürgen Tzschoppe

EVP Market Operations and IT.

Responsibilities: Energy management, trading and origination and IT.



Statkraft opened two hydropower plants in 2015; **Cheves** in Peru increased Statkraft's annual generation of renewable energy in Peru by 840 GWh to about 2.5 TWh. **Kargi** is Statkraft's second power plant in Turkey and increased Statkraft's installed capacity in the country from 20 MW to 122 MW.

Group Financial Statements

Statement of Comprehensive Income

Statkraft AS Group

NOK million	Note	2015	2014
Sales revenues	4, 12, 20	51 586	48 246
Other operating revenues	13	1 507	4 008
Gross operating revenues	4	53 094	52 254
Energy purchase	14, 20	-31 892	-25 264
Transmission costs		-1 112	-1 185
Net operating revenues	4	20 090	25 805
Salaries and payroll costs	15, 16	-3 545	-3 051
Depreciation, amortisation and impairment	4, 22, 23	-6 401	-4 071
Property tax and licence fees	17	-1 679	-1 630
Other operating expenses	18	-4 651	-3 493
Operating expenses		-16 276	-12 246
Operating profit/loss	4	3 814	13 560
Share of profit/loss from associates and joint ventures	4, 24	683	661
Financial income	19	421	859
Financial expenses	19	-2 058	-1 309
Net currency effects	19, 20	-3 445	-4 791
Other financial items	19, 20	-237	-1 043
Net financial items		-5 318	-6 283
Profit/loss before tax		-821	7 937
Tax expense	21	-1 548	-4 045
Net profit/loss		-2 369	3 892
Of which non-controlling interest		-598	684
Of which majority interest		-1 772	3 209
OTHER COMPREHENSIVE INCOME			
Items in other comprehensive income that recycle over profit/loss:			
Changes in the fair value of financial instruments		-937	-907
Income tax related to changes in fair value of financial instruments		142	276
Items recognised in associates and joint ventures		204	-123
Exchange differences arising on translating foreign entities		6 138	7 734
Reclassification currency translation effects related to foreign operations disposed of in the year		772	-69
Items in other comprehensive income that will not recycle over profit/loss:			
Remeasurement of defined benefit obligation		758	-704
Income tax related to remeasurement of defined benefit obligation		-314	184
Other comprehensive income		6 761	6 392
Total comprehensive income		4 391	10 284
Of which non-controlling interest		-133	1 322
Of which majority interest		4 525	8 962

Statement of Financial Position

Statkraft AS Group

NOK million	Note	31.12.2015	31.12.2014
ASSETS			
Intangible assets	22	5 822	3 439
Property, plant and equipment	23	111 207	99 199
Investments in associates and joint ventures	4, 24	19 388	19 027
Other non-current financial assets	25	7 874	6 093
Derivatives	28	4 675	5 616
Non-current assets		148 966	133 374
Inventories	26	1 044	2 088
Receivables	27	10 675	12 433
Short-term financial investments		513	443
Derivatives	28	6 651	6 816
Cash and cash equivalents (including restricted cash)	29	9 056	12 663
Current assets		27 939	34 444
Assets		176 905	167 817
EQUITY AND LIABILITIES			
Paid-in capital		57 111	56 361
Retained earnings		22 787	23 876
Non-controlling interests		8 443	7 823
Equity		88 340	88 059
Provisions	16, 30	21 228	18 796
Long-term interest-bearing debt	31	37 410	27 438
Derivatives	28	3 736	3 556
Long-term liabilities		62 374	49 790
Short-term interest-bearing debt	31	7 196	9 306
Taxes payable	21	2 825	3 546
Other interest-free liabilities	32	10 781	9 808
Derivatives	28	5 388	7 308
Short-term liabilities		26 190	29 968
Equity and liabilities		176 905	167 817

The Board of Directors of Statkraft AS
Oslo, 16 March 2016


Olav Fjell
Chair of the Board


Berit Rødseth
Deputy chair


Halvor Stenstadvold
Director


Elisabeth Morthen
Director


Hilde Drønen
Director


Asbjørn Sevelejordet
Director


Vilde Eriksen Bjerknes
Director


Thorbjørn Holøs
Director


Christian Rynning-Tønnesen
President and CEO

Statement of Cash Flow

Statkraft AS Group

NOK million	Note	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		-821	7 937
Profit/loss on disposal of non-current assets		43	-80
Depreciation, amortisation and impairment	22, 23	6 401	4 071
Profit/loss from sale of business	5	-221	-2 559
Profit/loss from sale of shares, associates and joint ventures	5	471	-69
Profit from restructuring of SN Power	5	-	-564
Share of profit/loss from associates and joint ventures	24	-683	-661
Realised currency effect on internal loans ¹⁾		2 635	-980
Unrealised changes in value	20	-1 308	4 412
Changes in long-term items		410	-52
Changes in short-term items ¹⁾		4 241	-1 694
Dividend from associates		534	729
Taxes	21	-3 062	-3 593
Cash flow from operating activities		8 639	6 898
	A		
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment ²⁾	4	-8 720	-8 801
Proceeds from sale of non-current assets		152	-17
Business divestments, net liquidity inflow to the Group ³⁾	5	1 691	4 688
Business combinations, net liquidity outflow from the Group ⁴⁾	5	-2 889	-74
Restructuring of SN Power, net liquidity outflow from the Group	5	-	-770
Loans to third parties		-407	-100
Repayment of loans from third parties		628	390
Considerations regarding investments in other companies ⁴⁾		-289	-765
Cash flow from investing activities		-9 834	-5 450
	B		
CASH FLOW FROM FINANCING ACTIVITIES			
New debt	31	14 409	1 917
Repayment of debt	31	-11 864	-3 900
Capital increase		-	5 000
Dividend and Group contribution paid		-5 157	-74
Share issue in subsidiary to non-controlling interests		9	225
Cash flow from financing activities		-2 603	3 168
	C		
Net change in cash and cash equivalents	A+B+C	-3 797	4 616
Currency exchange rate effects on cash and cash equivalents		190	362
Cash and cash equivalents 01.01	29	12 663	7 685
Cash and cash equivalents 31.12 ⁵⁾	29	9 056	12 663
Unused committed credit lines		13 000	12 000
Unused overdraft facilities		2 200	2 200
Restricted cash	29, 34	-	-

¹⁾ Realised currency effects from internal loans are shown on a separate line. Previous periods, these effects have been shown as part of changes in short term items.

²⁾ Investments in the cash flow are NOK 1047 million lower than investments in fixed assets in the segment reporting due to acquisition of assets not paid as of year end 2015.

³⁾ Cash received from business divestments are NOK 1796 million whereof NOK 354 million is repayment of loans provided by Statkraft. Consolidated cash in the divested companies are NOK 105 million.

⁴⁾ Investments in business combinations, asset purchase and investment in other companies are NOK 611 million lower than for investments in other companies shown in the segment reporting. This is mainly due to cash in the acquired companies of NOK 329 million, part of the acquisition cost not yet paid as of year end 2015 of NOK 337 million as well as investments by Statkraft Forsikring not presented as investment in the segment reporting of NOK - 55 million.

⁵⁾ Included in cash and cash equivalents are NOK 420 million related to joint operations as of year end 2015.

Statement of Changes in Equity

Statkraft AS Group

NOK million	Paid-in capital	Other reserves	Other equity	Accumulated translation differences	Retained equity	Attributable to owners of parent	Non-controlling interests	Total equity
Balance as of 01.01.2014	49 011	-1 662	18 316	-2 327	14 328	63 338	7 769	71 107
Net profit/loss	-	-	3 209	-	3 209	3 209	684	3 892
Items in OCI that recycle over profit/loss:								
Changes in fair value of financial instruments	-	-907	-	-	-907	-907	-	-907
Income tax rel. to changes in fair value of financial instruments	-	276	-	-	276	276	-	276
Items recorded in other comprehensive income in associates and joint arrangements	-	-128	-	-	-128	-128	5	-123
Reclassification currency translation effects related to foreign operations disposed of in the year	-	-	-	-86	-86	-86	18	-69
Currency translation effects	-	-	-	7 066	7 066	7 066	668	7 734
Items in OCI that will not recycle over profit/loss:								
Estimate deviation pensions	-	-	-629	-	-629	-629	-75	-704
Income tax related to estimate deviation pensions	-	-	160	-	160	160	23	184
Total comprehensive income for the period	-	-759	2 740	6 980	8 962	8 962	1 322	10 284
Dividend and Group contribution paid	-	-	-	-	-	-	-72	-72
Business combinations/divestments ¹⁾	-	-	585	-	585	585	-1 424	-839
Capital increase ²⁾	7 350	-	-	-	-	7 350	227	7 577
Balance as of 31.12.2014	56 361	-2 421	21 641	4 654	23 876	80 235	7 823	88 059
Net profit/loss	-	-	-1 772	-	-1 772	-1 772	-598	-2 369
Items in OCI that recycle over profit/loss:								
Changes in fair value of financial instruments	-	-925	-	-	-925	-925	-12	-937
Income tax rel. to changes in fair value of financial instruments	-	149	-	-	149	149	-7	142
Items recorded in other comprehensive income in associates and joint arrangements	-	204	-	-	204	204	-	204
Reclassification currency translation effects related to foreign operations disposed of in the year	-	-	-	772	772	772	-	772
Currency translation effects	-	-	-	5 732	5 732	5 732	406	6 138
Items in OCI that will not recycle over profit/loss:								
Estimate deviation pensions	-	-	637	-	637	637	120	758
Income tax related to estimate deviation pensions	-	-	-273	-	-273	-273	-42	-314
Total comprehensive income for the period	-	-572	-1 407	6 504	4 525	4 525	-133	4 391
Dividend and Group contribution paid	-	-	-5 600	-	-5 600	-5 600	-307	-5 907
Business combinations/divestments	-	-	-	-	-	-	318	318
Transactions with non-controlling interests	-	-	-12	-	-12	-12	-14	-26
Capital increase ³⁾	750	-	-	-	-	750	756	1 506
Balance as of 31.12.2015	57 111	-2 993	14 622	11 158	22 787	79 898	8 443	88 340

¹⁾ Sale of Agua Imara in relation to the restructuring of SN Power Invest in June 2014 with an effect on equity of NOK 839 million.

²⁾ In June 2014, a conversion of loan to share capital of NOK 2350 million from owner took place. In December 2014, Statkraft SF made a capital increase of NOK 5000 million.

³⁾ A conversion of loan to share capital of NOK 750 million from owner took place in December 2015.

The parent company has a share capital of NOK 33.2 billion, divided into 200 million shares, each with a par value of NOK 166. 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 23 June 2015 Statkraft's general assembly approved a disbursement of NOK 5600 million as dividend to Statkraft SF. For the current year the board has proposed to pay a dividend of NOK 1604 million.

Notes

Statkraft AS Group

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Note 1 General information and summary of significant accounting policies

GENERAL INFORMATION

Statkraft AS (Statkraft) consists of Statkraft AS with subsidiaries.

Statkraft AS is a Norwegian limited 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 and Industry. The company's head office is located in Oslo and the company has debt instruments listed on the Oslo Stock Exchange and London Stock Exchange.

Basis of preparation of the financial statements 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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Below is a description of the most important accounting policies used in the preparation of the consolidated accounts. These policies have been used in the same manner in all presented periods, unless otherwise stated. The consolidated accounts have been prepared on the basis of the historical cost principle, with the exception of certain financial instruments and derivatives measured at fair value on the balance sheet date.

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

Fair value 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 not 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.

Consolidation principles The consolidated financial statements comprise the financial statements of the parent company Statkraft AS and subsidiaries. A subsidiary is an investee where 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 equity interests, voting rights, ownership structure and relative strength, options controlled by Statkraft and other shareholders and shareholder and operating agreements. Each individual investment is assessed. Statkraft as an investor must have the ability to use its power over the investee to affect its returns. To the extent that Statkraft is considered to have control over an investee where Statkraft owns less than 50 per cent, agreements must be in place which nonetheless give Statkraft control over the relevant activities which significantly affect returns from the company invested in. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

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 Joint operations are joint arrangements where the participants who have joint control over an entity have contractual rights to the assets and obligations for the liabilities, relating to the entity. In joint operations, decisions about the relevant activities require the unanimous consent of the parties sharing control. Agreements between participants describing the rights and obligations in the joint operations will be decisive for

whether equity interests in joint arrangements can be considered joint operations. Entities established to produce power and where the participants are the only buyers of the power produced, as well as being responsible for the short term and long term financing of the company, will as a rule be incorporated in Statkraft's consolidated accounts in accordance with a method corresponding to the proportionate consolidation method.

Co-owned power plants Co-owned power plants, which are those power plants where Statkraft owns shares regardless of whether they are operated by Statkraft or one of the other owners, are recognised in accordance with the proportionate consolidation method as joint operation.

Sale of shares in a joint operation 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 the gain and losses resulting from the transaction 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 the sole off-takers of the production and not responsible for the obligation held by the entity.

Joint ventures Joint ventures are companies or entities where Statkraft has joint control with one or several other investors. Joint ventures is a type of joint arrangements which have a legal form separating the participants from the assets and liabilities of the company so that the obligations are limited to the capital contribution and the returns correspond to the participant's share of the profit. 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. Such investments are classified as non-current assets in the balance sheet and are recognised at cost price adjusted for the accumulated share of the companies' profit or loss, dividends received, currency adjustments, and equity transactions. Joint ventures are recognised in the consolidated accounts using the equity method.

Associates Associates are companies or entities where Statkraft has significant influence. Significant influence is present when one or several investors do not have joint control and where significant decisions are made through various combinations of shareholder majority. The Group's share in associates are recognised in the consolidated accounts using the equity method and are presented on the same financial statement line item both in the balance sheet and the profit/loss as shares in joint ventures.

Leased power plants Power plants that are leased to third parties are recognised in accordance with the proportionate consolidation method. Leasing revenues are presented in other operating revenues, while expenses relating with the operations in the power plants are recorded under operating expenses.

Acquisitions 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 is 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, 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 completion 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 income when the cost is lower. No provisions are recognised for deferred tax on goodwill. Transaction costs are recognised in the income statement when incurred.

Note 1 continued

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

Revenues 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 Energy revenues are recognised upon delivery, and generally presented gross in the income statement. Realised gains and losses from trading portfolios are, however, presented net as sales revenues. Unrealised changes in value relating to physical and financial contracts that are recognised in accordance with IAS 39, are classified as sale revenues.

Realised revenues from physical and financial trading in energy contracts are presented as sales revenues. Unrealised changes in value relating to physical and financial contracts recognised in accordance with IAS 39, are classified as sales revenue.

Distribution grid revenues Distribution grid activities are subject to a regulatory regime established by the Norwegian Water Resources and Energy Directorate (NVE). Each year, the NVE sets a revenue ceiling for the individual distribution grid owner. Revenue ceilings are set partly on the basis of historical costs, and partly on the basis of a norm. The norm is established to ensure efficient operation by the companies. An excess/shortfall of revenue will be the difference between actual income and allowed income. The revenue ceiling can be adjusted in the event of changes in delivery quality. Revenues included in the income statement correspond to the actual tariff revenues generated during the year. The difference between the revenue ceiling and the actual tariff revenues comprises a revenue surplus/shortfall. Excess or shortfall of revenue is not recognised in the balance sheet. The size of this is stated in note 33.

Dividend Dividends received from companies other than subsidiaries, associates and joint ventures are recognised as income when the distribution of the dividend has been approved in the general assembly of the distributing company.

Sale of property, plant and equipment When selling property, plant and equipment, the gain/loss from the sale is calculated by comparing the sales proceeds with the residual book value of the sold operating asset. Profits/losses are recognised under other operating revenues and other operating expenses respectively.

Public subsidies Public subsidies are included on a net basis in the income statement and balance sheet. Where subsidies are connected to activities that are directly recognised in the income statement, the subsidy is treated as a reduction of the expenses related to the activity that the subsidy is intended to cover. Where the subsidy is related to projects that are recognised in the balance sheet, the subsidy is treated as a reduction of the amount recognised in the balance sheet.

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 accounts. When preparing the consolidated accounts, 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 as of 31 December; while the income statement is translated using monthly weighted average exchange rates throughout the year. Currency translation effects are recognised in comprehensive income and reclassified to the income statement upon sale of shareholdings in foreign companies. Transactions from operations in foreign currency are translated to the spot exchange rate on the transaction date, while the balance sheet items are evaluated at the balance sheet date rates. Currency effects are recognised under financial items. Gains and losses resulting from changes in exchange rates on debt to hedge net investments in a foreign entity are recognised directly in comprehensive income, and reclassified to the income statement upon sale of the foreign entity.

Financial instruments

General Financial instruments are recognised when the Statkraft becomes a party to the contractual provisions of the instrument. Initial recognition of financial assets and liabilities are at fair value. Transaction costs are added to or deducted from the financial asset or liability unless the instrument is carried at fair value through profit and loss as the transaction cost is recorded in the income statement immediately. 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", "held-to-maturity investments", "available-for-sale financial assets" and "loans and receivables".

The categories that are relevant for Statkraft and the accounting treatment to be adopted for the financial instruments included in each of these categories are described below.

Measurement of different categories of financial instruments

1) Financial instruments valued at fair value through profit or loss

- Financial contracts for the purchase and sale of energy-related products are classified as derivatives. Energy derivatives consist of both stand-alone derivatives, and embedded derivatives that are separated from the host contract and recognised at fair value as if the derivative were a stand-alone contract. Derivatives in this category that are not embedded derivatives have mainly been acquired for the purpose of selling in the short term.
- Currency and interest rate derivatives have been acquired to manage and reduce the Group's exposure to currency and interest rate fluctuations.
- Physical contracts relating to the trading of energy-related products included in trading portfolios and that are managed and followed up on the basis of fair value, are settled financially, or contain written options in the form of volume flexibility.
- Other financial assets held for trading.
- Physical contracts for the purchase and sale of energy-related products that are entered into as a result of mandates connected to Statkraft's own requirements for use or procurement in own production normally fall outside the scope of IAS 39.

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. An impairment loss is recognised in the income statement.

3) Assets held as available for sale are 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. Assets classified as held for sale where the fair value is less than its carrying amount is impaired through the income statement if the impairment is significant or permanent. Additional decline in value will result in an immediate impairment. Impairment cannot be reversed through the income statement before the asset is disposed of.

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.

The determination of the fair value of such assets is described in more detail in note 10.

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, while the value changes for cash flow hedges and hedges of net investments in foreign operations will be recognised in other comprehensive income. See also the more detailed description of hedge accounting in note 11.

Presentation of derivatives in the income statement and balance sheet

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

Change in fair value of currency and interest rate derivatives are presented together with realised finance income and costs.

Note 1 continued

Taxes

General 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 Income tax is calculated in accordance with ordinary tax rules, so that the tax rate applied is at any time the adopted. 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. Deferred tax assets are recognised in the balance sheet to the extent that it is probable that the assets will be realised. 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.

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

Resource rent tax Resource rent tax is a profit-dependent tax that is calculated at a rate of 31% of 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 deducted from the calculated revenue in order to arrive at the tax base. 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 set by the Ministry of Finance. From 2007 onwards negative resource rent revenues per power plant can be pooled with positive resource rent revenues for other power plants. 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. Deferred tax assets linked to negative resource rent carry-forwards and deferred tax linked to other temporary differences are calculated on the basis of power plants where it is probable that the deferred tax asset will be realised within a time horizon of ten years. The applied rate is a nominal tax rate of 33%. The tax-free allowance 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.

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.

Classification as short-term/long-term Balance sheet items is 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 hedging item. The first year's repayments relating to long-term liabilities are presented as current liability.

Intangible assets 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 provided that the requirements for doing so have been met. Goodwill and intangible assets with an indefinite useful life are not amortised and are tested annually for impairment.

Research and development costs Research 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.

Property, plant and equipment 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 cost. 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, while other expenses that are expected to increase future production capacity are recognised in the balance sheet. In the case of time-limited licences, provisions are made for decommissioning costs, with a balancing entry increasing the carrying amount of the relevant asset.

Costs incurred for own plant investments are recognised in the balance sheet as facilities under construction. Cost includes directly attributable costs including interest on loans.

Depreciation is calculated on a straight-line basis over assets' expected useful economic lives. 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 round is scheduled. The depreciation period is adapted to the licence period. Estimated useful lives, depreciation methods and residual values are assessed annually.

Land including waterfall rights is not depreciated, as the assets are deemed to have perpetual life if there is no right of reversion to state ownership.

Impairment Property, plant, equipment and intangible assets that are depreciated, are reviewed for impairment at the end of every quarter. When there are indications that future earnings cannot justify the carrying value, the recoverable amount is calculated to consider whether an allowance for impairment must be made. 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. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. 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. Provision for decommissioning is not included in the value in use calculation. The difference between the carrying amount and recoverable amount is recognised as an impairment loss. For the purposes of assessing impairment losses, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Cash-generating units A cash-generating unit (CGU) is the lowest level at which independent cash flows can be measured. The highest level of a CGU is a reported operating segment. CGU in Statkraft is defined as follows:

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

Wind power plants: Wind turbines in a wind farm connected to a common transformer

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 plants.

Segment is used as the lowest CGU for testing goodwill for impairment.

Leases Leases are recognised as finance lease agreements when the risks and returns incidental to ownership have been substantially transferred to Statkraft. Finance leases are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. When calculating the lease's present value, the implicit interest cost in the lease is used if it is possible to calculate this. If this cannot be calculated, the company's marginal borrowing rate is used. Direct costs linked to establishing the lease are included in the asset's cost price.

The same depreciation period as for the company's other depreciable assets is used. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are mainly recognised as an expense on a straight-line

Note 1 continued

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.

Inventories

Green certificates and CO₂ certificates Green certificates, including el-certificates, are considered as a government grant and are accounted for according to IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance. The mentioned certificates are recognised as grants conditional to own production of power. It is considered to be likely that Statkraft meets the conditions set out by the government. Furthermore, it is also considered likely that the grants will be received by the government and thus, the certificates are accounted for as fair value at the time of production. The asset is disclosed as a receivable until the certificate is awarded. Certificates are accounted for as inventory when awarded. If the period from the el-certificates are awarded to they are received exceeds one accounting period, the receivable are considered at the lowest of fair value at the time of production and net realisable value. The change in value is accounted for as adjustment of other income. Accounting for CO₂ certificates are correspondingly.

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 obligation not settled is measured at fair value of the El-certificate at the balance sheet date.

Green certificates and CO₂ certificates held for sale are recognised as inventory and are measured at net realisable value. Net realisable value is sale price less expected transaction cost.

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

Cost is allocated to specific inventories where possible. For exchangeable goods, cost is allocated in accordance with the weighted average or the FIFO (first in, first out) method.

Cash and cash equivalents Cash and cash equivalents includes certificates and bonds with short residual terms at the time of acquisition. The item also includes restricted cash. The amount of restricted cash is specified below the cash flow statement and in note 29. Market settlements for derivatives connected with financial activities (cash collateral) are recognised in the balance sheet. Bank deposits, cash and similar from joint operations are also presented under this line item.

Equity Dividends 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.

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 in 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, licence fees and compensation Each year, concessionary sales are made to local authorities at statutory prices stipulated by the Norwegian Parliament (Stortinget). 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 30.

Licence fees are expensed as they accrue and are paid annually to central and local government authorities. The capitalised value of future licence fees is estimated and disclosed in note 17.

The Group pays compensation to landowners for the right to use waterfalls and land. In addition, compensation is paid to other parties for damage caused to forests, land, telecommunications lines, etc. Compensation payments are partly non-recurring and partly recurring, and take the form of cash payments or a liability to provide compensational power. The present value of obligations connected to the annual compensation payments and free power are classified as provisions for liabilities. Annual payments are recognised as other operating expenses, while non-recurring items are offset against the provision.

Pensions

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. 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. The present value of future benefits in the pension schemes accrued at the balance sheet date is calculated by accrued benefits method.

