



Interim Report
Q1/2017
Statkraft