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

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.

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.

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 for Statkraft once the payment has been made. The payments are expensed as salaries and payroll costs.

SEGMENTS

The Group reports operating segments in accordance with how the Group 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.

STATEMENT OF CASH FLOW

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 operations, investments 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 associated companies are presented as provided cash flow from operations.

CHANGES IN ACCOUNTING POLICIES

The following standards and interpretations were adopted effectively from 2015.

IFRIC 21 Levies The interpretation clarifies when to recognise an obligation for a levy related to the company's ordinary activities. This does not include levies related to income taxes, fines etc. The interpretation clarifies that recognition of the liability should be made when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation may have an effect on the accrual of expensed levies in interim financial statements. However, the interpretation did not have a material effect on the annual financial statements. The interpretation was applied retrospectively on 1 January 2015.

Amendments to IFRS 13 Fair Value Measurement The amendment is a

Note 1 continued

clarification that the portfolio-exception includes all financial instruments within the scope of IAS 39 or IFRS 9. This is regardless of whether they are defined as a financial asset or financial liability according to IAS 32. The amendment was applied prospectively, but did not have any material impact on the financial statements.

The following standards and interpretations will be adopted effectively from 2016 and may thus impact the financial statements in further periods.

Amendments to IAS 19 Employee Benefits The amendments to IAS 19 clarify how an entity should account for contributions made by employees of third parties that are linked to services to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. These amendments will be applied retrospectively. IAS 19 has also been amended to clarify that corporate bonds used to determine the discount rate should be issued in the same currency as the pension obligation is denominated in, rather than the country where the obligation is located. This amendment must be applied prospectively. It is not expected that the amendments will have a material impact on the financial statements.

Amendments to IAS 1 Presentation of Financial Statements The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations The changes give guidance when an entity reclassifies non-current assets (or disposal groups) from held for sale to held for distribution to owners (or vice versa). Such reclassifications are not considered to be change of the plan to sell or distribute the non-current assets. Thus, the requirements of classification, presentation and measurement according to the new disposal method are valid. Furthermore, the change clarifies that when the criteria for held for distribution is no longer met, the assets are to be presented as assets that are no longer classified as held for sale. The changes require prospective application.

Amendments to IFRS 3 Business Combinations The amendments, which will be applied prospectively, clarifies that contingent consideration classified as either assets or liabilities should be measured at fair value at each reporting date whether or not they fall within the scope of IAS 39 or IFRS 9. It is not expected that the amendments will have a material impact on the financial statements.

Amendments to IFRS 8 Operating Segments The amendments will be applied retrospectively and clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8.12, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar". The amendments also clarifies that the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. These amendments may impact the disclosures for operating segments.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of

the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

New standards and amendments issued not endorsed by the EU

IFRS 9 Financial Instruments IASB completed IFRS 9 in 2014. The standard comprises new principles for classification and measurement of primarily financial assets, hedge accounting and impairment of financial assets. The standard is effective for reporting periods starting 1 January 2018 or later. Early implementation is allowed. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. An evaluation of the potential effects that IFRS 9 may have on the Group has been conducted in 2015. The new standard allows more hedging instruments and hedged items to qualify for hedge accounting. However, qualifying criteria for when hedge accounting can be applied i.e. the assessment of a highly probable cash flow remains the same as in IAS 39. Statkraft does not expect that implementing the new standard will extensively increase the application of hedge accounting. The potential impact from the implementation of IFRS 9 will be further elaborated in 2016 but it is not expected that the impact on the financial statements is material.

IFRS 15 Revenue from Contracts with Customers The standard applies for all contracts with customers. The main principle is that an entity shall recognise income in a way that reflects the transfer of goods or services to the customers with an amount which reflects what the entity is expecting to receive from the transfer. IFRS 15 is effective for reporting periods beginning 1 January 2018 or later. Early implementation is allowed. The new standard, which replaces IAS 18 Revenue, is not expected to have material impact on the Group's financial statement.

IFRS 16 Leases IASB has issued IFRS 16, which requires lessees to recognise assets and liabilities for most leases based on a single accounting model for all leases, with certain exemptions. The new standard will be effective from 1 January 2019 with limited early application permitted. The new standard permits lessees to use either a full retrospective or a modified retrospective approach on transition for leases existing at the date of transition, with options to use certain transition reliefs. The Group's management has begun considering how IFRS 16 will impact the Group's financial statements.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures IASB has deferred indefinitely the effective date of amendments to IFRS 10 and IAS 28 regarding how to recognise gains and losses when selling or transferring assets to associates and joint ventures. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments may impact the financial statements for future periods.

Amendment to IAS 12 Income Taxes The amendment clarifies that the carrying amount of an asset does not limit the estimation of probable future taxable profits and estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. The amendments are effective for annual periods beginning on or after 1 January 2017 and will be applied retrospectively. It is not expected that the amendments will have any material impact on the Group's financial statements.

Note 2 Accounting judgements, estimates and assumptions

JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Non-financial energy contracts According to IAS 39, 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. Further details on energy contracts are disclosed in note 7.

Joint arrangements 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. Entities established to produce power and where the participants are the only buyers of the power produced, as well as being responsible for the 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. Investments in joint arrangements are disclosed in note 24.

Energy revenue Statkraft both sells and purchases power through NordPool. It is the judgement of the management that income from sale of power meets the criteria for gross recognition. The basis for this judgement is that sales and purchases are managed independently, are nominated gross and that the day-to-day purchases at NordPool are normal purchases for a generator as long as the sales obligations are within its generation capacity. More information on energy revenues is disclosed in note 12.

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. Further details on leases are disclosed in note 35.

ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model, expected production volumes, the growth rate used for extrapolation purposes and the expected long-term price paths, which reflect the market price and national support schemes. These estimates are most relevant to property, plant and equipment, investments in associates, joint ventures, goodwill and other intangibles with indefinite useful lives.

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

The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in note 23.

A provision recognised to cover estimated expenses related to impaired assets is disclosed in note 30.

Business combinations Consideration paid in business combinations is allocated to acquired assets and liabilities, based on their estimated fair values. If business combinations are achieved in stages, the fair value of existing ownership interests must be estimated at the point in time when control is transferred to Statkraft. Changes in fair values are recognised in profit or loss. 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. Further details on business combinations are disclosed in note 5.

Deferred tax asset Recognition of deferred tax assets involves judgment. Deferred tax assets are recognised to the extent that it is probable that they will be utilised. The Group recognises deferred tax assets associated with resource rent taxation from production revenues from Norwegian power plants in the balance sheet. Deferred tax assets relating to resource rent revenue carry-forwards 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 expectation relating to future revenues. Further details on taxes are disclosed in note 21.

Property, plant and equipment Property, plant and equipment is depreciated over its expected useful life. Expected useful life 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 taken into account in calculating depreciation. Estimates of decommissioning obligations, which are included as part of the plant's carrying amount, are subject to ongoing reviews. Note 23 contains more information on property, plant and equipment.

Pensions The calculation of pension liabilities involves the use of judgement and estimates across a range of parameters. 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 market with relevant durations that qualify as a reference interest rate in accordance with IAS 19. Further details on pensions are disclosed in note 16.

Fair value measurement of financial instruments When the fair values of financial assets and financial liabilities 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. See note 10 for further disclosures.

Note 3 Subsequent events

Investment in wind power project in Central-Norway On 23 February 2016 it was announced that Statkraft, TrønderEnergi and the European investor consortium Nordic Wind Power DA will realise Europe's largest onshore wind power project in Central-Norway. The joint operation company Fosen Vind DA will be the owner of the wind farms and Statkraft's shareholding in the company is 52.1 %. The project comprises six onshore

wind farms with a combined capacity of 1000MW and will generate 3.4 TWh power annually. The total investment in the wind farms amounts to approximately NOK 11 billion. Construction will commence in Q2 2016 and commissioning will be completed in 2020.

Note 4 Segment information

Statkraft's segment reporting is in accordance with IFRS 8. The Group reports operating segments in accordance with how the Group 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 Group has adopted a new segment structure from 1 January 2016.

We are presenting the underlying results for each of the segments. The underlying results consist of ordinary results, adjusted for the unrealised effects arising from energy contracts (excluding Trading and Origination) and material non-recurring items.

The segments are:

Nordic hydropower includes hydropower plants in Norway and Sweden. These production assets are mainly flexible.

Continental energy and trading includes gas power plants in Germany and Norway, hydropower plants in Germany and the UK and bio-based power plants in Germany. It also includes Baltic Cable AB, the owning entity of the subsea cable between Sweden and Germany, Trading and 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 hydropower operates in emerging markets where expected high growth and a substantial need for energy. Statkraft's international investments in hydropower are part of the Group's long-term strategy where the Group's expertise is utilised to ensure an increased supply of renewable energy and profitable growth.

Wind power includes Statkraft's operation and development in land-based and offshore wind power. The segment operates in Norway, Sweden and the United Kingdom.

District heating operates 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.

Other activities include small-scale hydropower and group functions.

Group items include adjustment of non-recurring items, unrealised effects on energy contracts excluding Trading and Origination, eliminations and unallocated assets.

Accounting specification per segment

Segments	Statkraft AS Group ¹⁾	Nordic hydropower	Continental energy and trading	International hydropower	Wind power	District heating	Industrial ownership	Other activities	Group items
NOK million									
2015									
Operating revenues external, underlying	53 094	9 621	30 026	1 738	-24	626	6 092	167	4 848
Operating revenues internal, underlying	-	2 550	-310	57	724	9	48	561	-3 639
Gross operating revenues, underlying	53 094	12 171	29 716	1 795	700	635	6 140	728	1 209
Net operating revenues, underlying	20 090	10 923	2 763	1 574	658	464	2 985	718	5
Operating profit, underlying	3 814	5 896	792	377	-312	49	793	-789	-2 992
Unrealised value changes energy contracts	-	531	-445	-	-	-	359	138	-583
Significant non-recurring items	-	-	-	-2 086	-1 750	-	-	226	3 610
Operating profit	3 814	6 427	346	-1 709	-2 062	49	1 152	-425	36
Share of profit/loss from associates and joint ventures	683	-	-	-196	55	1	835	-12	-
Profit before financial items and tax	4 497	6 427	346	-1 905	-2 008	50	1 986	-437	36

¹⁾ The Statkraft AS Group figures are booked amounts.

Balance sheet 31.12.15

Investments in associates and joint ventures	19 388	-	13	6 094	3 649	8	9 604	16	4
Other assets	157 517	56 884	5 764	28 215	10 087	3 620	15 197	28 076	9 674
Total assets	176 905	56 884	5 777	34 309	13 736	3 628	24 801	28 092	9 678
Depreciation, amortisation and impairment	-6 401	-1 426	-376	-1 688	-2 083	-163	-544	-122	1
Maintenance investments and other investments	1 970	1 280	133	104	-30	10	405	68	1
Investments in new production capacity	7 797	698	43	3 048	3 335	272	281	120	-
Investments in shares	3 790	-	25	3 399	101	18	-	247	-

Note 4 continued

Segments	Statkraft AS Group ¹⁾	Nordic hydropower	Continental energy and trading	Inter- national hydropower	Wind power	District heating	Industrial ownership	Other activities	Group items
2014									
Operating revenues external, underlying	52 254	10 617	26 448	1 004	258	595	6 504	154	6 674
Operating revenues internal, underlying	-	2 945	-275	1	850	2	22	505	-4 051
Gross operating revenues, underlying	52 254	13 563	26 173	1 006	1 108	597	6 526	659	2 622
Net operating revenues, underlying	25 805	12 347	2 973	888	1 064	398	3 007	651	4 476
Operating profit, underlying	13 560	7 478	1 234	148	-14	9	920	-663	4 449
Unrealised value changes energy contracts	-	1 545	925	-	-	-	-52	-27	-2 391
Significant non-recurring items	-	1 478	16	-937	1 358	13	80	46	-2 053
Operating profit	13 560	10 500	2 174	-789	1 344	22	948	-644	5
Share of profit/loss from associates and joint ventures	661	-	-	-240	363	3	535	-	-
Profit before financial items and tax	14 220	10 500	2 174	-1 029	1 707	25	1 482	-644	5

Balance sheet 31.12.14

Investments in associates and joint ventures	19 027	-	-	6 957	3 072	7	8 986	-	4
Other assets	148 790	55 054	5 560	15 642	7 461	3 373	14 852	25 183	21 666
Total assets	167 817	55 054	5 560	22 599	10 533	3 380	23 838	25 183	21 670
Depreciation, amortisation and impairment	-4 071	-1 324	-320	-1 191	-490	-142	-498	-106	-
Maintenance investments and other investments	2 368	1 673	85	65	1	7	470	67	-
Investments in new production capacity	7 525	439	17	3 073	3 197	309	354	137	-
Investments in shares	1 287	-	-	1 126	159	-	2	-	-

Specification of non-recurring items:

NOK million	2015	2014
Unrealised value changes energy contracts, excl. Trading and Origination	609	2 396
Significant non-recurring items	-3 610	2 053
<i>Lawsuit related to Saudal power plant - concessionary power</i>	-	56
<i>Pension scheme change</i>	-	280
<i>Gain on sale of assets</i>	226	2 767
<i>Impairments ¹⁾</i>	-3 836	-1 050
Total	-3 001	4 449

¹⁾ Impairments consist of write-down of non-current assets regarding Swedish wind farms (NOK 1750 million) and Cetin hydropower plant in Turkey (NOK 1297 million). In addition, there are accrued operating expenses regarding Cetin of NOK 789 million which are included in the amount in the table above. See note 23 for further information.

Specification per product

Reference is made to 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
2015						
Sales revenues external	51 586	19 501	16 918	1 686	10 448	3 033
Non-current assets as of 31.12.	115 730	56 744	4 790	25 681	3 300	25 215
2014						
Sales revenues external	48 246	21 004	14 720	1 840	5 240	5 443
Non-current assets as of 31.12.	101 166	57 276	4 688	23 734	1 641	13 828

Information regarding significant customers

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

Note 5 Business combinations and other transactions

SALE AND RESTRUCTURING OF BUSINESS IN 2015

Småkraft AS On 22 December 2015, Statkraft sold the subsidiary Småkraft AS. The gain from the transaction was NOK 226 million and is booked in other operating revenues. Some of the shares in Småkraft AS were owned through associates (Agder Energi AS and BKK AS). The gain in associated companies was NOK 108 million and is booked in share of profit from associates and joint ventures. Total gain for Statkraft, including gain in associates, was NOK 334 million. Statkraft still holds one of the power plants from the sale of Småkraft AS, which has been transferred into a new established company Steinsvik Kraft AS. The ownership structure of Steinsvik Kraft AS is the same as for Småkraft AS prior to the sale.

BUSINESS COMBINATIONS 2015

Statkraft Tofte AS On 6 February 2015 during the establishment of Silva Green Fuel AS, Statkraft acquired all shares in Statkraft Tofte AS, previously Södra Cell Tofte AS. The acquisition of the shares in Statkraft Tofte AS is recognised as purchase of assets. The total cost price for the purchase of shares in Statkraft Tofte AS was NOK 220 million. Net assets in the company totalled NOK 153 million at takeover, in addition to the identified excess value of operating equipment of NOK 67 million.

Empresa Eléctrica Pilmaiquén S.A. On 23 April 2015, Statkraft completed its purchase of the listed hydropower company Empresa Eléctrica Pilmaiquén S.A. in Chile. The total cost price for 98.18% of the shares was NOK 1948 million. Net assets as of 23 April 2015 totalled NOK -272 million. The negative value in equity is related to an earlier purchase of non-controlling interest, where the excess values were booked against equity. The acquisition analysis shows an excess value of NOK 2257 million, mainly allocated to regulation plants (fixed asset). The analysis also gives goodwill of NOK 605 million, which mainly relates to the difference between net present value and nominal value of the deferred tax on excess values. An additional 1.2% shareholding has been acquired after the transaction date.

Desenvix Energias Renováveis S.A. On 13 July 2015, Statkraft completed its purchase of 35% of the shares of Desenvix Energias Renováveis S.A. in Brazil and changed the name to Statkraft Energias Renováveis (SKER). The transaction increased Statkraft's ownership interest from 46.3% to 81.3%. The estimated total cost price for 81.3% of the shares was NOK 3071 million, and consists of cash payment of NOK

1007 million, offsetting of a liability of NOK 189 million, fair value of previous ownership of NOK 1749 million and an estimated contingent consideration of NOK 127 million. Net assets as of 30 June 2015 in Desenvix totalled NOK 1639 million. The preliminary allocation of excess values from the transaction are related to long-term power purchase agreements (intangible asset) of NOK 1549 million, power plants (fixed asset) of NOK 721 million, associated company of NOK 81 million and goodwill of NOK 455 million.

According to IFRS 10, the transaction represents a change of control from an investment in an associated company to an investment in a subsidiary. A transaction that entails a change of control in accordance with IFRS 3 is treated as a realisation and require that a gain/loss at the time of de-recognition of the associated company has to be calculated. At realisation any negative or positive effect from accumulated translation differences has to be presented as a loss/gain in the income statement and a corresponding positive/negative recycling amount through comprehensive income, resulting in a zero effect in equity. The estimated accounting effect of de-recognition of the associated company is a net loss of NOK 471 million. The net loss consists of a gain of NOK 301 million on the underlying net asset in BRL, and a loss on accumulated translation differences of NOK 772 million.

Gardermoen Energi AS On 2 November 2015, Statkraft purchased 100% of the shares in Gardermoen Energi AS (District Heating). The company has a yearly production of 54 GWh. There were no excess values.

JOINT ARRANGEMENTS 2015

Silva Green Fuel AS On 6 February 2015, Statkraft, along with Södra Skogägarna Ekonomisk Förening (Södra), established the company Silva Green Fuel AS, organised as a joint venture, with the goal of establishing future production of biofuel based on forest raw material at the industrial area housing the former cellulose factory at Tofte in Hurum. Statkraft and Södra own 51% and 49%, respectively, of the new company. The owners have injected NOK 50 million into the company as seed capital.

Triton Knoll On 12 February 2015, Statkraft and RWE Innogy GmbH entered into an agreement to develop and construct the offshore wind farm Triton Knoll, which may have an installed capacity of up to 900 MW. The offshore wind farm is located off the eastern coast of England. Through this agreement, Statkraft secures 50% of Triton Knoll Offshore Wind Ltd. Statkraft paid NOK 86 million for its shareholding in Triton Knoll.

Note 5 continued

Allocation of cost price for business combinations in 2015

	Empresa Eléctrica Pilmaiquén S.A. ¹⁾	Desenvix Energías Renovables S.A. ¹⁾	Other ^{1) 2)}	Total
Acquisition date	23.04.2015	13.07.2015		
Voting rights/shareholding acquired through the acquisition	98.18%	35%		
Total voting rights/shareholding following acquisition	98.18%	81.31%		
Measurement of non-controlling interests	Proportionate	Proportionate		

Consideration

NOK million				
Cash	1 948	1 195	238	3 381
Fair value of previously recognised shareholdings	-	1 749	-	1 749
Contingent consideration	-	127	-	127
Total acquisition cost	1 948	3 071	238	5 257
Book value of net acquired assets (see table below)	-272	1 639	170	1 537
Identification of excess value, attributable to:				
Intangible assets	-24	1 549	-	1 525
Property, plant and equipment	2 281	721	68	3 070
Investments in associates	-	81	-	81
Gross excess value	2 257	2 351	68	4 676
Deferred tax on excess value	-616	-772	-	-1 388
Net excess value	1 641	1 579	68	3 288
Fair value of net acquired assets, excluding goodwill	1 369	3 218	238	4 825
Of which				
Majority interests	1 344	2 616	238	4 198
Non-controlling interests	25	601	-	626
Total	1 369	3 218	238	4 825
Total acquisition cost	1 948	3 071	238	5 257
Fair value of net acquired assets, acquired by the majority through the transaction	1 344	2 616	238	4 199
Goodwill	605	455	-	1 060

¹⁾ The allocation of purchase price is deemed to be provisional pending the completion of the final valuation of the acquired assets and liabilities.

²⁾ Purchase of Statkraft Tofte AS and Gardermoen Energi AS is included in Other column.

NOK million	Empresa Eléctrica Pilmaiquén S.A.	Desenvix Energías Renovables S.A.	Other	Total
Book value of net acquired assets				
Intangible assets	92	305	-	397
Property, plant and equipment	911	2 706	88	3 705
Investments in associates	-	517	-	517
Other non-current assets	-	206	-	206
Non-current assets	1 003	3 734	88	4 825
Cash and cash equivalents	21	97	211	329
Inventory	-	-	1	1
Receivables	322	178	14	513
Current assets	343	274	226	843
Acquired assets	1 346	4 008	313	5 668
Long-term interest-bearing liabilities	1 279	1 695	53	3 027
Other interest-free liabilities	224	442	90	755
Liabilities and non-controlling interests	115	234	-	349
Net value of acquired assets	-272	1 639	170	1 537
Net value of acquired assets, including increase in the value of private placing	-272	1 639	170	1 537
Total acquisition cost	1 948	3 071	239	5 258
Non-cash elements of acquisition cost	-	2 040	-	2 040
Consideration and cost in cash and cash equivalents	1 948	1 031	239	3 218
Cash and cash equivalents in acquired companies	21	97	211	329
Net cash payments in connection with the acquisitions	1 927	934	27	2 889
Fair value of acquired receivables	322	178	14	513
Gross nominal value of acquired receivables	322	178	14	513
Gain/loss from derecognition of previously recognised shareholding	-	-471	-	-471
Contribution to gross operating revenue since acquisition date ¹⁾	114	339	12	465
Contribution to net profit since acquisition date ¹⁾	-41	-16	-3	-61
Proforma figure 2015 gross operating revenue ¹⁾	151	693	32	877
Proforma figure 2015 net profit after tax ¹⁾	-81	-152	-9	-242

¹⁾ Information for Gardermoen Energi AS included in Other column is based on unaudited financial statements. Profit disclosed for the corresponding company is profit before tax.

Note 5 continued

SALE AND RESTRUCTURING OF BUSINESS IN 2014

SN Power AS On June 6th, the agreement between Statkraft and Norfund to restructure SN Power AS was completed. The agreement led to incorporation of a new company, SN Power AS, owned by Statkraft and Norfund 50% each. The gains related to the restructuring are NOK 455 million, recognised as other financial income, and NOK 108 million recognised as other operating revenue. The gains recognised were related to transfer of business in the Philippines and transfer of Agua Imara to SN Power AS, respectively. The net cash effect as a result of the transaction was that Statkraft had paid NOK 410 million to Norfund, as well as disbursing NOK 60 million to the new SN Power. As Agua Imara was no longer part of the Group as a subsidiary, the Group's cash reserve had been reduced by NOK 300 million. The effect of the transaction on total equity was a decline of NOK 839 million, related to non-controlling interests in Agua Imara. See note 24 for further information.

Statkraft Suomi Oy. Sale of the power plants in Finland with a production of 0.3 TWh per year was implemented at a sale price of about NOK 2 billion on 15 August. The net gain of NOK 1213 million was recognised as other operating revenue.

Wind UK Invest Ltd. On 30 July, the sale of 49% of the shares in Wind UK Invest Ltd (WUKI), which owns the onshore wind farms Alltwalis, Baillie and Berry Burn in the UK, was concluded. Following the transaction, WUKI went from being a subsidiary to being an investment in a joint venture. The gain of NOK 1063 million was recorded as other operating revenues. The gain showed realised gains from the downsale from 100% to 51% and an adjustment from carrying value to fair value of the 51% share which Statkraft still owns. The fair value of remaining shares was recognised at NOK 874 million. See note 24 for further information.

Scira Offshore Energy Ltd. On 25 November, Statkraft sold 20% of its shares in the company Scira Offshore Energy Ltd (Scira), which owns the Sheringham Shoal offshore wind farm in the UK. Statkraft owns 40% of Scira after the sale. The accounting gain from sale of the shares was NOK 283 million and was recorded as other operating revenue. The gain showed the total realised gain from the sale from 50% to 40% of the shareholding in the company, as well as currency gains on the investment in Statkraft's ownership period. The sale entailed that Statkraft changed the accounting method for Scira, from joint operations to joint ventures. This meant there was no new measurement of remaining shares in Scira. On the basis of the transaction in Scira, previous impairments in the company were reversed. This reversal came in addition to the accounting gain and was NOK 341 million. The reversal was recorded as share of profit from associated companies and joint ventures. See note 24 for further information.

BUSINESS COMBINATIONS 2014

Andershaw Wind Power Ltd. On 14 September 2014, Statkraft UK Ltd. acquired the remaining 50% of shares in the company Andershaw Wind Power Ltd. for a purchase price of NOK 59 million. The fair value of the shares which Statkraft owned prior to the acquisition had been assessed at fair value and gains of NOK 69 million had been recorded as other financial items. Procured assets and assumed liabilities in the acquisition were assessed at fair value. Excess value was mainly identified in connection with tangible fixed assets with NOK 137 million.

Allocation of cost price

for business combinations in 2014

	Andershaw Wind Power
Acquisition date	14.09.2014
Voting rights/shareholding acquired through the acquisition	50%
Total voting rights/shareholding following acquisition	100%
Measurement of non-controlling interests	N/A

Consideration

NOK million	
Cash	59
Fair value of previously recognised shareholdings	59
Total acquisition cost	118

Book value of net acquired assets (see table below)	-19
---	-----

Identification of excess value, attributable to:

Intangible assets	-
Property, plant and equipment	137
Gross excess value	
Deferred tax on excess value	-27
Net excess value	110

Fair value of net acquired assets, excluding goodwill	91
---	----

Of which

Majority interests	91
Non-controlling interests	-
Total	91

Total acquisition cost	118
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Fair value of net acquired assets, acquired by the majority through the transaction	91
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Goodwill ¹⁾	27
------------------------	----

¹⁾ As a result of calculated deferred tax liabilities, a technical goodwill of NOK 27 million has been estimated.

Note 5 continued

NOK million	Andershaw Wind Power
Book value of net acquired assets	
Intangible assets	-
Property, plant and equipment	13
Non-current assets	13
Cash and cash equivalents	2
Receivables	-
Current assets	2
Acquired assets	15
Long-term interest-bearing liabilities	-
Other interest-free liabilities	34
Liabilities and non-controlling interests	34
Net value of acquired assets	-19
Net value of acquired assets, including increase in the value of private placing	-19
Total acquisition cost	118
Non-cash elements of acquisition cost	59
Consideration and cost in cash and cash equivalents	59
Sale of receivable	17
Cash and cash equivalents in acquired companies	2
Net cash payments in connection with the acquisitions	74
Fair value of acquired receivables	-
Gross nominal value of acquired receivables	-
Gain/loss from derecognition of previously recognised shareholding	69
Contribution to gross operating revenue since acquisition date	-
Contribution to net profit since acquisition date	9
Proforma figure 2014 gross operating revenue	-
Proforma figure 2014 net profit after tax	9

Note 6 Management of capital structure

The main aim 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 as well as 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 2015.

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- (revised outlook to negative from stable on 26 February 2016) 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	2015	2014
Long-term interest-bearing debt	31	37 410	27 438
Current interest-bearing debt	31	7 196	9 306
Cash and cash equivalents, excluding restricted cash and short-term financial investments	29	-9 570	-13 106
Net interest-bearing liabilities		35 036	23 638

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 PORTFOLIOS IN ENERGY TRADING

As a power producer, Statkraft is exposed to market risk related to price on energy and commodities. Within energy trading, Statkraft has portfolios that reduce market risk, as well as portfolios within decided mandates where Statkraft accepts a degree of market risk in order to generate profit. 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.

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

Long-term contracts As a power producer, Statkraft has entered into physical power sales agreements with industrial customers in the Nordic region. These contracts stabilise Statkraft's revenues. The long-term contracts have different duration, where the longest runs until 2030. The price of some of these sales obligations are indexed to foreign currency and raw materials such as metals.

Statkraft enters into financial power contracts, physical power contracts and physical gas purchase contracts. The market risk in these contracts is related to future prices for power, coal, gas and oil products.

Financial contracts and embedded derivatives in physical sales contracts are recognised at fair value, other contracts entered into for own use do not qualify for 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, CO₂, 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 in accordance with IAS 39.

Trading and Origination Statkraft has various portfolios for Trading and Origination that are managed independently of the Group's expected power production. The Group has trading activities in Oslo, Trondheim, Stockholm, London, Amsterdam, Düsseldorf, Istanbul, Rio de Janeiro, San Francisco and New Dehli. The portfolios take trading positions in the market with the aim of realising profit on changes in the market value of energy and energy-related products, as well as profit on non-standardised contracts.

The trading activities involve buying and selling standardised and liquid products. Power and CO₂ products, as well as green certificates, gas and oil products are traded. The contracts in the trading portfolio have maturities ranging from 0 to 5 years.

Origination activities include buying and selling both standardised and structured products. Structured products are typically power contracts with a 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 2022.

Statkraft has allocated risk capital for the Trading and Origination business. Clear guidelines have been established limiting the types of products that can be traded. The mandates for Trading and Origination activities 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.

All Trading and Origination contracts are recognised at fair value in accordance with IAS 39. Market access activities for power purchase agreements with minor producers of renewable energy in Scandinavia, Germany and in the UK, are not part of the Trading and Origination activities.

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 loan portfolio. Forward exchange rate contracts 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. There is also balance sheet risk related to investments in some associated companies.

The settlement currency for Statkraft's main power exchange is EUR, and all contracts that are entered into on the power exchange are nominated in EUR and thus exposed to EUR. A corresponding currency exposure incurs when trading energy on other exchanges with other currencies than EUR. Statkraft hedges its currency exposure related to cash flows from power sales of physical contracts and financial trading on power exchanges, investments, dividends and other currency exposures in accordance with the company's financial strategy. Economic hedging is achieved by using financial derivatives and loans in foreign currencies as hedging instruments. Few of the hedging relationships fulfil the requirements of hedge accounting in accordance with IAS 39.

Interest rate risk Statkraft's interest rate exposure is primarily connected to its debt portfolio. An interest rate management framework has been established based on a mix between fixed and floating interest rates. The floating interest percentage shall be in the 25-75% interval. The part of the portfolio exposed to fixed interest rates shall have a remaining maturity of at least five years. The strategy for managing interest rate risk has been established based on an objective of achieving the most cost-efficient financing, coupled with the aim of a certain stability and predictability in finance costs.

Compliance with the limit for currency and interest rate risk is followed up continuously by the independent middle-office function. Responsibility for entering into and following up the various positions has been separated and is allocated to separate organisational units. The interest rate exposure per currency in relation to established frameworks in the finance strategy is regularly reported to corporate management.

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 2015 was calculated at NOK 2222 million, which is at the same level as 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	2015	2014
Market risk in energy optimisation (volume risk, spot price risk and hedging)	1 529	1 375
Market risk in Trading and Origination portfolios (excl. market access activities)	906	869
Market risk in interest rates and currency positions	17	25
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	2 532	2 349
Diversification effects	-310	-172
Total market risk	2 222	2 177
Diversification effect as a percentage	12%	7%

Specification of debt by currency ^{1) 2)}

NOK million	2015	2014
Debt in NOK	12 987	11 381
Debt in SEK	11	491
Debt in EUR	19 424	13 898
Debt in USD	1 284	2 910
Debt in GBP	6 542	5 804
Debt in BRL	1 141	-
Total	41 389	34 484

¹⁾ Includes long-term interest-bearing debt, first-year instalment on long-term interest-bearing debt and the currency effect of combined interest rate and currency swaps. Specifications of debt by currency includes effects from combined interest rate and currency swaps, since Statkraft uses these swaps 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)}

	2015	2014
Nominal average interest rate, NOK	4.80%	5.30%
Nominal average interest rate, SEK	1.20%	0.90%
Nominal average interest rate, EUR	2.90%	3.30%
Nominal average interest rate, USD	5.60%	4.80%
Nominal average interest rate, GBP	0.80%	1.60%
Nominal average interest rate, BRL	8.20%	n/a

¹⁾ Includes long-term interest-bearing debt, first-year instalment on long-term interest-bearing debt, 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)}

NOK million	Future interest rate adjustments				Total
	0-1 year	1-3 years	3-5 years	5 years and more	
Debt in NOK	5 363	1 460	1 250	4 914	12 987
Debt in SEK	-	-	-	11	11
Debt in EUR	12 530	-3 278	5 345	4 827	19 424
Debt in USD	82	167	143	892	1 284
Debt in GBP	6 542	-	-	-	6 542
Debt in BRL	95	204	208	634	1 141
Total fixed interest 2015	24 612	-1 447	6 947	11 277	41 389
Total fixed interest 2014	16 535	3 175	8 142	6 633	34 484

¹⁾ Includes long-term interest-bearing debt, first-year instalment on long-term interest-bearing debt and the currency effect of combined interest rate and currency swaps. The split between years also take into account interest rate adjustments in interest rate swaps and combined interest rate and currency swaps. Negative figures reflect that Statkraft receive fixed interest from interest rate swaps.

²⁾ Management of foreign exchange risk and interest rate risk are presented in more detail in note 7.

Short-term financial investments – bonds per debtor category

NOK million	2015	2014	Mod. duration	2015 Av. interest rate (%)
Commercial and savings banks	155	101	2.67	1.88%
Industry	38	39	1.32	2.31%
Public sector	58	72	3.51	1.64%
Total	250	212		

Note 9 Credit risk and liquidity risk

CREDIT RISK

Credit risk is the risk of one party to a financial instrument inflicting a financial loss on the other party by not fulfilling its obligations. Statkraft assumes counterparty risk in connection with energy trading and physical sales, when investing surplus liquidity and when trading in financial instruments.

The total risk of counterparties not being able to meet their obligations is considered to be limited. 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 counter-parties 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') 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 are considered to be very low. 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. Similar agreements have also been established for individual counterparties for financial energy contracts.

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	2015	2014
Gross exposure credit risk:			
Other non-current financial assets	25	7 874	6 093
Derivatives	28	11 325	12 432
Receivables	27	10 675	12 433
Short-term financial investments		513	443
Cash and cash equivalents	29	9 056	12 663
Gross exposure credit risk		39 444	44 064
Exposure reduced by cash collateral:			
Cash collateral ¹⁾	31	-1 725	-1 088
Net exposure credit risk		37 720	42 977

¹⁾ Consists of NOK 1614 million which is interest-bearing and NOK 110 million which is interest-free

LIQUIDITY RISK

The Group's liquidity risk is the risk that the Group has insufficient liquid assets to meet its current 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. 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 and requirements relating to guarantees in connection with energy trading.

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, 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.

A guarantee has been established to cope with significant fluctuations in the collateral required by energy exchanges in connection with trading financial power contracts. The guarantee significantly reduces 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	4 297	-	-	1 000	3 000	3 050
Instalments on loans raised in non-Norwegian markets	-	6 199	-	4 784	-	16 184
Instalments on external loans in subsidiaries and other loans	211	235	238	232	199	1 891
Interest payments	1 432	1 267	978	967	519	1 862
Total maturity schedule 2015	5 940	7 700	1 215	7 383	3 718	22 986
Total maturity schedule 2014	8 285	5 801	7 159	1 178	6 577	11 255

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	2 353	660	302	151	80	65
Interest rate- and foreign currency derivatives	1 445	201	364	447	98	971
Total derivatives 2015	3 797	861	666	598	178	1 036
Total derivatives 2014	6 145	1 405	775	562	762	2 482

Note 10 Financial Instruments

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 categorised 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 activity. The Trading and Origination activity is managed independently of the Group's energy production. Its main objective is to achieve profit from changes in the market value of energy- and energy-related financial products, as well as profit from non-standardised 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 evaluated 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.

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 accounts. Because not all financial hedging relationships are being reflected in the accounts, changes in value for financial instruments may result in volatility in the income statement without fully reflecting the financial reality.

FAIR VALUE OF ENERGY DERIVATIVES

The fair value of energy derivatives are derived from quoted market prices whenever these are available. The fair value of other energy derivatives has been calculated by discounting expected future cash flows. Below is a description of assumptions and parameters that have been applied in the determination of fair value.

Power price Energy exchange contracts are valued at official discounted 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. For time horizons beyond the period for which there are official quotes, the prices are adjusted for expected inflation.

Several electricity 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. If the contracts extend beyond the horizon quoted on energy exchanges, the price is adjusted for the expected inflation.

Raw materials 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. If quotes are not available for the entire contract delivery period, the commodity prices are adjusted for inflation based on the most recent quoted price in the market.

CO₂ contracts CO₂ contracts are priced based on the forward price of EU Allowance (EUA) quotas and Certified Emission Reduction (CER) quotas. For time horizons beyond the horizon quoted, the price curve is adjusted for expected inflation.

Green certificates are valued at forward price and adjusted for inflation from the last noted price quotation.

Foreign currency 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.

Interest 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.

FAIR VALUE OF 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.

FAIR VALUE OF SHORT-TERM FINANCIAL INVESTMENTS

Certificates and bonds Certificates and bonds are valued at listed prices.

Shares and shareholdings 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.

FAIR VALUE OF LONG-TERM LIABILITIES, FIRST YEAR'S INSTALMENT ON LONG-TERM LIABILITIES AND LOANS TO ASSOCIATES

The fair value is calculated on the basis of valuation techniques whereby expected future cash flows are discounted to net present value. The future cash flows are discounted using observed market interest rates (swap interest rate curve) adjusted upwards to account for credit risk and quoted exchange rates.

Note 10 continued

Assets and liabilities recognised at amortised cost

NOK million	Note	2015 Recognised value	2015 Fair value	2014 Recognised value	2014 Fair value
Financial assets at amortised cost					
Loans to associates	25	4 974	5 197	4 756	4 944
Bonds and other long-term receivables	25	2 642	2 662	1 254	1 254
Accounts receivable	27	5 903	5 903	7 427	7 427
Short-term loans to associates	27	335	335	100	100
Receivables related to cash collateral	27	2 477	2 477	2 665	2 665
Other receivables	27	1 398	1 398	2 164	2 164
Cash and cash deposits	29	8 506	8 506	9 602	9 602
Total		26 236	26 479	27 967	28 155

Financial liabilities at amortised cost

Long-term interest-bearing debt to Statkraft SF	31	-400	-477	-400	-513
Bonds issued in the Norwegian market	31	-7 050	-7 299	-6 791	-7 455
Debt issued in non-Norwegian markets	31	-27 166	-28 449	-16 651	-19 193
External debt in subsidiaries and other debt	31	-2 794	-2 794	-3 597	-3 597
Debt connected to cash collateral	31	-1 614	-1 614	-1 088	-1 088
First year's instalment on long-term debt	31	-4 508	-4 598	-6 897	-7 041
Short-term interest-bearing debt to Statkraft SF	31	-11	-11	-1 120	-1 120
Credit facilities	31	-1 000	-1 000	-	-
Other short-term debt	31	-63	-63	-200	-200
Accounts payable	32	-2 560	-2 560	-1 864	-1 864
Indirect taxes payable	32	-1 362	-1 362	-1 058	-1 058
Interest-free debt to Statkraft SF	32	-2	-2	-8	-8
Other interest-free liabilities	32	-6 857	-6 857	-6 878	-6 878
Total		-55 387	-57 085	-46 552	-50 015

Assets and liabilities recognised at fair value, divided among level for fair value measurement

The company 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.

2015

2015	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	530	4 586	3 471	8 587
Currency and interest rate derivatives	28	-	2 739	-	2 739
Short-term financial investments		513	-	-	513
Money market funds, certificates, promissory notes, bonds	29	550	-	-	550
Total		1 594	7 325	3 471	12 389

Available-for-sale financial assets

Other shares and securities	25	75	40	143	257
Total		75	40	143	257

Financial liabilities at fair value

Energy derivatives	28	-77	-1 205	-3 020	-4 302
Currency and interest rate derivatives	28	-	-4 823	-	-4 823
Total		-77	-6 028	-3 020	-9 125

2014

2014	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	758	5 069	2 294	8 120
Currency and interest rate derivatives	28	-	4 312	-	4 312
Short-term financial investments		443	-	-	443
Money market funds, certificates, promissory notes, bonds	29	3 061	-	-	3 061
Total		4 262	9 381	2 294	15 936

Available-for-sale financial assets

Other shares and securities	25	41	43	-	84
Total		41	43	-	84

Financial liabilities at fair value

Energy derivatives	28	-45	-2 631	-1 256	-3 933
Currency and interest rate derivatives	28	-	-6 930	-	-6 930
Total		-45	-9 561	-1 256	-10 863

Note 10 continued

Total unrealised changes in value

NOK million	Note	2015	2014
Energy contracts	20	347	2 602
Financial items	20	961	-7 014
Total		1 308	-4 412

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 01.01.2015	2 294	-1 256	1 038
Unrealised changes in value, incl. currency translation effects	1 207	-2 071	-864
Additions	137	-	137
Moved from Level 3	-23	307	283
Closing balance 31.12.2015	3 614	-3 020	594

Net realised gain (+)/loss (-) for 2015 844

Opening balance 01.01.2014	2 850	-3 532	-682
Unrealised changes in value, incl. currency translation effects	-570	2 275	1 705
Additions	1	1	2
Moved from Level 3	13	-	13
Closing balance 31.12.2014	2 294	-1 256	1 038

Net realised gain (+)/loss (-) for 2014 -1 058

Sensitivity analysis of factors classified to Level 3

NOK million	10% reduction	10% increase
Net effect from power prices	-473	487
Net effect from gas prices	-15	16

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

NETTING AGREEMENTS

Financial assets

NOK million	Note	Gross amount	Amount offset	Booked amount	Netting agreements, not offset in balance sheet	Financial collateral pledged	Net value
Energy derivatives	28	16 318	7 732	8 587	-	110	8 476
Currency and interest swaps	28	2 748	9	2 739	-	1 614	1 125
Total derivatives (current and non-current)		19 066	7 740	11 326	-	1 725	9 601
Receivables	27	16 933	6 258	10 675	-	-	10 675

Financial liabilities

NOK million	Note	Gross amount	Amount offset	Booked amount	Netting agreements, not offset in balance sheet	Financial collateral pledged	Net value
Energy derivatives	28	12 033	7 732	4 302	-	-	4 302
Currency and interest swaps	28	4 831	9	4 823	-	2 477	2 346
Total derivatives (current and non-current)		16 865	7 740	9 125	-	2 477	6 647
Long-term interest-bearing debt	31	37 410	-	37 410	-	94	37 316
Short-term interest-bearing debt	31	7 196	-	7 196	-	79	7 118
Other interest-free liability	32	17 039	6 258	10 781	-	-	10 781

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 balance sheet 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 in 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 balance sheet.

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

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 1200 million. The hedging instruments are interest rate swaps with a nominal value of EUR 1200 million, entered into with major banks as the counterparties. The agreements swap interest rate from fixed to floating 3-month and 6-month EURIBOR. 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.

Hedging of net investments in foreign operation EUR 1000 million of Statkraft AS' external debt is designated as hedging of the net investment in Statkraft Treasury Centre. In addition, GBP 220 million in synthetic debt in the hedging of the net investment in Statkraft UK Ltd is included. The currency effects of this debt are recognised in other comprehensive income. The accumulated effect of the hedging is that NOK 2647 million is recognised in other comprehensive income as a negative effect at the end of 2015. The effect of the hedging for the year 2015 is NOK 883 million recognised in other comprehensive income as a negative effect.

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 subsidiaries, including the newly acquired company Empresa Eléctrica Pilmaiquén S.A.

Fair value of hedging instruments

NOK million	2015	2014
Hedging instruments used in fair value hedging	612	985
Hedging instruments used in cash flow hedging ¹⁾	-310	-55
Hedging instruments used in net investments in foreign operations ²⁾	-2 270	-1 764
Total fair value of hedging instruments	-1 969	-834

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.

Other information on fair value hedging

NOK million	2015	2014
Net gain (+)/loss (-) on hedging instruments	-456	-209
Net gain (+)/loss (-) on hedging objects, in relation to the hedged risk	456	207
Hedge inefficiency	-	-2

Note 12 Sales revenues

Statkraft's sales revenues come from spot sales, contract sales to the industry, financial trading, distribution grid operations, as well as district heating and power sales to end-users.

Statkraft optimises its hydropower generation in the Nordic area based on an assessment of the value of available water in relation to actual and expected future spot prices. This is done irrespective of contracts entered into. In the event that Statkraft has physical contractual obligations to supply power that deviate from actual output, the difference is either bought or sold on the spot market.

Necessary spot purchases are recorded as a correction to power sales.

Physical and financial contracts are used to optimise the underlying production in the form of purchase and sales positions. See note 7 for a more detailed description of these contracts.

See note 4 for more details about the split of sales revenues between the different segments in Statkraft.

NOK million	2015	2014
Physical spot sales, including green certificates	34 858	31 174
Concessionary sales at statutory prices ¹⁾	346	349
Long-term contracts ²⁾	10 071	9 722
Nordic and Continental Dynamic Asset Management Portfolio	281	655
Trading and Origination (excl. market access activities)	829	818
Distribution grid	983	966
End-user activities	3 781	4 002
District heating	689	643
Currency hedging energy contracts	20	-73
Other	-272	-11
Sales revenues	51 586	48 246

¹⁾ Statkraft has obligations to supply power to municipalities at concessionary prices.

²⁾ Statkraft has a number of physical contractual obligations of varying duration to both Norwegian and international customers.

Note 13 Other operating revenues

NOK million	2015	2014
Revenue from rental of power plants	455	498
Other operating revenues ¹⁾	1 052	3 510
Total	1 507	4 008

¹⁾ Other operating revenues in 2015 include a gain of NOK 226 million related to the sale of the subsidiary Småkraft. In 2014 the corresponding line included a gain of NOK 1213 million related to sale of hydropower plants in Finland and gain related to sale of shares in UK wind power plants at a total of NOK 1346 million. See note 5 for further information.

Note 14 Energy purchase

NOK million	2015	2014
Gas purchase	4 064	4 310
End-user activities	3 070	3 427
Other energy purchase ¹⁾	24 758	17 527
Total	31 892	25 264

¹⁾ Other energy purchase includes energy purchase related to activities where Statkraft provides market access to smaller producers of renewable energy as well as unrealised energy purchase, see note 35.

Note 15 Payroll costs and number of full-time equivalents

NOK million	2015	2014
Salaries	2 499	2 403
Employers' national insurance contribution	438	384
Pension costs ¹⁾	444	114
Other benefits	164	150
Total	3 545	3 051

¹⁾ Pension costs are described in further detail in note 16.

	2015	2014
Average number of full-time equivalents Group	3 572	3 421
Number of full-time equivalents as of 31.12.	3 795	3 348

Note 16 Pensions

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

Defined contribution schemes 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.

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. Those born in 1943 or later will get their pension benefit adjusted for life expectancy, which may result in lower pension benefits than 66% of pensionable income.

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 In addition to the above, some Group companies in Norway have entered into a 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 30 April 2012.

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

Actuarial calculations 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 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⁾	31.12.2015	31.12.2014
Discount rate and projected yield ²⁾	2.50%	2.20%
Salary adjustment	2.50%	2.75%
Adjustment of current pensions	1.50%	1.75%
Adjustment of the National Insurance Scheme's basic amount (G)	2.25%	2.50%
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.

²⁾ The discount rate is based on high quality corporate bonds (OMF). Statkraft is of the opinion that the OMF market represents a deep and liquid market with relevant durations that qualify as discount rate according to IAS 19.

Note 16 continued

Number of employees and pensioners covered by defined benefit schemes		
	2015	2014
Employees	2 011	2 181
Pensioners	1 429	1 354

Breakdown of net defined benefit pension liability

NOK million	2015	2014
Present value of accrued pension entitlements for funded defined benefit schemes	5 961	6 385
Fair value of pension assets	4 896	4 663
Net pension liability for funded defined benefit schemes	1 065	1 722
Present value of accrued pension entitlements for unfunded defined benefit schemes	580	611
Employers' national insurance contribution	242	323
Net pension liabilities in the balance sheet	1 887	2 655
Of which net pension asset - see note 25	238	-
Of which net pension liability - see note 30	2 125	2 655

Movement in defined benefit pension liability

NOK million	2015	2014
Defined gross benefit pension liabilities 01.01	6 996	6 095
Net change in liabilities due to additions/disposals	-167	-14
Present value of accrued pension entitlements for the year	297	282
Interest expenses	152	228
Scheme changes	-	-269
Actuarial gains/losses	-590	777
Paid benefits	-182	-140
Currency translation effects	35	38
Gross defined benefit pension liabilities 31.12	6 541	6 996

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

NOK million	2015	2014
Fair value of pension assets 01.01	4 663	4 117
Net change in assets due to additions/disposals	-105	-
Projected yield on pension assets	99	157
Actuarial gains/losses	74	166
Total contributions	276	312
Paid benefits	-134	-110
Currency translation effects	23	21
Fair value of pension assets 31.12	4 896	4 663

	2015	2014
Pension assets comprise		
Equity instruments	899	857
Interest-bearing instruments	3 524	3 385
Other	473	421
Fair value of pension assets 31.12	4 896	4 663

Actuarial gains and losses recognised in other comprehensive income

NOK million	2015	2014
Accumulated actuarial gains and losses recognised in other comprehensive income before tax 31.12	2 210	2 968

Pension cost recognised in the income statement

Defined benefit schemes

NOK million	2015	2014
Present value of accrued pension entitlements for the year	297	282
Interest expenses	152	228
Projected yield on pension assets	-99	-157
Scheme changes	-	-269
Employee contributions	-25	-27
Employers' national insurance contribution	50	5
Net pension cost defined benefit schemes	375	62

Defined contribution schemes

	2015	2014
Employer payments	69	52
Total pension cost - see note 15	444	114

Sensitivity analysis upon changes in assumptions

	Discount rate		Salary adjustment		Adjustment of G	
	1 %	-1 %	1 %	-1 %	1 %	-1 %
Increase (+)/decrease (-) in net pension cost defined benefit schemes for the period	-20%	23%	15%	-16%	9%	-11%
Increase (+)/decrease (-) in gross defined pension liability as of 31.12.	-16%	21%	7%	-7%	12%	-11%

Note 17 Property tax and licence fees

NOK million	2015	2014
Property tax	1 338	1 319
Licence fees	341	311
Total	1 679	1 630

Licence fees are adjusted in line with the Consumer Price Index, with the first adjustment taking place on 1 January five years after the licence was granted and every fifth year thereafter.

The present value of the Group's future licence fee obligations that are not provided for in the annual financial statements is estimated at NOK 8633 million, discounted at an interest rate of 4.0% in accordance with the regulations relating to the adjustment of licence fees, annual compensation and funds etc. In 2014, the corresponding amount was NOK 9627 million with an interest rate of 3.2%.

Note 18 Other operating expenses

NOK million	2015	2014
Purchase of third-party services ¹⁾	1 465	1 367
Materials	407	563
Power plants operated by third parties	267	280
Compensation payments	164	113
Rent	347	325
IT	239	246
Marketing	129	123
Travel	191	169
Insurance	141	132
Other operating expenses ²⁾	1 302	174
Total	4 651	3 493

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

²⁾ Other operating expenses includes costs of NOK 789 million related to impairment in Turkey. See note 23 for further information.

Note 19 Financial items

2015	Assessment basis					
NOK million	Fair value through profit or loss	Amortised cost	Available for sale	Equity method	Bank	Total
Financial income						
Interest income	21	123	-	-	234	378
Other financial income	-	33	-	10	-	43
Total	21	156	-	10	234	421
Financial expenses						
Interest expenses external debt	-88	-1 322	-	-	-	-1 410
Other interest expenses	-	-165	-	-	-13	-178
Capitalised borrowing costs	-	266	-	-	-	266
Other financial expenses	-	-13	-	-723	-	-736
Total	-88	-1 234	-	-723	-13	-2 058
Net currency effects	-3 024	-621	-	-	200	-3 445
Other financial items						
Net gains and losses on derivatives and securities	-232	-	-	-	-	-232
Impairment and gain/loss on financial assets	-	-	-4	-	-	-4
Total	-232	-	-4	-	-	-236
Net financial items	-3 323	-1 699	-4	-713	421	-5 318

Note 19 continued

2014

NOK million	Assessment basis			Equity method	Bank	Total
	Fair value through profit or loss	Amortised cost	Available for sale			
Financial income						
Interest income	11	59	-	-	197	267
Other financial income	-	81	-	512	-	592
Total	11	140	-	512	197	859
Financial expenses						
Interest expenses external debt	-454	-972	-	-	-	-1 426
Other interest expenses	-	-121	-	-	-38	-159
Capitalised borrowing costs	-	360	-	-	-	360
Other financial expenses	-	-83	-	-	-	-83
Total	-454	-816	-	-	-38	-1 309
Net currency effects	-1 600	-2 285	-	-	-905	-4 791
Other financial items						
Net gains and losses on derivatives and securities	-1 028	-	-	-	-	-1 028
Impairment and gain/loss on financial assets	-	-	-14	-	-	-14
Total	-1 028	-	-14	-	-	-1 043
Net financial items	-3 072	-2 961	-14	512	-747	-6 283

Note 20 Unrealised effects recognised in the income statement

NOK million	2015			2014		
	Unrealised	Realised	Total	Unrealised	Realised	Total
Sales revenues						
Long-term contracts	2 097	7 974	10 071	1 429	8 294	9 722
Nordic and Continental Dynamic Asset Management Portfolio	-30	311	281	-317	971	655
Trading and Origination (excl. market access activities)	-215	1 044	829	206	612	818
End-user	38	3 743	3 781	14	3 988	4 002
Other sales revenues	-	36 604	36 604	-	33 121	33 121
Eliminations	138	-118	20	-27	-46	-73
Total sales revenues	2 028	49 558	51 586	1 304	46 942	48 246
Energy purchase	-1 681	-30 211	-31 892	1 298	-26 561	-25 264
Net currency effects	1 171	-4 624	-3 445	-5 974	1 183	-4 791
Other financial items						
Net gains and losses on derivatives and securities	-206	-26	-232	-1 028	-	-1 028
Impairment and gain/loss on financial assets	-4	-	-4	-13	-2	-14
Total unrealised effects	1 308			-4 412		

Note 21 Taxes

The tax expense in the income statement

NOK million	2015	2014
Income tax payable (including natural resource tax payable)	429	1 435
Resource rent tax payable	1 481	1 792
Withholding tax payable	15	-
Corrections related to previous years payable tax	-122	306
Change in deferred tax net of group contributions	-255	512
Tax expense in the income statement	1 548	4 045

Taxes payable in the balance sheet

NOK million	2015	2014
Income tax payable	358	831
Natural resource tax payable	591	604
Resource rent tax payable	1 481	1 792
Net taxes payable from previous years	395	319
Taxes payable in the balance sheet	2 825	3 546

Tax included in receivables

NOK million	2015	2014
Prepaid tax	42	78
Natural resource tax carryforwards	520	-
Tax included in receivables - see note 27	562	78

Reconciliation of nominal Norwegian tax rate and effective tax rate

NOK million	2015	2014
Profit before tax	-821	7 937
Expected tax expense at a nominal rate of 27%	-222	2 143

Effect on taxes of

Resource rent tax	1 356	2 483
Foreign tax rate differences	-46	-509
Change in tax rates	-198	-76
Share of profit from associates	-185	-178
Tax-free income	-66	-810
Changes relating to previous years	-195	245
Change in unrecognised deferred tax assets ¹⁾	751	239
Other permanent differences ²⁾	352	508
Tax expense	1 548	4 045
Effective tax rate	-188.5 %	51.0 %

¹⁾ Change in unrecognised deferred tax assets is mainly related to impairments in Sweden and Turkey.

²⁾ 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 recycling of currency translation effects, depreciations on added values and changes in value of equity instruments.

Note 21 continued

BREAKDOWN OF DEFERRED TAX

The following table provides a breakdown of the net deferred tax liability. Deferred tax assets and deferred tax connected with various tax subjects/regimes are presented separately in the balance sheet. Deferred tax assets are recognised in the balance sheet to the extent that it is probable that these will be utilised.

NOK million	01.01.15	Tax expense in the income statement	Other comprehensive income	Acquisitions and sale of companies	31.12.15
Current assets/current liabilities	292	380	-172	-147	352
Property, plant and equipment ¹⁾	6 609	132	239	1 545	8 525
Pension liabilities	-682	-7	233	20	-435
Other long-term items	451	-161	-3	11	298
Tax loss carryforward/compensation ¹⁾	-227	-405	-26	-98	-755
Deferred tax, resource rent tax	2 509	125	81	-	2 715
Negative resource rent tax carryforward ²⁾	-2 244	-320	-	-	-2 564
Total net deferred tax liability	6 708	-255	353	1 331	8 137
Of which presented as deferred tax asset, see note 22	1 471				1 298
Of which presented as deferred tax liability, see note 30	8 180				9 435

NOK million	01.01.14	Tax expense in the income statement	Other comprehensive income	Acquisitions and sale of companies	31.12.14
Current assets/current liabilities	635	186	-287	-242	292
Property, plant and equipment ¹⁾	6 654	199	162	-406	6 609
Pension liabilities	-605	71	-148	-	-682
Other long-term items	750	-588	44	245	451
Tax loss carryforward/compensation ¹⁾	-215	-51	-15	54	-227
Deferred tax, resource rent tax	1 963	581	-35	-	2 509
Negative resource rent tax carryforward ²⁾	-2 358	114	-	-	-2 244
Total net deferred tax liability	6 824	512	-279	-349	6 708
Of which presented as deferred tax asset, see note 22	1 291				1 471
Of which presented as deferred tax liability, see note 30	8 116				8 180

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 1040 million as of 31.12.2015 (NOK 1213 million as of 31.12.2014).

²⁾ Tax assets related to negative resource rent tax carryforward that are estimated used within the next ten years, are recognised in the balance sheet. Normal production and price curve expectations for the next ten years form the basis for the calculation of expected future taxable profit. Off-balance sheet deferred tax assets related to negative resource rent tax carryforward amounted to NOK 1336 million as of 31.12.2015 (NOK 1594 million as of 31.12.2014).

Deferred tax recognised in other comprehensive income

NOK million	2015	2014
Remeasurement of pension obligations	314	-184
Translation differences	180	187
Changes in fair value of financial instruments	-142	-282
Total deferred tax recognised in other comprehensive income	353	-279

Note 22 Intangible assets

NOK million	2015	2014
Deferred tax asset ¹⁾	1 298	1 471
Goodwill ²⁾	1 550	599
Other ³⁾	2 974	1 368
Total	5 822	3 439

¹⁾ Deferred tax is presented in more detail in note 21.

²⁾ The amount is mainly technical goodwill associated with deferred tax. The rest is excess value identified through acquisitions of businesses.

³⁾ Includes rights in connection with leasehold improvements for power plants transferred from Statkraft SF and excess values related to physical power sales agreements from acquisitions.

NOK million	Goodwill	Other	Total
2015			
Balance at 01.01	599	1 368	1 967
Additions	17	323	340
Additions from business combinations	1 060	1 859	2 919
Transferred to/from non-current assets	-	-202	-202
Disposals	-	-24	-24
Derecognised on disposal of a subsidiary	-	-	-
Currency translation effects	34	-318	-284
Amortisation	0	-31	-31
Impairment ⁴⁾	-160	-1	-161
Accumulated amortisation/impairment on disposals	-	-	-
Balance at 31.12	1 550	2 974	4 524
 Cost 31.12	 2 115	 3 762	 5 877
Accumulated amortisation and impairment as of 31.12	-565	-788	-1 353
Balance at 31.12	1 550	2 974	4 524

⁴⁾ Impairment is related to Swedish wind farms. See note 23 for further information.

NOK million	Goodwill	Other	Total
2014			
Balance at 01.01	824	1 395	2 219
Additions	4	39	43
Additions from business combinations	27	-	27
Transferred to/from non-current assets	-	7	7
Disposals	-50	-17	-67
Derecognised on disposal of a subsidiary	-231	-156	-388
Currency translation effects	26	63	90
Amortisation	-	-40	-40
Impairment	-	-	-
Accumulated amortisation/impairment on disposals	-	77	77
Balance at 31.12	599	1 368	1 967
 Cost 31.12	 1 116	 1 703	 2 819
Accumulated amortisation and impairment as of 31.12	-517	-335	-852
Balance at 31.12	599	1 368	1 967

Expected economic lifetime	10–22 years
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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 2015 and 2014 are expensed with NOK 104 million and NOK 102 million, respectively.

Note 23 Property, plant and equipment

NOK million	Regulation plants	Turbines, generators etc.	Distribution-grid facilities	Shareholdings in power plants operated by third parties	Properties, mountain halls, buildings, roads, bridges and quay facilities	Plants under construction	Other ¹⁾	Total
2015								
Balance at 01.01	23 392	25 202	3 677	1 442	26 920	13 111	5 455	99 199
Additions	160	1 806	320	-	253	6 249	372	9 160
Additions from business combinations	123	1 856	331	-	4 077	-	388	6 775
Transferred between asset classes	654	1 189	542	-	6 813	-10 300	1 102	-
Transferred from intangible assets	-	2	-	-	299	-99	-	202
Disposals	-7	-160	-33	-	-138	-66	-300	-704
Derecognised on disposal of a subsidiary	-	-309	-	-	-	-202	-1 364	-1 875
Capitalised borrowing costs	-	-	-	-	-	266	-	266
Currency translation effects	844	552	39	-	1 080	1 065	105	3 685
Depreciation	-629	-1 508	-292	-54	-291	-	-515	-3 289
Impairment	-	-843	-	-	-770	-1 297	-10	-2 920
Accumulated depreciation/ impairment on disposals ²⁾	7	182	34	-	78	-	407	708
Balance at 31.12	24 544	27 969	4 618	1 388	38 321	8 727	5 640	111 207
Book value 31.12 of assets with infinite useful life ³⁾	n/a	n/a	n/a	n/a	19 152	n/a	n/a	19 152
Cost 31.12	34 022	51 980	10 473	2 669	43 125	11 002	9 354	162 625
Accumulated depreciation and impairment as of 31.12	-9 478	-24 011	-5 855	-1 281	-4 804	-2 275	-3 714	-51 418
Balance at 31.12	24 544	27 969	4 618	1 388	38 321	8 727	5 640	111 207

¹⁾ Other mainly includes district heating plants, buildings, office and computer equipment, electro-technical installations and vehicles

²⁾ Most of the disposal of accumulated depreciation and impairment is related to disposal of subsidiaries.

³⁾ The amount consists mainly of waterfall rights.

NOK million	Regulation plants	Turbines, generators etc.	Distribution-grid facilities	Shareholdings in power plants operated by third parties	Properties, mountain halls, buildings, roads, bridges and quay facilities	Plants under construction	Other ¹⁾	Total
2014								
Balance at 01.01	20 062	27 425	3 444	2 023	29 035	14 367	4 912	101 269
Additions	483	2 555	250	35	228	5 192	277	9 019
Additions from business combinations	-	-	-	-	-	150	-	150
Transferred between asset classes	1 743	3 578	105	-565	-	-5 355	493	-
Transferred from intangible assets	-	-	-	-	86	-166	72	-7
Disposals	-122	-95	-	-	-4	-13	-141	-375
Derecognised on disposal of a subsidiary	-	-8 670	86	-	-2 602	-1 416	-	-12 601
Capitalised borrowing costs	-	-	-	-	-	360	-	360
Currency translation effects	1 765	344	31	2	84	1 043	4	3 270
Depreciation	-588	-1 171	-251	-53	-219	-	-699	-2 981
Impairment	-	-	-	-	-	-1 050	-	-1 050
Accumulated depreciation/ impairment on disposals ²⁾	48	1 236	12	-	312	-	538	2 146
Balance at 31.12	23 392	25 202	3 677	1 442	26 920	13 111	5 456	99 199
Book value 31.12 of assets with infinite useful life ³⁾	n/a	n/a	n/a	n/a	14 241	n/a	n/a	14 241
Cost 31.12	32 057	46 460	9 058	2 669	30 612	14 188	8 490	143 533
Accumulated depreciation and impairment as of 31.12	-8 665	-21 258	-5 382	-1 228	-3 692	-1 077	-3 034	-44 335
Balance at 31.12	23 392	25 202	3 677	1 442	26 920	13 111	5 456	99 199

¹⁾ Other mainly includes district heating plants, buildings, office and computer equipment, electro-technical installations and vehicles

²⁾ Most of the disposal of accumulated depreciation and impairment is related to disposal of subsidiaries.

³⁾ The amount consists mainly of waterfall rights.

INVESTMENTS IN 2015

The addition in 2015 of property, plant and equipment worth NOK 9160 million (excluding capitalized borrowing costs of NOK 266 million) and intangible assets worth NOK 340 million, consisted of both investments in new generating capacity, maintenance investments and other investments. Maintenance investments and other investments amounted to NOK 1970 million (NOK 2368 million in 2014). The investments primarily relate to the Nordic hydropower and Industrial ownership segments. Investments in new capacity amounted to NOK 7797 million (NOK 7525 million in 2014). The largest projects were hydropower plants in Turkey, Albania and Peru and wind farms in Sweden (onshore) and the UK (offshore).

ASSETS PLEDGED AS SECURITY TO COUNTERPARTIES

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

Note 23 continued

IMPAIRMENT IN 2015

In 2015, property, plant and equipment are impaired by a total of NOK 3081 million, compared to NOK 1050 million in 2014.

In accordance with the ordinary reporting procedures the need to impair the carrying value of an asset is reviewed quarterly. 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 revocable 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 unclear or project execution is uncertain
- Impairment loss is assessed earlier

Statkraft performs an annual update of the long term market analyses for strategic and investment purpose in the markets where the company is present. This is a systematic analysis of market trends and uncertainties, and their implication on power prices and other income streams for power generating assets including support schemes. The long term market analysis is an indication on whether an impairment loss has occurred.

Calculated value in use is based on a nominal discount rate after tax of 6.6% for wind parks in Sweden. 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 rate represents Statkrafts expectation of earnings after tax on investments in this type of technology in the relevant market.

Wind parks in Sweden

The combination of lower energy prices and lower electricity prices have had a significant negative impact on the future cash flow of the Swedish greenfield and operating assets. The impairment calculations show an impairment of NOK 1530 million related to the operational assets. In addition, an impairment charge of NOK 220 million is recognised related to the wind development portfolios in Sweden. The total impairment charge on wind assets in Sweden amounts to NOK 1750 million.

When calculating the expected value in use, assumptions are made relating to future revenue and cost. 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 730 million. A change in the discount rate of one percentage point (before tax) will result in approximately NOK 500 million. Changes to these assumptions going forward may result in a change to the conclusions reached as of 31 December 2015.

Power plants under construction in South East Europe

At year-end the security situation in South-East Turkey and challenges related to project execution was considered an impairment indicator for the Cetin project. On 15 December 2015, Statkraft decided to suspend the majority of the construction works. The management will continue its current effort to find a sustainable solution for moving the project forward. Due to the significant uncertainties related to the outcome of these processes management has determined that it is most appropriate to recognise an impairment loss of NOK 1297 million. The figures may change as the outcome of the ongoing assessments and negotiations are becoming more certain.

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

A more detailed specification of the useful economic lives 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)
Waterfall rights	perpetual	Distribution grid facilities	
Land	perpetual	– transformer	35
Dams		– switchgear, high voltage	35–40
– riprap dams, concrete dams	75	Buildings (admin etc.)	25–50
– other dams	30	Wind turbines	
Tunnel systems	75	– land-based	20–22
Mechanical installations		– offshore	25
– pipe trenches	40	Other fixed installations	
– generators (turbine, valve)	40	– permanent	20
– other mechanical installations	15	– less permanent	10
Underground facilities	75	Miscellaneous fixtures	5
Roads, bridges and quays	75	Office and computer equipment	3
Electrotechnical installations		Furnishings and equipment	5
– transformer/generator	40	Vehicles	8
– switchgear (high voltage)	35	Construction equipment	12
– control equipment	15	Small watercraft	10
– operating centre	15	Gas and steam generators	20–25
– communication equipment	10	Water cooling systems	20–25
		Gas power plant transformers	20–25

Note 24 Associates and joint ventures

Information concerning Statkraft's material associated companies and joint ventures are shown in the table below. Based on size and complexity, the following companies are considered material:

2015				Malana Power Company Ltd.	Desenvix Energias Renováveis S.A. ²⁾	Scira Offshore Energy Ltd.	Wind UK Invest Ltd.	Other	Total
NOK million	BKK AS	Agder Energi AS	SN Power AS						
Opening balance 01.01	4 928	3 848	2 645	946	1 567	1 980	971	2 136	19 027
Investment/sales	-	-14	-	-	-1 484	-	-	281	-1 217
Share of profits	335	596	130	37	19	125	8	-65	1 184
Amortisation of excess value/Impairment ¹⁾	-14	-66	-	-375	-11	-	-32	-2	-501
Capital increase	-	-	-	-	80	-	-	19	99
Dividend	-200	-323	-	-	-	-	-5	-7	-534
Currency translation effects	86	-	372	92	-168	296	125	323	1 127
Items recorded in other comprehensive income	138	76	-62	-	-4	-1	-	57	204
Closing balance 31.12	5 272	4 117	3 084	700	-	2 399	1 067	2 748	19 388
Excess value 31.12.2015	2 197	2 043	-	30	-	-	60	1 266	5 596
Of which unamortised waterfall rights	1 818	314	-	-	-	-	-	1 200	3 332
¹⁾ The shares in Malana and Allain Duhangan has been impaired with NOK 384 million due to a permanent downward shift in prices in the Indian market.									
²⁾ As of 13 July 2015 Statkraft became majority shareholder with 81.3% in Desenvix and the company is no longer accounted for as an associate.									
2014				Malana Power Company Ltd.	Desenvix Energias Renováveis S.A.	Scira Offshore Energy Ltd.	Wind UK Invest Ltd.	Other	Total
NOK million	BKK AS	Agder Energi AS	SN Power AS						
Opening balance 01.01	5 207	4 136	-	875	1 648	-	-	4 132	16 002
Investment/sales	-	-	1 651	-	78	1 505	874	-2 386	1 722
Share of profits	279	251	89	-8	-31	352	14	193	1 139
Amortisation of excess value/Impairment ^{1) 2)}	-14	-66	-	-6	-374	-	-	-19	-478
Capital increase	-	-	535	-	68	-	-	37	640
Dividend	-399	-324	-	-	-	-	-4	-1	-729
Currency translation effects	-	-	348	84	178	123	87	32	851
Items recorded in other comprehensive income	-144	-149	22	-	-	-	-	148	-123
Closing balance 31.12	4 928	3 848	2 645	946	1 567	1 980	971	2 136	19 027
Excess value 31.12.2014	2 211	2 109	-	388	-	-	-	1 528	6 236
Of which unamortised waterfall rights	1 818	333	-	-	-	-	-	1 528	3 679

¹⁾ The shares in Desenvix was impaired with NOK 373 million. The impairment was made due to challenging financing as well as postponement of profitable projects.

²⁾ The impairment in Scira from 2011 of NOK 341 million was reversed in 2014, due to successful operations and positive results the latest quarters.

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 sell 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.

Malana Power Company Ltd. is a company domiciled in India through which Statkraft, in cooperation with Bhilwhara Group, owns and operates the hydropower plant Malana and Allan Duhangan. The company's activities are production, sale and transmission of electric power.

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.

Statkraft has pledged parent company guarantee to Scira of NOK 1263 millions. See note 34 for pledges, guarantees and obligations.

Note 24 continued

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.

2015

NOK million	BKK AS	Agder Energi AS	SN Power AS	Malana Power Company Ltd.	Scira Offshore Energy Ltd.	Wind UK Invest Ltd.
Current assets	2 232	4 045	1 401	84	886	370
Non-current assets	18 697	14 668	9 799	1 544	14 783	4 362
Short-term liabilities	5 915	4 747	267	79	60	297
Long-term liabilities	7 965	9 431	1 978	267	9 759	2 448
Gross operating revenues	3 958	8 486	229	93	1 705	406
Net profit	846	1 178	272	-17	256	14
Total comprehensive income	1 455	1 516	72	-17	256	14

2014

NOK million	Desenvix Energias Renováveis S.A	BKK AS	Agder Energi AS	SN Power AS	Malana Power Company Ltd.	Scira Offshore Energy Ltd.	Wind UK Invest Ltd.
Current assets	243	1 963	2 494	670	76	755	293
Non-current assets	4 593	17 403	13 924	8 397	1 364	13 705	4 571
Short-term liabilities	518	1 961	3 629	152	42	141	261
Long-term liabilities	2 402	11 412	9 029	1 579	250	9 368	1 914
Gross operating revenues	637	3 730	8 267	35	108	1 515	161
Net profit	-63	775	998	126	20	1 237	30
Total comprehensive income	-63	1 167	769	46	20	1 237	30

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. Companies classified as joint operations are treated in accordance with the proportionate consolidation method as indicated in IFRS 11.

Name	Registered office	Shareholding	Voting share
JOINT VENTURES:			
Allain Duhangan Hydro Power Ltd.	New Dehli	43.10%	43.10%
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%
HPC Ammerån AB	Stockholm	50.00%	50.00%
HPC Byske AB	Stockholm	50.00%	50.00%
HPC Edsox AB	Stockholm	50.00%	50.00%
HPC Rön AB	Stockholm	50.00%	50.00%
Malana Power Company Ltd.	New Dehli	49.00%	49.00%
Scira Offshore Energy Ltd.	London	40.00%	40.00%
Silva Green Fuel AS	Oslo	51.00%	51.00%
SN Power AS	Oslo	50.00%	50.00%
Statkraft BLP Solar Solutions Pte Ltd.	New Dehli	90.00%	90.00%
Triton Knoll Offshore Wind Farms Ltd.	London	50.00%	50.00%
Windpark Kollweiler GmbH & Co	Düsseldorf	20.00%	20.00%
Wind UK Invest Ltd.	London	51.00%	51.00%

JOINT OPERATIONS:

Companies

Aktieselskabet Tyssefaldene ¹⁾	Tyssedal	60.17%	60.17%
Dudgeon Offshore Wind Ltd. ¹⁾	London	30.00%	30.00%
Forewind Ltd. ¹⁾	London	25.00%	25.00%
Fosen Vind DA	Oslo	50.10%	50.10%
Harrsele AB	Vännäs	50.57%	50.57%
Kraftwerksgesellschaft Herdecke, GmbH & Co. KG	Hagen	50.00%	50.00%
Naturkraft AS	Tysvær	50.00%	50.00%
Røldal-Suldal Kraft AS ²⁾	Suldal	4.79%	4.79%
Sira-Kvina Kraftselskap DA ³⁾	Sirdal	46.70%	46.70%
Statkraft Agder Energi Vind DA ¹⁾	Kristiansand	62.00%	62.00%

Note 24 continued

Name	Registered office	Shareholding	Voting share
Assets			
Aurlandsverkene	Aurland	7.00%	7.00%
Folgefonn ⁴⁾	Kvinnherrerad	100.00%	100.00%
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%
Leiro	Eidfjord	65.00%	65.00%
Nordsvorka	Surnadal	50.00%	50.00%
Sima	Eidfjord	65.00%	65.00%
Solbergfoss ⁵⁾	Askim	33.33%	33.33%
Stegaros	Tinn	50.00%	50.00%
Svartisen	Meløy	70.00%	70.00%
Svorka	Surnadal	50.00%	50.00%
Tyssefaldene ⁶⁾	Odda	60.17%	60.17%
Vikfalli	Vik	88.00%	88.00%
Volgsjöfors	Stockholm	73.10%	73.10%
Ulla-Førre ⁷⁾	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%
Fosen Vind AS	Trondheim	50.10%	50.10%
Istad AS	Molde	49.00%	49.00%
Nividhu (Pvt) Ltd.	Colombo	30.00%	30.00%
Passos Maia Energética S.A.	Caçador City	50.00%	50.00%
Spittal Hill Windfarm Ltd.	London	29.75%	29.75%
Viking Varne AS	Porsgrunn	50.00%	50.00%

¹⁾ The shareholder's agreements indicate joint control.

²⁾ 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%.

³⁾ Statkraft's total shareholding is 46.7% of which Skagerak Energi AS' shareholding is 14.6%.

⁴⁾ Statkraft's total shareholding is 100% of which Skagerak Energi AS' shareholding is 14.94%.

⁵⁾ Statkraft owns 33.3% of Solbergfoss, but controls 35.6% of the production.

⁶⁾ Statkraft controls 71.4% of the production from the Tysso II power plant.

⁷⁾ Statkraft's total shareholding is 73.48% of which Skagerak Energi AS' shareholding is 1.49%.

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

APPROPRIATION RIGHTS

Statkraft has appropriation rights in power plants also owned by other players. These rights are treated as joint operations and recognised with Statkraft's share of the revenues, expenses, assets and liabilities. Overview of appropriation rights:

Name	Shareholding
Båtfors	6.64%
Forsmo	2.20%
Selfors	10.60%

Note 25 Other non-current financial assets

NOK million	2015	2014
Measured at amortised cost:		
Loans to associates	4 974	4 756
Bonds and other long-term receivables ¹⁾	2 642	1 254
Total	7 617	6 009

¹⁾ The amount includes net pension asset. See note 16.

Available for sale:		
Other shares and securities	257	84
Total	7 874	6 093

Note 26 Inventories

NOK million	2015		2014	
	Recognised value	Cost price	Recognised value	Cost price
Green certificates measured at net realisable value:				
Electricity certificates	578	529	576	641
Carbon quotas	298	316	1 299	1 167
Total	875	845	1 875	1 808

Measured at the lower of cost price and net realisable value:

Spare parts	100	94
Other	68	119
Total inventories are measured at the lowest of cost price and net realisable value	169	213
Total	1 044	2 088

Note 27 Receivables

NOK million	2015	2014
Accounts receivable	5 903	7 427
Short-term loans to associates	335	100
Prepaid tax	42	78
Natural resource tax carryforwards	520	-
Receivables related to cash collateral	2 477	2 665
Other receivables	1 398	2 164
Total	10 675	12 433
Of which interest-bearing	2 812	2 767

Maturity analysis of receivables

2015 NOK million	Receivables overdue by				Total
	Not yet due	Less than 90 days	More than 90 days	Receivables overdue and impaired	
Accounts receivable	5 608	218	79	-2	5 903
Other receivables	4 372	201	200	-	4 772
Total	9 979	419	279	-2	10 675

Recognised as loss for the year **5**

2014 NOK million	Receivables overdue by				Total
	Not yet due	Less than 90 days	More than 90 days	Receivables overdue and impaired	
Accounts receivable	6 990	326	122	-14	7 427
Other receivables	4 820	114	76	-	5 007
Total	11 811	440	197	-14	12 433

Recognised as loss for the year **2**

Note 28 Derivatives

Energy derivatives - net position

NOK million	2015	2014
Long-term contracts	3 655	724
Trading and Origination (excl. market access activities)	85	375
Nordic and Continental Dynamic Asset Management Portfolio	348	389
Energy purchase contracts	494	2 577
Other contracts and eliminations	-297	122
Total	4 285	4 187

Of this:

- Non-current assets	2 833	3 754
- Current assets	5 753	4 366
- Long-term liabilities	-875	-1 152
- Current liabilities	-3 427	-2 781
Total	4 285	4 187

Currency and interest rate derivatives - net position

NOK million	2015	2014
Interest rate swaps	-129	-238
Forward exchange rate contracts	-2 231	-2 272
Combined interest rate and currency swaps	275	-108
Total	-2 084	-2 618

Of this:

- Non-current assets	1 841	1 862
- Current assets	898	2 450
- Long-term liabilities	-2 862	-2 403
- Current liabilities	-1 961	-4 527
Total	-2 084	-2 618

Derivatives - net position group

NOK million	2015	2014
Energy derivatives	4 285	4 187
Currency and interest rate derivatives	-2 084	-2 618
Total	2 201	1 569

Of this:

- Non-current assets	4 675	5 616
- Current assets	6 651	6 816
- Long-term liabilities	-3 736	-3 556
- Current liabilities	-5 388	-7 308
Total	2 201	1 569

Note 29 Cash and cash equivalents

NOK million	2015	2014
Cash and cash deposits ¹⁾	8 506	9 602
Money market funds, certificates, promissory notes, bonds	550	3 061
Total	9 056	12 663

¹⁾ Includes NOK 420 million and NOK 86 million respectively in 2015 and 2014 from companies reported as joint operations under IFRS 11.

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

The following amounts in cash and cash equivalents are pledged as security to/from counterparties:

NOK million	2015	2014
Deposit account in connection with power sales on energy exchanges	32	122
Total	32	122

Cash collateral

Cash collateral comprises mostly of payments made to/from counterparties as security for the net unrealised gains and losses that Statkraft has on interest rate swaps, combined interest rate and currency swaps and forward exchange contracts. The table below shows net payments at year end to counterparties, who will eventually be repaid. See notes 27 and 31.

NOK million	2015	2014
Cash collateral for financial derivatives	-753	-1 607

Note 30 Provisions

NOK million	Note	2015	2014
Deferred tax	21	9 435	8 180
Pension liabilities	16	2 125	2 655
Decommissioning ¹⁾		502	342
Other provisions ²⁾		9 166	7 620
Total provisions		21 228	18 796

¹⁾ Decommissioning provisions typically arise when Statkraft has the right to time-limited concessions, and is mainly related to gas power plants in Germany and wind power plants in Sweden.

²⁾ Included in other provisions are liabilities in connection with equity instruments. In addition to this, a provision of NOK 789 million is made due to the situation in Turkey and the uncertainties related to the Cetin project. Due the significant uncertainties related to finding a sustainable solution for moving the project forward the provision may change significantly as the outcome of the ongoing assessments and negotiations are becoming more certain. See also note 23.

Note 31 Interest-bearing debt

NOK million	2015	2014
Short-term interest-bearing debt		
First year's instalment on long-term debt	4 508	6 897
Debt connected to cash collateral	1 614	1 088
Credit facilities	1 000	-
Debt to Statkraft SF	11	1 120
Other short-term debt	63	200
Total	7 196	9 306
Long-term interest-bearing debt		
Debt to Statkraft SF	400	400
Bonds issued in the Norwegian market	7 050	6 791
Debt issued in non-Norwegian markets	27 166	16 651
External debt in subsidiaries and other debt	2 794	3 597
Total	37 410	27 438
Total interest-bearing debt	44 606	36 744

The Group's net borrowing in 2015 amounted to NOK 2545 million. Other changes are mainly explained by the changes in exchange rates on foreign currency loans and business combinations.

Note 32 Other interest-free liabilities

NOK million	2015	2014
Accounts payable	2 560	1 864
Indirect taxes payable	1 362	1 058
Debt to Statkraft SF	2	8
Other interest-free liabilities ¹⁾	6 857	6 878
Total	10 781	9 808

¹⁾ Of other interest-free liabilities NOK 3952 million are accrued, not due interest-free liabilities in 2015. In 2014 this amounted to NOK 4617 million.

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 as shown in the table below is recognised in future periods.

Excess/shortfall of revenue distribution grid operations, closing balance

NOK million	2015	2014
Cumulative excess revenue transferred to subsequent years	281	373
Cumulative revenue shortfall transferred to subsequent years	-26	-11
Net excess/shortfall of revenue	255	362

DISPUTES

The Group is involved in a number of legal proceedings in various forms. While 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 material adverse effect individually or in the aggregate 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 AS has received a notice of reassessment from Norwegian tax authorities regarding its income tax returns for fiscal years 2008 - 2014 relating to its investment in the subsidiary Statkraft Treasury Centre SA in Belgium. The notice is of a preliminary nature with a number of reservations and it is therefore not possible to quantify any potential exposure. Statkraft disagrees that there is a legal basis for any reassessments, and has made no provision for potential tax liabilities.

BRAZIL

On 13 July 2015, Statkraft acquired a controlling interest in the Brazilian company Desenvix Energias Renováveis S.A. which subsequently changed name to Statkraft Energias Renováveis. Over the past years, Brazil has experienced several severe corruption cases. On this background, Statkraft has initiated an internal investigation related to the subsidiary acquired in 2015. The investigation is ongoing and it is at this stage not possible to predict the outcome of the investigation.

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 1065 million. In addition, other subsidiaries have a total of NOK 1446 million in pledged assets.

As of 31 December 2015, the carrying value of the pledged assets in Statkraft Energi AS totalled NOK 5150 million, and a total of NOK 1937 million in other subsidiaries, mainly 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 1200 million, being pledged in trade receivables at a maximum of NOK 600 million. No funds were drawn at 31 December 2015.

GUARANTEES

The Statkraft Group has the following off-balance-sheet guarantees:

NOK million	2015	2014
Parent company guarantees ¹⁾	29 773	27 480
Other	2 328	2 525
Total guarantees in Statkraft AS	32 101	30 005
¹⁾ Whereof the most material guarantees are regarding energy purchase of NOK 15 381 million and liabilities to suppliers of NOK 6 857 million.		
Parent company guarantees	1 479	2 052
Guarantees in NASDAQ OMX Stockholm AB and other energy exchanges	1 067	1 181
Other	1 616	1 283
Total guarantees in subsidiaries	4 162	4 517
Total guarantees	36 263	34 521

Note 34 continued

CONTRACT OBLIGATIONS

The Statkraft Group has the following off-balance-sheet obligations:

- Long-term agreements to purchase CO₂ quotas.
- A license agreement relating to the development, construction and operation of two hydropower plants which involves a responsibility estimated at EUR 576 million.
- Obligation regarding service agreements and similar related to gas power plants of NOK 2542 million.
- Obligation related to early termination compensation payables to customers regarding power sales contracts of NOK 0,8 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 2015, the contracts with financial settlement had a total volume of around 85 GWh and an average price from the Ministry of Petroleum and Energy of 10,6 øre/kWh. For the remaining contracts with financial settlement, the estimated fair value at 31 December 2015 is around NOK 611 million.

Note 35 Leases

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	132	735	1 167	2 034
Vehicles	10	11	-	21
Other leases	1	7	40	48
Total	143	753	1 207	2 104

Lease-related rent expensed in the period and specified in the following manner:

NOK million	Minimum lease	Variable lease	Sublease payments
Property rental agreements	150	-	24
Vehicles	18	-	-
Other leases	9	8	-
Total	176	8	24

Statkraft is offering market access to smaller renewable energy producers. Some of these activities are defined as leases with variable lease payments, and are presented as energy purchases, see notes 12 and 14. The lease agreements have durations ranging from 1 to 17 years and the rent paid for 2015 was NOK 6120 million.

Statkraft has no financial lease agreements by year end 2015.

Note 36 Fees paid to external auditors

Deloitte AS is the Statkraft Group's auditor and audits all subsidiaries subject to auditing requirements, except from Brazilian subsidiaries. Fees paid to external auditors for audit of the Brazilian subsidiaries for 2015 amounts to NOK 0.5 million.

The total fees (excluding VAT) paid for auditing and other services were as follows:

NOK thousand	2015	2014
Statutory auditing	19 050	14 365
Other attestation services	1 815	1 554
Tax consultancy services	3 240	3 455
Other services ¹⁾	2 874	4 583
Total	26 980	23 958

¹⁾ The main items in the fees for other services in 2015 relate to assistance to map various existing processes and procedures, and the attestation of the sustainability report.

The main items in the fees for other services in 2014 relate to quality and control procedures associated with the restructuring International Hydropower segment 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

NOK	Salary	Bonus ¹⁾	Benefits in kind	Salaries and other benefits
Christian Rynning-Tønnesen, President and CEO	4 849 680	-	171 722	5 021 403
Hallvard Granheim, Executive Vice President	2 320 997	320 000	189 559	2 830 557
Jon Brandsar, Executive Vice President ²⁾	2 445 655	410 000	129 248	2 984 903
Steinar Bysveen, Executive Vice President	2 598 084	350 000	165 965	3 114 049
Hilde Bakken, Executive Vice President	2 483 786	355 000	153 250	2 992 036
Asbjørn Grundt, Executive Vice President	2 871 795	390 000	193 756	3 455 551
Øistein Andresen, Executive Vice President ³⁾	1 690 577	320 000	65 850	2 076 426
Jürgen Tzschoppe, Executive Vice President ⁴⁾	1 534 901	-	114 594	1 649 494

¹⁾ Bonus earned in 2014, but disbursed in 2015.

²⁾ Jon Brandsar resigned as Executive Vice President on 4 February 2016 and has been replaced by Irene Egset.

³⁾ Øistein Andresen resigned as Executive Vice President on 7 June, 2015.

⁴⁾ Jürgen Tzschoppe was appointed Executive Vice President on 8 June, 2015.

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. For 2015, total salaries and other benefits paid to the executive management amounted to NOK 24 124 419. The corresponding amount in 2014 was NOK 23 675 701.

Bonus for the Executive Vice Presidents for 2015, which will be paid in 2016, is not finally determined. The Executive Vice Presidents are employed in Statkraft AS. Total accrued bonus compensation for Statkraft AS is as of year-end 2015 NOK 42 million. The corresponding accrual in 2014 was NOK 33 million. The accrual includes all employees in Statkraft AS that are eligible for bonus.

Remuneration to the Board, Audit Committee and Compensation Committee as well as participation in Board meetings

NOK	Board remuneration	Audit Committee	Compensation Committee	Participation in board meetings
Olav Fjell, chair	477 000	-	49 150	11
Berit J. Rødseth, deputy chair	336 000	66 600	-	11
Halvor Stenstadvold, director	277 000	91 900	-	9
Harald von Heyden, director ¹⁾	277 000	-	30 550	10
Elisabeth Morthen, director	277 000	-	-	11
Hilde Drønen, director	277 000	66 600	-	10
Thorbjørn Holøs, employee-elected director	277 000	66 600	-	11
Vilde Eriksen Bjerknes, employee-elected director	277 000	-	-	11
Asbjørn Seveljordet, employee-elected director	277 000	-	30 550	11

¹⁾ Harald von Heyden left the Board of Directors on 1 December, 2015.

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 2015 was NOK 2 752 000, NOK 291 700 and NOK 110 250, respectively. The respective amounts in 2014 were NOK 2 664 100, NOK 282 450 and NOK 106 800.

Pension costs – executive management

NOK	Pensions ¹⁾
Christian Rynning-Tønnesen, President and CEO	2 537 708
Hallvard Granheim, Executive Vice President	314 048
Jon Brandsar, Executive Vice President	1 142 185
Steinar Bysveen, Executive Vice President	1 029 604
Hilde Bakken, Executive Vice President	1 030 759
Asbjørn Grundt, Executive Vice President	1 242 989
Øistein Andresen, Executive Vice President ²⁾	411 871
Jürgen Tzschoppe, Executive Vice President ³⁾	38 528

¹⁾ The year's accounting cost for the pension scheme which reflects the period during which the individual has been an executive employee.

²⁾ Øistein Andresen resigned as Executive Vice President on 7 June, 2015.

³⁾ Jürgen Tzschoppe was appointed Executive Vice President on 8 June, 2015.

For 2015, the total pension costs for executive management were NOK 7 747 692. In 2014 the corresponding amount was NOK 7 683 931.

Note 37 continued

THE BOARD'S STATEMENT REGARDING SALARIES AND OTHER REMUNERATIONS TO SENIOR EXECUTIVES – 2015

The Board of Statkraft will contribute to a moderate, but competitive development of executive remuneration in Statkraft. Principles and guidelines for salary and other remuneration to executive management are designed accordingly.

Statkraft's policy is to offer competitive conditions, 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 recognised 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 internal reward practices 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 President and 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 relating 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 President and CEO should consult the Compensation Committee regarding his recommendations for the salaries for the corporate executives and Group's auditor before they are decided upon.

Report on executive remuneration policy

The President and CEO and corporate executives shall 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.

Variable salary In addition to the fixed salary, the Group has a bonus scheme for the corporate executives based on financial, operational and individual goals. The annual bonus has a maximum disbursement of 25% of gross base salary.

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 President and 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 President and 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.

Position change agreements The President and CEO and certain corporate executives 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 now been amended and the arrangement is closed to new employees.

Severance arrangements The mutual period of notice for the President and 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 President and CEO and certain corporate executives, 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 also been changed, and the arrangement is closed to new employees.

Terms, President and CEO Fixed salary paid to the President and CEO for 2016 is NOK 4 930 000, 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	2015	2014
Revenues	409	257
Expenses	1 528	376
Receivables at the end of the period	5 409	5 028
Liabilities at the end of the period	40	303

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	2015	2014
Gross operating revenues include:		
Concessionary sales at statutory prices	346	349
Administrative services provided to Statkraft SF	-	1
Net operating revenues includes:		
Energy purchases from Statoil	749	1 019
Transmission costs to Statnett	852	1 070
Operating expenses include:		
Property tax and licence fees to Norwegian authorities	1 230	1 220
Financial expenses include:		
Interest expenses to Statkraft SF	44	61
Tax expenses include:		
Taxes payable to Norwegian authorities	1 798	2 948
Dividend and Group contribution from Statkraft AS to Statkraft SF	1 604	5 600

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 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%
Renewable Energies and Photovoltaics Spania S.L.	OA	Spain	Malaga	Statkraft AS	70.00%
Smøla Vind 2 AS	WP	Norway	Oslo	Statkraft AS	100.00%
Statkraft Albania Shpk.	IH	Albania	Tirana	Statkraft AS	100.00%
Statkraft Asset Holding AS	NH,OA	Norway	Oslo	Statkraft AS	100.00%
Statkraft France SAS	CT	France	Lyon	Statkraft Asset Holding AS	100.00%
Statkraft Markets BV	CT	The Netherlands	Amsterdam	Statkraft Asset Holding AS	100.00%
Devoll Hydropower Sh.A.	IH	Albania	Tirana	Statkraft Markets BV	100.00%
Statkraft Sweden AB	NH, WP	Sweden	Stockholm	Statkraft Asset Holding AS	100.00%
Gidekraft AB	NH	Sweden	Stockholm	Statkraft Sweden AB	90.10%
Harrsele AB	NH	Sweden	Stockholm	Statkraft Sweden AB	50.57%
Statkraft US Holding AS	CET	Norway	Oslo	Statkraft Asset Holding AS	100.00%
Statkraft US LLC	CET	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	60.00%
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	60.00%
Statkraft Södra Vindkraft AB	WP	Sweden	Stockholm	Statkraft Vind AB	90.10%
Statkraft Södra Vindarrende AB	WP	Sweden	Växjö	Statkraft Södra Vindkraft AB	100.00%
Vindpark EM AB	WP	Sweden	Stockholm	Statkraft Södra Vindkraft AB	90.10%
Statkraft Carbon Invest AS	CT	Norway	Oslo	Statkraft AS	100.00%
Statkraft Elektrik Enerjisi Töptan Satıs, Ltd. Şirketi	CT	Turkey	Istanbul	Statkraft AS	100.00%
Statkraft Energi AS	CT, NH, WP	Norway	Oslo	Statkraft AS	100.00%
Baltic Cable AB	CT	Sweden	Malmö	Statkraft Energi AS	100.00%
Statkraft Tofte AS	OA	Norway	Oslo	Statkraft Energi AS	100.00%
Statkraft Värme AS	DH	Norway	Trondheim	Statkraft Energi AS	100.00%
Gardermoen Energi AS	DH	Norway	Oslo	Statkraft Värme AS	100.00%
Stjørdal Fjernvarme AS	DH	Norway	Trondheim	Statkraft Värme AS	85.00%
Statkraft Enerji A.S.	IH	Turkey	Istanbul	Statkraft AS	100.00%
Anadolu Elektrik A.S.	IH	Turkey	Istanbul	Statkraft Enerji A.S.	100.00%
Çakir Enerji A.S.	IH	Turkey	Istanbul	Statkraft Enerji A.S.	100.00%
Çetin Enerji A.S.	IH	Turkey	Istanbul	Statkraft Enerji A.S.	100.00%
Kargı Kızılırmak Enerji A.S.	IH	Turkey	Istanbul	Statkraft Enerji A.S.	100.00%
Statkraft Financial Energy AB	CT	Sweden	Stockholm	Statkraft AS	100.00%
Statkraft Forsikring AS	OA	Norway	Oslo	Statkraft AS	100.00%
Statkraft Germany GmbH	CT	Germany	Düsseldorf	Statkraft AS	100.00%
Statkraft Markets GmbH	CT	Germany	Düsseldorf	Statkraft Germany GmbH	100.00%
Statkraft Holding Herdecke GmbH	CT	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Statkraft Holding Knapsack GmbH	CT	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Knapsack Power GmbH & Co KG	CT	Germany	Düsseldorf	Statkraft Holding Knapsack GmbH	100.00%
Knapsack Power Verwaltungs GmbH	CT	Germany	Düsseldorf	Knapsack Power GmbH & Co KG	100.00%
Statkraft Markets Financial Services GmbH	CT	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Statkraft Romania SRL	CT	Romania	Bucuresti	Statkraft Markets GmbH	100.00%
Statkraft South East Europe EOOD	CT	Bulgaria	Sofia	Statkraft Markets GmbH	100.00%
Statkraft Trading GmbH	CT	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Statkraft Ventures GmbH	CT	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Statkraft Solar Deutschland GmbH	CT	Germany	Düsseldorf	Statkraft Germany GmbH	100.00%
Statkraft IH Invest AS	IH	Norway	Oslo	Statkraft AS	81.90%
Statkraft Brasil AS	IH	Brazil	Oslo	Statkraft IH Holding AS	100.00%
Statkraft Investimentos Ltda.	IH	Brazil	Florianopolis	Statkraft Brasil AS	100.00%
Statkraft Energia do Brasil Ltda.	IH, CT	Brazil	Florianopolis	Statkraft Investimentos Ltda.	100.00%
Statkraft Energias Renováveis S.A.	IH	Brazil	Florianopolis	Statkraft Investimentos Ltda.	81.31%
Esmeralda S.A.	IH	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Enx O&M de Sistemas Elétricos Ltda.	IH	Brazil	Barueri	Statkraft Energias Renováveis S.A.	100.00%
Santa Laura S.A.	IH	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Santa Rosa S.A.	IH	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Moinho S.A.	IH	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Macaúbas Energética S.A.	IH	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Novo Horizonte Energética S.A.	IH	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Seabra Energética S.A.	IH	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Energien Energias Renováveis S.A.	IH	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	95.00%
Monel Monjolinho Energética S.A.	IH	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Statkraft IH Holding AS	IH	Norway	Oslo	Statkraft IH Invest AS	100.00%
Statkraft Holding Singapore Pte. Ltd.	IH	The Netherlands	Amsterdam	Statkraft IH Holding AS	100.00%
Himal Power Ltd.	IH	Nepal	Kathmandu	Statkraft Holding Singapore Pte. Ltd.	57.07%

Note 39 continued

Name	Segment ¹⁾	Country	Registered office	Parent company	Shareholding and voting share
Statkraft Holding Chile Pte. Ltd.	IH	The Netherlands	Amsterdam	Statkraft Holding Singapore Pte. Ltd.	100.00%
Statkraft Chile Inversiones Electricas Ltd.	IH	Chile	Santiago	Statkraft Holding Chile Pte. Ltd.	100.00%
Empresa Eléctrica Pilmaiquén S.A.	IH	Chile	Santiago	Statkraft Chile Inversiones Electricas Ltd.	98.99%
Empresa Eléctrica Rucatayo S.A.	IH	Chile	Santiago	Empresa Eléctrica Pilmaiquén S.A.	100.00%
Transrucatayo S.A.	IH	Chile	Santiago	Empresa Eléctrica Rucatayo S.A.	100.00%
Eléctrica del Sur S.A.	IH	Chile	Santiago	Empresa Eléctrica Pilmaiquén S.A.	100.00%
Hidrotransmision del Sur S.A.	IH	Chile	Santiago	Empresa Eléctrica Pilmaiquén S.A.	100.00%
Statkraft Chile Tinguiririca SCC	IH	Chile	Santiago	Statkraft Chile Inversiones Electricas Ltd.	100.00%
Statkraft Market Services Chile S.A.	IH	Chile	Santiago	Statkraft Chile Inversiones Electricas Ltd.	100.00%
Statkraft Holding Nepal Ltd.	IH	Nepal	Kathmandu	Statkraft Holding Singapore Pte. Ltd.	100.00%
Statkraft Holding Peru Pte. Ltd.	IH	The Netherlands	Amsterdam	Statkraft Holding Singapore Pte. Ltd.	100.00%
Statkraft Peru Holding S.A.C.	IH	Peru	Lima	Statkraft Holding Peru Pte. Ltd.	100.00%
Statkraft Peru S.A.	IH	Peru	Lima	Statkraft Peru Holding S.A.C.	100.00%
Statkraft India Pvt. Ltd.	IH	India	New Dehli	Statkraft Holding Singapore Pte. Ltd.	100.00%
Statkraft Markets Pvt. Ltd.	CT	India	New Dehli	Statkraft Holding Singapore Pte. Ltd.	100.00%
Statkraft Industrial Holding AS	IH	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%
Grunnål Kraftverk AS	IO	Norway	Porsgrunn	Skagerak Kraft AS	55.00%
Sauland Kraftverk AS	IO	Norway	Hjartdal	Skagerak Kraft AS	67.00%
Skagerak Naturgass AS	IO	Norway	Porsgrunn	Skagerak Energi AS	100.00%
Skagerak Nett AS	IO	Norway	Porsgrunn	Skagerak Energi AS	100.00%
Skagerak Varne AS	IO	Norway	Porsgrunn	Skagerak Energi AS	100.00%
Skien Fjernvarme AS	IO	Norway	Skien	Skagerak Varne AS	51.00%
Statkraft Treasury Centre SA	OA	Belgium	Brussels	Statkraft AS	100.00%
Statkraft UK Ltd.	WP, CT	United Kingdom	London	Statkraft AS	100.00%
Andershaw Wind Power Ltd.	WP	United Kingdom	London	Statkraft UK Ltd.	100.00%
Statkraft Energy Ltd.	CT	United Kingdom	London	Statkraft UK Ltd.	100.00%
Rheidol 2008 Trustees Ltd.	CT	United Kingdom	London	Statkraft Energy Ltd.	100.00%
Statkraft Vind Holding AS	WP	Norway	Oslo	Statkraft AS	100.00%
Statkraft Western Balkans d.o.o.	CT	Serbia	Beograd	Statkraft AS	100.00%
Steinsvik Kraft AS ³⁾	OA	Norway	Bergen	Statkraft AS	40.00%

¹⁾ NH: Nordic hydropower, CT: Continental energy and trading, IH: International hydropower, 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 Energi AS (48%) and BKK AS (48.85%).

³⁾ Steinsvik Kraft is AS owned by 20% by Skagerak Kraft AS, 20% by Agder Energi AS and 20% by BKK AS. Statkraft AS owns 40% directly.

Non-controlling interests' share of the Group's activities

There are significant non-controlling shareholdings in SKIHI Group and Skagerak Energi Group.

	SKIHI Group ¹⁾		Skagerak Energi Group ²⁾	
NOK million	2015	2014	2015	2014
Gross revenues	3 223	1 809	2 381	2 521
Total comprehensive income	-784	3 369	910	37
- of which allocated to non-controlling interests	-38	52	-3	-3
Assets	33 068	17 279	11 946	11 492
Debt	6 805	5 579	7 343	7 735
Equity	26 263	11 700	4 603	3 758
- of which accumulated non-controlling interests	1 139	1 197	30	31
Dividend disbursed to non-controlling interests	-	-	-	-
Net cash flow from operating activities	N/A	N/A	602	599

¹⁾ SKIHI Group was established as a part of the restructuring of old SN Power in 2014 and is own by Statkraft with 81.3% and Norfund 18.7%.

²⁾ Table based on annual report.



The last turbine in **Björkhöjden wind farm** was installed in November 2015. The wind farm consists of 90 turbines with an estimated energy production of 800 GWh per year. **Sandefjord district heating plant** was opened by CEO Christian Rynning-Tønnesen in February 2015, and is one of Norway's most modern and environment-friendly plants.

Statkraft AS Financial Statements

Income statement

Statkraft AS parent company

NOK million	Note	2015	2014
Operating revenues	22	783	638
Payroll and related cost	5, 6	-727	-591
Depreciation	10	-68	-61
Other operating expenses	7, 20, 22	-825	-811
Operating expenses		-1 620	-1 463
Operating profit		-837	-825
Revenues from investments in subsidiaries and associates	8, 22	7 133	5 431
Financial income	8, 22	577	468
Financial costs	8, 22	-1 355	-1 427
Net realised and unrealised securities	8, 22	-1 969	-1 855
Net realised and unrealised currency and derivatives	8	-4 020	-5 004
Net financial items		367	-2 387
Profit before tax		-470	-3 212
Tax expense	9	-362	770
Profit for the year		-832	-2 442
Allocation of profit for the year			
Dividends payable	15	1 604	5 600
Transfer to (+)/from (-) other equity	15	-2 436	-8 042

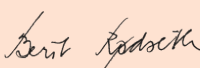
Balance Sheet

Statkraft AS parent company

NOK million	Note	31.12.2015	31.12.2014
Assets			
Deferred tax asset	9	1 245	1 641
Property, plant and equipment	10	319	295
Investments in subsidiaries, associates and joint ventures	11	101 019	97 268
Derivatives	19, 22	110	100
Other non-current financial assets	12, 22	19 140	8 433
Non-current assets		121 833	107 737
Receivables	13, 22	11 188	16 402
Derivatives	19, 22	633	1 619
Cash and cash equivalents	14	5 471	9 560
Current assets		17 292	27 581
Assets		139 125	135 318
EQUITY AND LIABILITIES			
Paid-in capital	15	54 293	53 543
Retained earnings	15	1 629	3 979
Equity		55 922	57 522
Provisions	16	766	872
Long-term interest-bearing debt	3, 17, 22	34 641	23 875
Derivatives	19, 22	2 652	2 210
Long-term liabilities		38 060	26 957
Short-term interest-bearing debt	3, 17, 22	40 552	39 776
Derivatives	19, 22	2 192	4 748
Other interest-free liabilities	18, 22	2 399	6 315
Short-term liabilities		45 143	50 839
Equity and liabilities		139 125	135 318

The Board of Directors of Statkraft AS
Oslo, 16 March 2016


Olav Fjell
Chair of the Board


Berit Rødseth
Deputy chair


Halvor Stenstadvold
Director


Elisabeth Morthen
Director


Hilde Drønen
Director


Asbjørn Sevelejordet
Director


Vilde Eriksen Bjerknes
Director


Thorbjørn Holøs
Director


Christian Rynning-Tønnesen
President and CEO

Statement of Cash Flow

Statkraft AS parent company

NOK million	Note	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		-470	-3 212
Profit on sale of shares in subsidiary	23	-119	-
Profit/loss on sale of property, plant and equipment		-	1
Depreciation	10	68	61
Unrealised changes in value	8	-1 137	4 230
Taxes paid		-3	-66
Write-downs/reversal of write-downs from previous years	8	2 069	1 844
Changes in long-term items		-9 017	-472
Booked income from dividend and group contribution with no cash effects		-7 126	-5 431
Group contribution and dividend received		4 290	4 595
Changes in other short-term items		258	-1 884
Cash flow from operating activities	A	-11 187	-334
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	10	-92	-67
Investments in subsidiaries and associates		-35 126	-3 779
Capital reduction in subsidiaries and associates		28 975	-
Divestments in subsidiaries and associates		450	9 088
Cash flow from investing activities	B	-5 793	5 242
CASH FLOW FROM FINANCING ACTIVITIES			
Changes in cash pool		10 421	-2 913
New debt		14 921	1 195
Repayment of debt		-7 611	-3 483
Capital deposit		-	5 000
Dividend and Group contribution paid		-4 840	-
Cash flow from financing activities	C	12 891	-201
Net change in cash and cash equivalents	A+B+C	-4 089	4 707
Cash and cash equivalents 01.01	14	9 560	4 853
Cash and cash equivalents 31.12	14	5 471	9 560
Unused committed credit lines		13 000	12 000
Unused overdraft facilities		1 000	1 000

Notes

Statkraft AS parent company

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Note 1 Significant accounting policies

The annual accounts for Statkraft AS have been prepared in accordance with the Accounting Act and generally accepted accounting principles in Norway (Norwegian GAAP).

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, while expensing of costs takes place in accordance with the accrual principle. 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. Gains/losses from sale of property, plant and equipment are treated as operating revenues or expenses.

Pensions - 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. 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. The present value of future benefits in the pension schemes accrued at the balance sheet date is calculated by accrued benefits method.

Remeasurement gains and losses attributable to changes in actuarial assumptions or base data are recognised directly against equity.

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.

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.

Pensions - 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.

Taxes 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.

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.

Long-term loans are recognised in the balance sheet at nominal value, corrected for any unamortised early redemption penalty or discount.

Current assets are valued at the lower of cost and fair value. Short-term loans are recognised in the balance sheet at nominal received amount at the time of establishment.

Research and development costs Own research and development expenses are expensed as and when they incur.

Property, plant and equipment 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.

Investment in subsidiaries, associated companies and joint ventures

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. 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 other disbursements received are recognised as income in the same year that the subsidiary allocated it. 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. 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 ventures are where Statkraft shares control of a company together with another party.

Long-term share investments and shareholdings All long-term investments are treated in accordance with the cost method. Dividend received is treated as financial income.

Receivables 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.

Short-term financial investments Shares, bonds, certificates and equivalents classified as current assets are evaluated at market value.

Cash and cash equivalents The line item cash and cash equivalents also includes certificates and bonds with short residual terms. Market settlements for derivatives connected with financial activities (cash collateral) are recognised in the balance sheet.

Contingent liabilities Contingent liabilities are recognised if settlement is more likely than not. Best estimates are used when calculating settlement value.

Long-term debt Borrowing 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.

FINANCIAL DERIVATIVES AND HEDGING

The accounting treatment of financial instruments follows the intention behind entering into the agreements. Upon entering into the agreement, it is either defined as a hedging transaction or a trading transaction. Classification of derivatives is performed in accordance with the general guidelines for such classification, with the exception of some derivatives that are hedging instruments in hedge -accounting, where the derivatives are presented together with the hedging item.

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 and, if applicable, the type of hedging. 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 long-term financial assets or long-term financial liabilities if the remaining term is

Note 1 continued

longer than one year. Gains and losses are recognised in the income statement when settling loans before maturity. Interest rate derivatives in connection with loans that have been repaid are normally cancelled. Gains and losses from cancelled interest rate swaps are accrued together with 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. Recognition of gains and losses depends on whether the currency derivative has been classified as a hedging instrument and, if applicable, the type of hedging. Currency derivatives which are not hedging instruments are valued at fair value. Changes in value are recorded in the income statement as financial income or financial costs.

Hedging The accounting treatment of financial derivatives designated as hedging instruments is recorded in line with the principles for the hedging types asset hedging and cash flow 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. When hedging future cash flows, the unrealised gains and losses of the hedging instruments are not recorded in the balance sheet.

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.

Cash flow statement principles 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.

Note 2 Market risk

RISK AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS IN GENERAL

Risk management is about assuming the right risk based on the Statkraft Group's ability and willingness to take risks, expertise, solidity and development plans. The purpose of risk management policy is to identify threats and opportunities for the Group, and to manage the risk towards an acceptable level. The central treasury function in Statkraft AS coordinates and manages the financial risks relating to currency, interest rates 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 AS uses interest rate and foreign currency instruments to manage the company's interest rate and foreign exchange exposure. Interest rate and currency swaps and forward exchange rate contracts are used to achieve the desired currency and interest rate structure for the company's loan portfolio. Forward exchange rate contracts are also used to hedge cash flows denominated in foreign currency.

Foreign exchange risk Statkraft AS incurs foreign exchange risk in the form of transaction risk in connection with investments and other cash flows in foreign currencies. Balance sheet risk is related to shareholdings in foreign subsidiaries.

Statkraft AS hedges its currency exposure related to cash flows from power sales of physical contracts and financial trading on energy exchanges, investments, dividends and other currency exposures in accordance with the company's financial strategy. Exposure is hedged by using financial derivatives and loans in foreign currencies as hedging instruments. Few of the hedging relationships fulfil the requirements of hedge accounting.

Interest rate risk Statkraft AS interest rate exposure is primarily connected to its debt portfolio. An interest rate management framework has been established based on a split between fixed and floating interest rates. The floating interest percentage shall be in the 25-75% interval.

The part of the portfolio exposed to fixed interest rates shall have a remaining maturity of at least five years. The strategy for managing interest rate risk has been established based on an objective of achieving the most cost-efficient financing, coupled with the aim of a certain stability and predictability in finance costs. The currency positions that are to be entered into are assessed on an ongoing basis, given the market conditions observed for the currency and the overall exposure that exists for that currency in the Group.

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 counterparty 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 Market and liquidity risk analysis

Specification of debt by currency ¹⁾

NOK million	2015	2014
Debt in NOK	12 809	10 917
Debt in SEK	-	464
Debt in EUR	19 059	14 466
Debt in GBP	6 542	4 699
Total	38 410	30 546

¹⁾ The specification includes long-term interest-bearing debt, the first-year installment on long-term interest-bearing debt and the currency effect of combined interest rate and currency swaps. Specifications of debt by currency includes effects from combined interest rate and currency swaps, since Statkraft uses these swaps to achieve the desired currency structure for the company's debt portfolio.

Specification of interest by currency

	2015	2014
Nominal average interest rate, NOK	4.90%	5.50%
Nominal average interest rate, SEK	-	0.90%
Nominal average interest rate, EUR	2.90%	3.30%
Nominal average interest rate, GBP	0.80%	0.80%

Fixed interest rate debt portfolio ¹⁾

NOK million	Future interest rate adjustments				Total
	0-1 year	1-3 years	3-5 years	5 years and later	
Debt in NOK	5 248	1 460	1 251	4 850	12 809
Debt in EUR	12 486	-3 369	5 282	4 660	19 059
Debt in GBP	6 542	-	-	-	6 542
Total fixed interest 2015	24 276	-1 909	6 533	9 510	38 410
Total fixed interest 2014	15 984	2 533	7 467	4 562	30 546

¹⁾ The specification includes long-term interest-bearing debt, first-year installment on long-term interest-bearing debt, interest rate swaps and combined interest rate and currency swaps. Interest rate swaps and combined interest rate and currency swaps must be seen in connection with debt, since Statkraft uses interest rate derivatives to adapt interest rate exposure to the company's debt portfolio. Negative figures reflect that Statkraft receive 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	4 297	-	-	1 000	3 000	3 050	11 347
Debt issued in non-Norwegian markets	-	6 199	-	4 784	-	16 184	27 167
Other debt	2	2	-	20	-	1	25
Currency effect of combined interest rate and currency swaps	-108	-	-	-	-	-421	-529
Total repayment schedule 2015	4 191	6 201	-	6 204	3 000	18 814	38 410
Total repayment schedule 2014	6 676	4 292	5 861	-	5 926	7 791	30 546

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 780 million and NOK 5500 million. The hedging instruments

are interest rate swaps with a nominal value of respectively EUR 780 million and NOK 5500 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 recognized in the income statement. The hedges expire during the period 2016-2022.

Fair value of hedging instruments

NOK million	2015	2014
Fair value of hedging instruments	1 175	1 594

Other information on fair value hedging

NOK million	2015	2014
Net gain (+)/loss (-) on hedging instruments	-572	-140
Net gain (+)/loss (-) on hedging objects, in relation to the hedged risk	572	136
Hedge inefficiency	-	-4

Note 5 Payroll costs and number of full-time equivalents

NOK million	2015	2014
Salaries	491	436
Employers' national insurance contribution	87	78
Pension costs ¹⁾	114	48
Other benefits	35	29
Total	727	591

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.

	2015	2014
Average number of full-time equivalents	492	446
Number of full-time equivalents as of 31.12	510	474

Note 6 Pensions

Defined contribution schemes 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 covers.

Funded defined benefit schemes The pension benefit scheme in the National Pension Fund (SPK) was closed 1 January 2014. 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. The majority of the companies also offer early retirement from the age of 62 under the Norwegian early retirement pension scheme. Pension benefits from the SPK are guaranteed by the Norwegian state (Section 1 of the Pension Act). Companies with schemes in the SPK pay an annual premium and are responsible for the financing of the scheme. 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.

Unfunded defined benefit schemes In addition to the above, some Group companies in Norway have entered into a pension agreement that provide 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.

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

Statkraft AS is obligated to and does fulfil the requirements of the act regarding mandatory occupational pension scheme ("Lov om obligatorisk tjenestepensjon").

Note 6 continued

The following assumptions are used	31.12.2015	31.12.2014
Discount rate and projected yield ¹⁾	2.50%	2.20%
Salary adjustment	2.50%	2.75%
Adjustment of current pensions	1.50%	1.75%
Adjustment of the National Insurance Scheme's basic amount (G)	2.25%	2.50%
Demographic factors for mortality and disability	K2013/IR73	K2013/IR73

¹⁾ The discount rate is based on high-quality corporate bonds (OMF).

Number of employees and pensioners covered by benefit schemes	2015	2014
Employees covered by defined benefit schemes	336	343
Employees covered by defined contribution schemes	176	141
Pensioners covered by defined benefit schemes	172	37

Pension cost recognised in the income statement

NOK million	2015	2014
Present value of accrued pension entitlements for the year	80	75
Interest costs	26	37
Projected yield on pension assets	-10	-17
Employee contributions	-6	-6
Scheme changes	-	-53
Employers' national insurance contribution	8	5
Net pension costs	98	41

Defined contribution schemes

Employers payments	16	7
Total pension costs	114	48

Breakdown of net defined benefit pension liability

NOK million	2015	2014
Present value of accrued pension entitlements for funded defined benefit schemes	933	849
Fair value of pension assets	634	452
Net pension liability for funded defined benefit schemes	299	397
Present value of accrued pension entitlements for unfunded defined benefit schemes	326	311
Employers' national insurance contribution	88	99
Net pension liabilities	713	807

Actuarial gains and losses recognised in other comprehensive income

NOK million	2015	2014
Accumulated actuarial gains and losses recognised in other comprehensive income before tax 31.12	211	339

Note 7 Other operating expenses

NOK million	2015	2014
Purchase of third-party services ¹⁾	448	415
Materials	18	16
Rent	110	115
IT expenses	139	132
Marketing	38	46
Travel expenses	42	30
Insurance	7	8
Other operating expenses	23	49
Total	825	811

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	2015	2014
Dividend from group companies	503	1141
Group contribution	6 630	4 290
Total	7 133	5 431

Financial income

NOK million	2015	2014
Interest income from group companies	312	291
Interest income	122	57
Other financial income	143	120
Total	577	468

Financial costs

NOK million	2015	2014
Interest expense to group companies	-167	-230
Interest expenses external debt	-1 160	-1 180
Other financial costs	-27	-17
Total	-1 355	-1 427

Net realised and unrealised securities

NOK million	2015	2014
Write-downs/reversal of write-downs from previous years ¹⁾	-2 068	-1 844
Gain on sale of shares in Småkraft	119	-
Gains and losses on securities, realised and unrealised	-20	-11
Total	-1 969	-1 855

¹⁾ At year-end the security situation in South-East Turkey and challenges related to project execution was considered an impairment indicator for the Cetin project. On 15 December 2015, Statkraft decided to suspend the majority of the construction works. Mainly due to the situation of the Cetin project, the value of shares in Statkraft Enerji A.S. has been written down with NOK 2827 million. The write-down is based on a valuation of the various investments in the subsidiary.

Previous write-downs of shares in Statkraft Germany GmbH has been partly reversed in 2015 with NOK 759 million. This is based on a valuation of the company, with a breakdown of valuations of each cash generating unit, adjustment for working capital and debt, and multiplied with the NOK/EUR closing rate 31.12.2015.

Write-downs in 2014 was mainly related to shares in Statkraft Germany GmbH and Statkraft Enerji A.S., due to revaluation of underlying operations in Germany and delay of project in Turkey.

Net realised and unrealised currency and derivatives

NOK million	2015	2014
Currency gains and losses, realised	-3 614	-772
Currency gains and losses, unrealised	-1 109	-2 978
Gains and losses derivatives, realised	24	-2
Gains and losses derivatives, unrealised	680	-1 252
Total	-4 020	-5 004

Net financial items

	367	-2 387
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Note 9 Taxes

The tax expense comprises the following

NOK million	2015	2014
Correction relating to tax assessment for previous years	3	-2
Withholding tax	6	6
Change in deferred tax	353	-774
Total tax expense in the income statement	362	-770

Reconciliation of nominal tax rate and effective tax rate

NOK million	2015	2014
Profit before tax	-470	-3 212
Expected tax expense at nominal rate of 27%	-127	-867
Effect on taxes of:		
Tax-free income	-168	-308
Changes relating to previous years	3	-74
Withholding tax	6	6
Impairment/reversal of impairment previous years	558	469
Changes in tax rates	92	-
Other permanent differences, net	-2	4
Tax expense	362	-770
Effective tax rate	-77%	24%

Breakdown deferred tax

The following table provides a breakdown of the net deferred tax. Deferred tax assets are recognised in the balance sheet to the extent it is probable that these will be utilised.

NOK million	2015	2014
Current assets/current liabilities	-109	-69
Derivatives	-4 222	-5 238
Other long term items	104	87
Property, plant and equipment	-42	-52
Pension liabilities	-712	-807
Total temporary differences and tax loss carry forward	-4 981	-6 079
Total deferred tax (+)/deferred tax asset (-)	-1 245	-1 641
Applied tax rate	25%	27%
Deferred tax (+)/deferred tax asset (-) as of 01.01	-1 641	-807
Recognised in income	353	-774
Recognised directly in equity	43	-60
Deferred tax (+)/deferred tax asset (-) as of 31.12	-1 245	-1 641

Note 10 Property, plant and equipment

NOK million	Operating equipment and fixtures and fittings	Plants under construction	Total
Cost 01.01	472	11	483
Additions	50	42	92
Disposals	-61	-	-61
Transferred from assets under construction	4	-4	-
Cost 31.12	466	49	515
Accumulated depreciation and impairment 31.12	-196	-	-196
Carrying value 31.12	270	49	319
Depreciation for the year	-68	-	-68
Period of depreciation	3–8 years		

Note 11 Investments in subsidiaries, associates and joint ventures

NOK million	Registered office	Shareholding and voting share	Equity 31.12.2014 ³⁾	Net profit 2014 ³⁾	Carrying value
Shares in subsidiaries					
Hitra Vind AS	Oslo	100.00%	171	-3	95
Kjøllefjord Vind AS	Oslo	100.00%	92	1	102
Renewable Energies and Photovoltaics Spain S.L.	Malaga	70.00%	1	-	4
Smøla Vind 2 AS	Oslo	100.00%	331	-6	150
Statkraft Albania Shpk.	Tirana	100.00%	1	1	18
Statkraft Asset Holding AS	Oslo	100.00%	11 063	1221	16 180
Statkraft Carbon Invest AS	Oslo	100.00%	14	-5	4
Statkraft Elektrik Enerjisi Toptan Satış, Ltd. Sirketi	Istanbul	100.00%	39	1	44
Statkraft Energi AS ⁴⁾	Oslo	100.00%	15 756	3 404	14 295
Statkraft Enerji A.S.	Istanbul	100.00%	4 136	-26	1 570
Statkraft Financial Energy AB	Stockholm	100.00%	28	8	1
Statkraft Forsikring AS	Oslo	100.00%	135	12	80
Statkraft Germany GmbH	Düsseldorf	100.00%	5 280	620	7 730
Statkraft Industrial Holding AS ⁴⁾	Oslo	100.00%	15 418	878	21 490
Statkraft IH Invest AS	Oslo	81.90%	8 326	2445	17 542
Statkraft Treasury Centre SA	Brussels	100.00%	59 432	1 603	17 838
Statkraft UK Ltd.	London	100.00%	5 405	1 106	3 453
Statkraft Vind Holding AS ⁴⁾	Oslo	100.00%	-	-	-
Statkraft Western Balkans d.o.o.	Belgrade	100.00%	13	-	28
Steinsvik Kraft AS ¹⁾	Bergen	40.00%	-	-	49
Total subsidiaries					100 673
Associates and joint ventures					
Fosen Vind AS	Oslo	50.10%	190	-28	146
Naturkraft AS	Tysvær	50.00%	645	16	76
Statkraft Agder Energi Vind DA ²⁾	Kristiansand	62.00%	85	-24	123
Total associates and joint ventures					345
Total					101 019

¹⁾ Steinsvik Kraft AS is owned 20% by Skagerak Kraft AS, Agder Energi AS and BKK AS. Statkraft AS owns 40% directly.

²⁾ A shareholder's agreement indicates joint control in Statkraft Agder Energi Vind DA.

³⁾ The financial statements 2015 for most subsidiaries and associates have not been finalised. See footnote 4) for exceptions.

⁴⁾ Based on annual accounts for 2015.

Note 12 Other non-current financial assets

NOK million	2015	2014
Loans to Group companies	19 050	8 349
Other shares and loans	90	84
Total	19 140	8 433

Note 13 Receivables

NOK million	2015	2014
Accounts receivable	16	45
Receivables related to cash collateral	2 477	2 668
Group cash pooling receivable	1 008	8 722
Short-term receivables from group companies	7 582	4 819
Other receivables	105	148
Total	11 188	16 402

As of 31 December 2015 no provision for bad debt has been identified. Short-term receivables from Group companies comprise dividends and group contribution from subsidiaries.

Note 14 Cash and cash equivalents

NOK million	2015	2014
Cash and cash deposits	4 921	6 499
Money market funds, certificates, promissory notes, bonds	550	3 061
Total	5 471	9 560

Cash collateral

Cash collateral is payments 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. The table below shows net payments at year end from counterparties, who will eventually be repaid. See notes 13 and 17.

NOK million	2015	2014
Cash collateral for financial derivatives	-863	-1 579

Statkraft AS has unused committed drawing facilities of NOK 13 000 million and a bank overdraft of NOK 1 000 million.

Note 15 Equity

NOK million	Paid-in capital			Retained earnings	Total equity
	Share capital	Share premium account	Other paid-in capital		
Equity as of 31.12.13	30 600	15 577	16	12 185	58 378
Profit for 2014	-	-	-	-2 442	-2 442
Actuarial gains/losses pensions	-	-	-	-164	-164
Dividends 2014	-	-	-	-5 600	-5 600
Capital contribution	2 400	4 950	-	-	7 350
Equity as of 31.12.14	33 000	20 527	16	3 979	57 522
Profit for 2015	-	-	-	-832	-832
Actuarial gains/losses pensions	-	-	-	86	86
Dividends 2015	-	-	-	-1 604	-1 604
Capital contribution ¹⁾	200	550	-	-	750
Equity as of 31.12.15	33 200	21 077	16	1 629	55 922

¹⁾ The capital contribution was settled against a receivable Statkraft SF had of NOK 750 million.

The parent company has a share capital of NOK 33.2 billion, divided into 200 million shares, each with a par value of NOK 166. 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	2015	2014
Pension liabilities ¹⁾	713	807
Other provisions	53	65
Total	766	872

¹⁾ Pension liabilities are described in further detail in note 6.

Note 17 Interest-bearing debt

NOK million	2015	2014
Short-term interest-bearing debt		
First year's instalment of long-term debt	4 297	6 671
Credit facilities	1 000	-
Group cash pooling debt	33 603	30 896
Debt related to cash collateral	1 614	1 088
Short-term debt to Group companies	11	1 121
Other short term debt	26	-
Total	40 552	39 776
Long-term interest-bearing debt		
Debt to Statkraft SF (back-to-back agreement)	400	400
Bonds issued in the Norwegian market	7 050	6 791
Debt issued in non-Norwegian markets	27 166	16 651
Other debt	25	33
Total	34 641	23 875
Total interest-bearing debt	75 193	63 651

Statkraft's net borrowing in 2015 amounted to NOK 7310 million. Other changes are mainly explained by the changes in group cash pooling debt and changes in exchange rates on foreign currency loans.

Note 18 Other interest-free liabilities

NOK million	2015	2014
Accounts payable	140	118
Indirect taxes payable	44	38
Dividends payable	1 604	5 600
Debt to Group companies	52	9
Other interest-free liabilities	559	550
Total	2 399	6 315

Note 19 Derivatives

Statkraft trades in financial derivatives for different purposes. Accounts will depend on the purpose as described in the accounting policies note.

Currency and interest rate agreements

Accounting value and fair value of currency and interest rate derivatives:

	31.12.2015		31.12.2014	
	Carrying Value	Fair value ¹⁾	Carrying Value	Fair value ¹⁾
Derivatives – non-current assets				
NOK million				
Currency and interest rate derivatives				
Interest rate swaps	-	485	-	492
Forward exchange rate contracts	110	110	100	100
Combined interest rate and currency swaps	-	470	-	260
Total	110	1 064	100	852
Derivatives – current assets				
NOK million				
Currency and interest rate derivatives				
Interest rate swaps	-	-	-	2
Forward exchange rate contracts	633	633	1 619	1 619
Combined interest rate and currency swaps	-	449	-	724
Total	633	1 082	1 619	2 344
Derivatives – long-term liabilities				
NOK million				
Currency and interest rate derivatives				
Interest rate swaps	1 323	1 323	1 491	1 491
Forward exchange rate contracts	1 116	1 116	719	719
Combined interest rate and currency swaps	212	212	-	-
Total	2 652	2 652	2 210	2 210
Derivatives – current liabilities				
NOK million				
Currency and interest rate derivatives				
Interest rate swaps	33	33	11	11
Forward exchange rate contracts	1 793	1 793	3 623	3 623
Combined interest rate and currency swaps	367	367	1 114	1 114
Total	2 192	2 192	4 748	4 748

¹⁾ Fair value does not include accrued interests.

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 subjected 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.

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	2015	2014
Statutory auditing	3 876	2 569
Other attestation services	422	855
Tax consultancy services	684	601
Other services ¹⁾	2 753	3 421
Total	7 735	7 446

¹⁾ The main items in the fees for other services in 2015 relate to assistance to map various existing processes and procedures, and the attestation of the sustainability report. The main items in the fees for other services in 2014 relate to quality and control procedures associated with restructuring of the International Hydropower Segment and attestation of the sustainability report.

Note 21 Obligations and guarantees

Statkraft AS has guarantees and off-balance-sheet obligations totaling NOK 32 101 million. Of this, NOK 29 773 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 Kjeldsberg Sluppen ANS respectively. The lease agreements in Oslo expire in 2028 for Lilleakerveien 6, and 2028 with an option to prolong for ten plus ten years for Lilleakerveien 4. The annual lease totals NOK 94 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 7 million for the Trondheim premises.

Statkraft AS has committed funding of Cetin and Kargi project in Turkey of TRY 244 million, but has not booked an obligation to pay any capital deposit to Statkraft Enerji A.S.

Note 22 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 39 to the Consolidated Financial Statements
- The parent company of the Group, Statkraft SF
- Associated companies, 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 and associated companies relate mainly 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 borrowings 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.

All intra-group transactions are conducted at market terms.

Transactions and balances within the Group are presented in the table below:

Income statement - NOK million	2015	2014
Operating revenues		
Statkraft Energi AS	345	327
Statkraft IH Invest AS	56	21
Statkraft UK Ltd.	52	41
Statkraft Markets GmbH	45	55
Statkraft Varme AS	25	27
Statkraft Sverige AB	22	22
Other	151	108
Total	696	601
Other operating expenses		
Statkraft Energi AS	88	84
Statkraft Markets GmbH	27	8
Statkraft UK Ltd.	7	1
Total	122	93
Dividend and group contribution from group companies		
Statkraft Energi AS	6 630	4 290
Statkraft Industrial Holding AS	481	-
Statkraft Financial Energy AB	9	-
Hitra Vind AS	8	-
Smøla Vind 2 AS	5	-
Statkraft IH Invest AS	-	1 141
Total	7 133	5 431
Financial income from group companies		
Statkraft Asset Holding AS	197	216
Statkraft Markets GmbH	80	66
Statkraft Energi AS	75	64
Statkraft IH Invest AS	32	1
Other	68	62
Total	452	409

Note 22 continued

Financial costs to group companies

Statkraft SF	44	61
Statkraft Industrial Holding AS	19	61
Statkraft Treasury Centre SA	18	52
Statkraft Energi AS	16	20
Statkraft UK Ltd.	12	6
Statkraft Markets GmbH	11	-1
Statkraft IH Invest AS	9	7
Other	23	41
Total	152	247

Balance sheet - NOK million

2015

2014

Non-current assets

Loan to Statkraft Energi AS	10 800	-
Loan to Statkraft Asset Holding AS	8 250	8 349
Other non-current financial assets	19 050	8 349

Statkraft Energi AS	37	20
Statkraft Markets GmbH	17	6
Derivatives	54	26

Current assets

Statkraft Asset Holding AS	785	-
Baltic Cable AB	202	-
Kjøllefjord Vind AS	21	27
Statkraft Sverige AB	-	7 524
Statkraft Energi AS	-	1 162
Smøla Vind 2 AS	-	9
Group cash pooling receivable	1 008	8 722

Statkraft Energi AS	6 835	4 494
Statkraft Industrial Holding AS	483	1
Statkraft Markets GmbH	78	72
Statkraft Asset Holding AS	1	117
Other	185	135
Short-term receivables group companies	7 582	4 819

Statkraft IH Invest AS	152	-
Statkraft Energi AS	42	27
Statkraft Markets GmbH	31	18
Other	9	2
Derivatives	234	47

Long-term liabilities

Debt to Statkraft SF (back-to-back agreement)	400	400
Long-term interest-bearing debt	400	400

Statkraft Treasury Centre SA	212	-
Statkraft Energi AS	24	35
Statkraft Leasing AB	-	11
Statkraft Markets GmbH	13	1
Derivatives	249	47

Current liabilities

Statkraft Treasury Centre SA	13 937	11 894
Statkraft IH Invest AS	4 947	510
Statkraft Markets GmbH	4 178	2 727
Statkraft Sverige AB	2 976	-
Statkraft UK Ltd.	1 509	1 944
Statkraft Energi AS	1 011	-
Statkraft Industrial Holding AS	1	9 866
Other	5 044	3 955
Group cash pooling debt	33 603	30 896

Debt to Statkraft SF	11	1 121
Current interest-bearing debt to Group companies	11	1 121

Note 22 continued

Statkraft Treasury Centre SA	99	-
Statkraft Energi AS	64	103
Statkraft IH Invest AS	25	-
Statkraft Leasing AB	8	75
Statkraft Industrial Holding AS	-	170
Other	21	31
Derivatives	217	379
Statkraft SF	1 606	5 608
Statkraft Energi AS	34	5
Statkraft Trading GmbH	4	-
Statkraft Markets GmbH	3	3
Statkraft Treasury Centre SA	3	5
Other	6	2
Current interest-free liabilities to Group companies	1 656	5 623

Guarantees related to group companies are listed in note 21.

In 2015 and 2014 the subsidiary Statkraft Treasury Centre SA has reduced its share capital by NOK 28 731 million and NOK 8956 million. The amounts have been paid to Statkraft AS, and the cost price of the shares in Statkraft Treasury Centre SA has been reduced correspondingly.

In 2014 Statkraft AS has transferred its shares in Statkraft Värme AB, Statkraft France SAS, Statkraft Suomi OY, Statkraft Vind AB and SN Power AS to Statkraft Asset Holding AS as capital contribution of NOK 5082 million. In addition the shares in Statkraft Sverige AB have been sold to Statkraft Asset Holding AS at a price of NOK 11 016 million. The sale has been offset by converting the receivables arisen of NOK 2766 million to equity in Statkraft Asset Holding AS. The remaining receivables of NOK 8250 million were converted to long-term interest-bearing receivables. The interest rate on the receivables is equivalent to a six-month NIBOR + 0.9475%. The value of the shares in Statkraft Asset Holding AS has been reduced with NOK 4963 million, equivalent to the difference between the sales price and the booked value of the shares of Statkraft Sverige AB.

Note 23 Transactions

Statkraft AS sold its shares in the subsidiary Småkraft AS in December 2015. The gain from the transaction was NOK 119 million and is booked as a financial item. Statkraft AS still holds one of the power plants from the sale of Småkraft AS, which has been transferred into a new established company, Steinsvik Kraft AS. The ownership structure of Steinsvik Kraft AS is the same as for Småkraft AS prior to the sale.

Note 24 Subsequent events

On 23 February 2016 it was announced that Statkraft, TrønderEnergi and the European investor consortium Nordic Wind Power DA will realise Europe's largest onshore wind power project in Central-Norway. The subsidiary Statkraft Vind Holding AS owns 52.1 % of the joint operation company Fosen Vind DA, which will be the owner of the wind farms. See note 3 in the Group accounts for further information.

Auditor's Report



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To the Annual Shareholders' Meeting of Statkraft AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Statkraft AS, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2015, and the income statement and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the President and CEO's Responsibility for the Financial Statements

The Board of Directors and the President and CEO are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway for the company accounts and in accordance with International Financial Reporting Standards as adopted by EU for the group accounts, and for such internal control as the Board of Directors and the President and CEO determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the financial statements for the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Statkraft AS as at 31 December 2015,

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Medlemmer av Den norske Revisorforening
Organisasjonsnummer: 980 211 282



and of 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.

Opinion on the financial statements for the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Statkraft AS as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

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 concerning the financial statements and in the statements on Corporate Governance and Corporate Social Responsibility, the going concern assumption and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

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 accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 16 March 2016
Deloitte AS

Ingebreit G. Hisdal
State Authorised Public Accountant (Norway)



Statkraft works systematically to reduce social and environmental impact from its activities. Here is an example from **Kargi** in Turkey, where beekeeping is just one of a number of new businesses Statkraft supports in an effort to restore livelihoods. Statkraft participates in several international fora where climate and energy policy is shaped, and even arranges the annual **Climate Roundtable** with participants from around the world representing business, research, politics and interest organisations.

Corporate Responsibility

Ambitions and goals for Corporate Responsibility material aspects

All aspects of corporate responsibility are important for Statkraft. A materiality analysis has been conducted in 2015 with the aim of identifying the most central corporate responsibility aspects to Statkraft. The materiality analysis was conducted according to the Global Reporting Initiative (GRI G4), which includes considering stakeholder expectations. Six aspects were identified as a result of this analysis. In terms of reporting, these material aspects will be given a more detailed and comprehensive review than other aspects – see the full Corporate Responsibility Report posted on www.statkraft.com.

Material aspect	Ambition statement	Goals towards 2020
Safety and safeguarding of people	Statkraft actively prevents harm or injuries to people through a systematic approach and a value-based safety culture	→ Ensure that managers at all levels provide safety leadership → Strengthen the focus on high risk activities and preventative measures → Utilize a balance of leading and lagging indicators to measure and guide performance → Improve processes and capabilities for security management → Ensure that learnings from incidents are applied corporate wide
Human rights	Statkraft acts according to the UN Guiding Principles on Business and Human Rights	→ Follow developments related to increasing international and national expectations related to human rights management (human rights due diligence process) and improve our practices accordingly, starting by major and international projects → Ensure adequate implementation of training program on human rights → Strengthen and make better known our grievance mechanisms, including at project level → Strengthen stakeholder dialogue and communication, including on our salient human rights impacts
Water management	Statkraft is recognised as a company with a responsible and sustainable water management practice	→ Ensure proactive and adequate handling and systematic follow-up of water levels, flow-limits and hydropeaking requirements in our concessions and self-restrictions → Demonstrate sustainable water management based on improved understanding of the effects of climate change on water availability (e.g. scarcity and flood control) in all areas of operation
Biodiversity	Statkraft supports a precautionary approach to biodiversity challenges, and facilitates ecological resilience in our areas of impact	→ Enhanced tracking and communication of performance on systematic handling of biodiversity, e.g. red-list species of flora and fauna, critical habitats and presence in legally protected areas → Increased understanding of our impacts on biodiversity, and adequate handling in project development and operation
Climate change mitigation, adaptation and preparedness	Statkraft contributes to the transition to a more climate friendly and sustainable energy system and seeks continuously to maintain a low climate footprint	→ Further the understanding of the impact of national and international climate policies on our business and, as appropriate, provide Statkraft's perspectives, including on carbon pricing, to relevant stakeholders → Improve our market and strategic analysis in order to incorporate climate change induced changes → Further common understanding how climate change affects all our assets and continue to evaluate new business opportunities accordingly, based on company-wide climate assumptions → Contribute to scientific methods for assessing the climate impact of our business
Business ethics and anti-corruption	Statkraft actively prevents corruption and unethical practices in all business activities	→ All employees complete training in business ethics with focus on anti-corruption → Continue to strengthen the culture of reporting of concerns and breaches → Continue to ensure adequate corporate-wide handling of anti-corruption and business ethics risks, with particular focus on high risk processes → Improve the adequacy of how business ethics is reflected in requirements and controls for key business processes

Corporate Responsibility Statement

Power generation and district heating production

Installed capacity per technology and geography ¹⁾	Unit of measurement	2015	2014	2013
Installed capacity power generation	MW	16 778	16 401	16 041
Of which hydropower	MW	13 464	13 273	12 886
Of which small-scale hydropower ²⁾	MW	0	147	128
Of which wind power ³⁾	MW	647	488	514
Of which gas power ³⁾	MW	2 600	2 600	2 600
Of which bio power	MW	67	40	40
Installed capacity, district heating	MW	838	760	674
Installed capacity per geography, power generation				
Norway	MW	11 711	11 823	11 272
Other Nordic countries	MW	1 587	1 511	1 340
Other European countries	MW	2 863	2 761	3 009
Rest of the world	MW	617	305	334
Installed capacity per geography, district heating				
Norway	MW	675	596	596
Other Nordic countries	MW	164	164	164

Installed capacity per technology and geography ¹⁾	Unit of measurement	2015	2014	2013
Installed capacity per technology, power generation				
Hydropower	%	80.2	80.9	80.3
Wind power ³⁾	%	3.9	3.0	3.2
Gas power ³⁾	%	15.5	15.9	16.2
Bio power	%	0.4	0.2	0.2
Installed capacity per geography, power generation				
Norway	%	69.8	72.1	70.3
Other Nordic countries	%	9.5	9.2	8.4
Other European countries	%	17.1	16.8	18.8
Rest of the world	%	3.7	1.9	2.1
Installed capacity per geography, district heating				
Norway	%	80.5	78.4	88.4
Other Nordic countries	%	19.5	21.6	24.3

Capacity under development per technology and geography ^{1), 4)}	Unit of measurement	2015	2014	2013
Capacity under development, power generation	MW	909	1 262	1 673
Of which hydropower	MW	873 ⁵⁾	1 016	1 172
Of which small-scale hydropower ²⁾	MW	0	13	19
Of which wind power	MW	36	247	500
Of which gas power ³⁾	MW	0	0	0
Capacity under development, district heating	MW	21	23	8
Capacity under development per geography, power generation			1 262	1 673
Norway	MW	100	158	208
Other Nordic countries	MW	0	126	454
Other European countries	MW	809	859	902
Rest of the world	MW	0	119	109
Capacity under development per geography, district heating				
Norway	MW	21	23	8
Other Nordic countries	MW	0	0	0

Capacity under development per technology and geography ^{1), 4)}	Unit of measurement	2015	2014	2013
Capacity under development per technology, power generation				
Of which hydropower	%	84.6 ⁵⁾	80.5	70.1
Of which wind power	%	15.2	19.6	29.9
Of which gas power ³⁾	%	0	0	0
Capacity under development per geography, power generation				
Norway	%	9.7	12.5	12.4
Other Nordic countries	%	0	10.0	27.1
Other European countries	%	90.3	68.1	53.9
Rest of the world	%	0	9.4	6.5
Capacity under development per geography, district heating				
Norway	%	100	100	100
Other Nordic countries	%	0	0	0

Power generation and district heating production per technology and geography ¹⁾		Unit of measurement	2015	2014	2013
Power generation		TWh	56.3	56.0	55.9
Of which hydropower		TWh	52.7	53.4	52.6
Of which small-scale hydropower ²⁾		TWh	0.4	0.3	0.3
Of which wind power		TWh	2.5	1.7	1.4
Of which gas power ³⁾		TWh	0.5	0.5	1.5
Of which bio power		TWh	0.3	0.3	0.3
District heating		TWh	1.1	1.0	1.1
Renewable power generation ⁶⁾		%	99.1	99.1	97.3
Renewable district heating ⁶⁾		%	94.7	83.6	82
Power generation per geography					
Norway		TWh	44.4	46.4	45.1
Other Nordic countries		TWh	7.2	5.6	5.4
Other European countries		TWh	1.3	1.8	2.3
Rest of the world		TWh	3.4	2.2	3
District heating per geography					
Norway		TWh	0.8	0.8	0.8
Other Nordic countries		TWh	0.2	0.2	0.3

Power generation and district heating production per technology and geography ¹⁾		Unit of measurement	2015	2014	2013
Power generation per technology					
Hydropower		%	93.6	95.4	94.1
Wind power		%	4.4	3.0	2.5
Gas power ³⁾		%	0.9	0.9	2.7
Bio power		%	0.5	0.5	0.5
Power generation per geography					
Norway		%	78.9	82.9	80.7
Other Nordic countries		%	12.9	10.0	9.7
Other European countries		%	2.3	3.2	4.1
Rest of the world		%	6.0	3.9	5.4
District heating per geography					
Norway		%	80.1	79.5	72.6
Other Nordic countries		%	19.9	20.5	27.4

Efficiency of thermal plants ⁷⁾		Unit of measurement	2015	2014	2013
Gas power plants		%	43 - 59	43 - 59	43 - 59
District heating plants		%	71 - 99	85 - 90	85 - 100
Bio power plants		%	30 - 31	30 - 31	30 - 31

¹⁾ Includes Statkraft's shareholdings in subsidiaries where Statkraft has a majority interest.

²⁾ Installed capacity <10 MW.

³⁾ Includes the jointly controlled Herdecke (Germany), Kårstø (Norway), Scira (United Kingdom) and WUKI (United Kingdom) power plants.

⁴⁾ Includes projects with an investment decision.

⁵⁾ The Cetin project is included in the figures, but is currently suspended.

⁶⁾ Non-renewable production covers gas power and share of district heating based on fossil fuel. From 2015 the waste used in the incineration plant in Trondheim is defined as input for waste heat and therefore counted as renewable.

⁷⁾ Ratio of net energy output (electricity and heat) against gross energy input. Efficiency is reported per plant.

Climate

Greenhouse gas emissions

	Unit of measurement	2015	2014	2013
Emissions of CO ₂ equivalents, consolidated activities ¹⁾	Tonnes	257 600	313 300	469 600
Of which from gas power plants	Tonnes	188 800	197 300	357 600
Of which from district heating plants ²⁾	Tonnes	13 000	64 000	77 200
Of which from SF ₆ emissions	Tonnes	1 300	5 500	1 200
Of which from halon emissions	Tonnes	0	0	27
Of which from fuel consumption ³⁾	Tonnes	50 900	44 500	31 200
Of which from business travel ⁴⁾	Tonnes	3 600	2 000	2 400
Emissions of CO ₂ equivalents ⁵⁾ from affiliated gas power plants	Tonnes	26 000	39 600	52 600
SF ₆ emissions	kg	101	267	53
Halon emissions	kg	0	0	20

¹⁾ Statkraft's ownership is >50%.

²⁾ Fossil share of emissions. From 2015 the waste used in the incineration plant in Trondheim is defined as input for waste heat and therefore counted as renewable with zero emissions of greenhouse gases.

³⁾ CO₂ from fuel consumption from the Group's equipment and machinery.

⁴⁾ Comprises air travel and mileage reimbursements for private vehicle use in the Norwegian operations.

⁵⁾ Statkraft's share.

Relative greenhouse gas emissions ¹⁾

	Unit of measurement	2015	2014	2013
CO ₂ -equivalent emissions per MWh generated, total	kg/MWh	5 ²⁾	6	8
CO ₂ -equivalent emissions per MWh generated, gas power	kg/MWh	408	473	273
CO ₂ -equivalent emissions per MWh generated, district heating	kg/MWh	12 ²⁾	64	70

¹⁾ Includes Statkraft's share of production and direct fossil CO₂ emissions from the production process. Includes also Statkraft's share of production and emissions of CO₂ in the jointly controlled power plants Herdecke (Germany), Kårstø (Norway), Scira (United Kingdom) and WUKI (United Kingdom).

²⁾ From 2015 the waste used in the incineration plant in Trondheim is defined as input for waste heat and therefore counted as renewable with zero emissions of greenhouse gases.

Allocated CO₂-quotas

	Unit of measurement	2015	2014	2013
Allocated CO ₂ -quotas, consolidated activities ¹⁾	Tonnes	44 700	55 500	86 300
Of which Norway	Tonnes	21 500	26 200	28 800
Of which other Nordic countries	Tonnes	23 200	29 300	57 500
Of which other European countries	Tonnes	0	0	0
Of which rest of the world	Tonnes	0	0	0

¹⁾ Statkraft's ownership is >50%.

Interventions on nature and biodiversity

Impacts on watercourses ¹⁾

	Unit of measurement	2015	2014	2013 ²⁾
Impacted river courses with:				
Anadromous fish	Number	46	46	47
Catadromous fish	Number	5	2	1
Impacted national salmon rivers	Number	13	12	12
Impacted protected rivers	Number	8	8	8

¹⁾ Impact entails change of waterflow, water levels or other living conditions for fish.

²⁾ SN Power is not included.

Fish cultivation

	Unit of measurement	2015	2014	2013
Restocking of fish and smolt ¹⁾	Number	523 000	1 799 200	913 100
Of which in Norway	Number	139 600	-	-
Of which in other Nordic countries	Number	376 400	-	-
Of which in other European countries	Number	7 000	-	-
Of which in the rest of the world	Number	0	-	-
Stocking of fish roe ²⁾	Number	1 080 000	936 400	317 800

¹⁾ Includes salmon, inland trout, sea trout, grayling and eel.

²⁾ Includes salmon in Norway and eel in Sweden.

Red list species ^{1), 2)}

	Unit of measurement	2015
Red list species with habitat in areas impacted by Statkraft's operations in:		
Norway	Number	2 ³⁾
Other Nordic countries	Number	6 ⁴⁾
Other European countries	Number	0
Rest of the world	Number	61 ⁵⁾

¹⁾ This indicator is new in 2015.

²⁾ Includes species defined 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⁾ Includes red list species with habitat areas impacted by Power Generation's operations in Sweden.

⁵⁾ Includes red list species with habitat areas impacted by International Hydro's operations in Albania, Turkey, Peru, Chile, Nepal and Brazil.

Operational sites in, or adjacent to, protected areas ^{1), 2)}

	Unit of measurement	2015
Operational sites in, or adjacent to, protected areas		19
Of which in Norway	Number	14
Of which in other Nordic countries	Number	4
Of which in other European countries	Number	1
Of which in the rest of the world	Number	0

¹⁾ This indicator is new in 2015.

²⁾ Limited to natural parks and nature or wildlife reserves.

Energy and resource consumption

Consumption	Unit of measurement	2015	2014	2013
Electricity	GWh	1 031	899	882
Of which pumped-storage power	GWh	858	668	591
Of which electric boilers for district heating	GWh	35	76	87
Of which other operations	GWh	138	155	204
Fossil fuel				
Natural gas, gas-fired power plants	Mill. Nm ³	91	95	173
Fuel gas, district heating plants	Tonnes	3 506	3 712	5 810
Fuel oil	Tonnes	3 438	1 817	2 937
Engine fuel ¹⁾	Tonnes	14 502	13 223	10 390
Other fuel				
Waste for district heating plants	Tonnes	227 700	205 400	225 495
Waste for bio power plants	Tonnes	0	0	285 764
Bio fuel	Tonnes	264 200	409 700	168 746
Process water ²⁾	m ³	349 100	350 000	1 361 200

¹⁾ Includes consumption of fuel for own equipment and machinery.

²⁾ Includes process water (cooling water) in gas fired power plants, bio power plants and district heating plants.

Inventories	Unit of measurement	2015	2014	2013
SF ₆	kg	27 088	28 578	31 452
Halon	kg	2 126	2 126	2 126

Statkraft has been temporarily exempted from the requirements to phase out halon as an explosion suppression medium in transformer rooms.

Air pollution

Emissions to air	Unit of measurement	2015	2014	2013
SO ₂ from district heating plants	Tonnes	5	16	48
NO _x	Tonnes	513	514	874
Of which from gas power plants	Tonnes	75	66	173
Of which from district heating plants	Tonnes	334	293	415
Of which from bio power plants	Tonnes	104	155	286

Waste

Waste	Unit of measurement	2015	2014	2013
Hazardous waste	Tonnes	61 400	60 400	86 400
Of which from waste incineration plants ¹⁾	Tonnes	49 200	47 400	53 600
Of which from bio power plants	Tonnes	8 300	11 200	32 000
Of which other hazardous waste	Tonnes	3 980	1 750	770
Other waste	Tonnes	12 000	7 700	8 800
Of which separated waste	Tonnes	9 900	5 700	6 500
Of which residual non-hazardous waste	Tonnes	2 000	2 000	2 300

¹⁾ Consists of slag, filter dust and filter cake.

Environmental assessment and compliance

Environmental assessment ¹⁾	Unit of measurement	2015	2014	2013
Environmental assessment result, total	Rating	B+	B	B+
Environmental management	Rating	B	B	B
Products and services	Rating	B	B	B+
Eco-efficiency	Rating	A	A-	A-

¹⁾ Environmental assessment 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.

Environmental incidents and issues	Unit of measurement	2015	2014	2013
Serious environmental incidents	Number	0	0	0
Less serious environmental incidents	Number	228	159	127
Unwanted environmental conditions	Number	200	171	117

Definitions:

Serious environmental incidents: An incident that causes significant negative environmental impact, i.e. permanent or severe damage (restitution time >1 year).

Less serious environmental incident: An incident that causes a negative environmental impact that is not considered significant (restitution time <1 year).

Unwanted environmental situation: A situation that could have led to a negative environmental impact if not corrected.

Most of the less serious environmental incidents in 2015 concern short-term breaches of the river management regulations and minor oil spills. These incidents had little or no environmental impact.

Penal sanctions, environment	Unit of measurement	2015	2014	2013
Penal sanctions for non-compliance with environmental legislation	Number	0	0	0
Fines for non-compliance with environmental legislation	NOK million	0	0	0

Contribution to society

Value creation	Unit of measurement	2015	2014	2013
Gross operating revenues	NOK million	53 094	52 254	49 564
Paid to suppliers for goods and services ¹⁾	NOK million	37 655	29 942	28 740
Gross value added	NOK million	15 439	22 312	20 824
Depreciation, amortisation and impairment	NOK million	6 401	4 071	3 045
Net value added	NOK million	9 038	18 241	17 779
Financial income	NOK million	421	859	237
Share of profit from associates	NOK million	683	661	1 101
Minority interests	NOK million	-598	684	482
Values for distribution	NOK million	10 740	19 077	18 635

¹⁾ Includes energy purchases, transmission costs and operating expenses.

Distribution of value created	Unit of measurement	2015	2014	2013
Employees				
Gross salaries and benefits	NOK million	3 107	2 667	2 788
Lenders/owners				
Interest	NOK million	5 740	7 143	11 830
Dividend ¹⁾	NOK million	1 604	5 600	0
Taxes ²⁾	NOK million	3 665	6 059	4 291
The company				
Change in equity	NOK million	-3 376	-2 392	-274
Total wealth distributed	NOK million	10 740	19 077	18 635

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	2015	2014	2013
Total	NOK million	2 825	3 546	3 503
Of which in Norway	NOK million	2 390	2 959	3 369
Of which in other Nordic countries	NOK million	100	165	30
Of which in other European countries	NOK million	279	420	87
Of which in the rest of the world	NOK million	56	3	17

¹⁾ Taxes payable in the balance sheet.

Tax contribution ¹⁾ to Norwegian municipalities	Unit of measurement	2015	2014	2013
Total	NOK million	1 523	1 518	1 518
Total, the ten municipalities which receive the most				
Vinje	NOK million	110	109	107
Hemnes	NOK million	98	96	96
Suldal	NOK million	88	91	96
Rana	NOK million	81	82	83
Odda	NOK million	79	78	76
Eidfjord	NOK million	66	63	65
Meløy	NOK million	63	63	61
Tokke	NOK million	62	61	63
Narvik	NOK million	47	46	-
Nore og Uvdal	NOK million	45	53	54

¹⁾ Includes property tax, natural resource tax and licence fees paid directly to the local authorities.

Stability of electricity supply

Power outage	Unit of measurement	2015	2014	2013
Power outage frequency (SAIFI) ¹⁾	Index	1.50	1.75	1.34
Average power outage duration (SAIDI) ²⁾	Index	92.4	115.8	85.8

¹⁾ System average interruption frequency index (measured based on IEEE standard).

²⁾ System average interruption duration index (measured based on IEEE standard).

Business ethics and anti-corruption

Whistleblower cases	Unit of measurement	2015	2014	2013
Whistleblower cases registered by Statkraft corporate audit	Number	12	5	2

Penal sanctions, business ethics	Unit of measurement	2015	2014	2013
Penal sanctions for legal breaches related to business ethics ¹⁾	Number	0	0	0
Fines for legal breaches related to business ethics ¹⁾	NOK million	0	0	0

¹⁾ Penal sanctions imposed for breaches of laws and regulations related to accounting fraud, price cooperation and corruption.

Violation of anti-corruption law ¹⁾	Unit of measurement	2015
Reported incidents of suspected violation of anti-corruption law amongst Statkraft employees	Number	15
Reported incidents of suspected violation of anti-corruption law amongst Statkraft's business partners, related to Statkraft activities	Number	10
Confirmed and reported violation of anti-corruption laws amongst Statkraft employees	Number	0
Confirmed and reported violation of anti-corruption laws amongst Statkraft's business partners, related to Statkraft activities	Number	0

¹⁾ This indicator is new for 2015.

Training on anti-corruption ¹⁾	Unit of measurement	2015
Percentage of employees that have received training on anti-corruption in the last 3 years	Percentage	68
Percentage of people in senior management positions that have received training on anti-corruption in the last 2 years	Percentage	90

¹⁾ This indicator is new for 2015.

Human rights

Consultations with indigenous people ¹⁾	Unit of measurement	2015
Number of projects with ongoing consultations involving rights of indigenous people	Number	6 ²⁾

¹⁾ This indicator is new for 2015.

²⁾ Includes ongoing consultations in Norway and Chile.

Penal sanctions - human rights	Unit of measurement	2015	2014	2013
Penal sanctions for legal breaches related to human rights ¹⁾	Number	0	0	0
Fines for legal breaches related to human rights ¹⁾	NOK million	0	0	0

¹⁾ Penal sanctions for legal breaches on discrimination, property rights, forced labour/child labour, freedom of association.

Labour practices

Employees	Unit of measurement	2015	2014	2013
Employees 31.12	Number	4 170	3 731	3 734
Of which in Norway	Number	2 365	2 470	2 454
Of which in other Nordic countries	Number	222	216	205
Of which in other European countries	Number	737	663	708
Of which in the rest of the world	Number	846	382	367
Full-time employees 31.12	%	97	97	97
Staff turnover rate ¹⁾	%	5	4	6
Service time				
Average service time	Years	10.8	11.8	10.9
Average service time for employees resigned or dismissed	Years	6.6	11.4	5.3
Apprentices employed 31.12	Number	61	75	76
Trainees employed 31.12	Number	15	14	17
Nationalities represented among Statkraft's employees	Number	44	45	50

¹⁾ Excluding retirements.

Gender equality	Unit of measurement	2015	2014	2013
Percentage of women				
Total	%	23	24	23
In Norway	%	26	25	25
In other Nordic countries	%	20	20	19
In other European countries	%	25	24	23
In the rest of the world	%	14	16	18
In management positions	%	23	22	22
In Norway	%	26	24	25
In other Nordic countries	%	15	12	12
In other European countries	%	20	21	17
In the rest of the world	%	17	16	11
In Group Management	%	29	14	14
In the Statkraft Board of Directors	%	50	44	44
New employees	%	26	25	23
New managers	%	16	14	26
Full-time employees	%	22	23	20
Part-time employees	%	55	57	60

Equal salary ¹⁾	Unit of measurement	2015	2014	2013
Equal salaries, employees	Ratio	0.97	0.90	0.92
In Norway	Ratio	0.96	0.93	0.96
In other Nordic countries	Ratio	1.05	0.98	1.05
In other European countries	Ratio	0.85	0.70	0.76
In the rest of the world	Ratio	1.07	1.02	1.08
Equal salaries, managers	Ratio	0.91	0.90	0.85
In Norway	Ratio	0.96	0.94	0.92
In other Nordic countries	Ratio	0.91	0.70	0.87
In other European countries	Ratio	0.77	0.74	0.67
In the rest of the world	Ratio	0.89	1.15	0.47

¹⁾ Average salary for women in relation to average for men.

Statkraft as employer	Unit of measurement	2015	2014	2013
Organisation and leadership evaluation ¹⁾				
Result	Scale 0-100	73	74	73
Response rate	%	88	87	86
Employees who have completed the performance and career development review	%	81	88	92
Ranking as preferred employer ²⁾ among				
Business students	Ranking	53	48	43
Technology students	Ranking	7	7	7
Business professionals	Ranking	37	28	35
Technology professionals	Ranking	8	18	13

¹⁾ From Statkraft's internal annual organisation and leadership evaluation survey. Statkraft's score can be compared with the European Employee Index Norway 2015 result of 70.

²⁾ 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 respectively.

Health and safety

Fatalities	Unit of measurement	2015	2014	2013
Consolidated operations ¹⁾				
Employees	Number	0	0	0
Contractors	Number	0	3	1
Third party	Number	0	0	1
Associates ²⁾				
Employees	Number	0	0	0
Contractors	Number	0	1	0
Third party	Number	0	0	0

¹⁾ Activities where Statkraft has > 50% ownership.

²⁾ Activities where Statkraft has 20 - 50% ownership

Injuries ¹⁾	Unit of measurement	2015	2014	2013
Employees				
Lost-time injuries (LTI) ²⁾	Number	41	43	37
Lost-time injuries per million hours worked	LTI rate	3.3	3.0	2.4
Total recordable injuries (TRI) ³⁾	Number	70	80	104
Total recordable injuries per million hours worked	TRI rate	5.6	5.6	6.8
Lost days ⁴⁾	Number	781	566	498
Lost days per million hours worked	Lost-days rate	63	39	32
Contractors				
Lost-time injuries (LTI) ²⁾	Number	63	63	83
Lost-time injuries per million hours worked	LTI rate	3.6	3.7	4.2
Total recordable injuries (TRI) ³⁾	Number	106	90	124
Total recordable injuries per million hours worked	TRI rate	6.0	5.4	6.3
Third parties				
Injuries ⁵⁾	Number	0	2	1
Statkraft, total				
Lost-time injuries per million hours worked	LTI rate	3.5	3.4	3.4
Total recordable injuries per million hours worked	TRI rate	5.9	5.5	6.5

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⁾ Number of days of recorded absence due to work-related injuries.

⁵⁾ Total recordable injuries per million hours worked.

Serious incidents ¹⁾	Unit of measurement	2015
Injuries with, or potential for, long term or permanent consequences	Number	12
Near accidents with potential for long term or permanent consequences	Number	27

¹⁾ This indicator is new for 2015.

Hazardous conditions and near accidents ¹⁾	Unit of measurement	2015	2014	2013
Hazardous conditions ²⁾	Number	11 400	9 459	9 415
Near accidents ³⁾	Number	3 850	989	1 531
Unwanted occurrences ⁴⁾	Frequency ⁵⁾	0.84	0.55	0.56

¹⁾ Includes activities where Statkraft has > 20% ownership.

²⁾ Recorded matters involving personal safety risk.

³⁾ Recorded unforeseen incidents that could have resulted in personal injuries.

⁴⁾ Hazardous conditions and near accidents.

⁵⁾ Number of unwanted occurrences per year and employee

Sickness absence	Unit of measurement	2015	2014	2013
Sickness absence, total	%	3.0	2.8	2.9
Of which short-term absence (16 days or less)	%	1.4	1.3	1.6
Of which long-term absence (more than 16 days)	%	1.6	1.5	1.4

Penal sanctions, health and safety	Unit of measurement	2015	2014	2013
Penal sanctions for non-compliance with health and safety legislation	Number	0	0	0
Fines for non-compliance with health and safety legislation	NOK million	0	0	0



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To the management of Statkraft AS

Independent Auditor's Report on the Statkraft Corporate Responsibility Report 2015

We have reviewed certain aspects of Statkraft Corporate Responsibility Report 2015 ("the Report") and related management systems and procedures. The Report is part of the Statkraft Annual Report 2015 on the Internet (www.annualreport2015.statkraft.com). The Report includes the Corporate Responsibility Statement published also in the printed Statkraft Annual Report 2015. 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 with management responsible for corporate responsibility aspects at corporate and at selected reporting units represented by Power Generation – Region South (Dalen, Norway), Wind Onshore UK, and International Hydropower's head office in Oslo.

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 2015 to be included in the Report, as described in the Report. Information presented for 2015 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- The management systems referred to above have been implemented and locally adopted as necessary at the reporting units that we have visited, as specified above. Information for 2015 from these units has been reported according to the procedures noted above and is consistent with source documentation presented to us.
- Statkraft applies a reporting practice for its corporate responsibility reporting aligned with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (version G4) reporting principles and the reporting fulfils in accordance level Core according to the GRI guidelines. The GRI Index presented in the Report appropriately reflects where information on each of the elements and indicators of the GRI guidelines is to be found within the Statkraft Annual Report 2015 on the Internet.

Oslo, 16 March 2016
Deloitte AS

Ingebret G. Hisdal
State Authorized Public Accountant (Norway)

Frank Dahl
Deloitte Sustainability

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Statkraft is a significant player in international markets where energy and energy-related products are bought and sold.

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Annual Report 2015 Statkraft AS

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The massive expansion of Norwegian hydropower started in the 1950s, and the oldest plants are now in need of upgrades. Statkraft is currently conducting major reinvestment projects in Norway, for example at the Røssåga plants which are undergoing both refurbishment and expansion work.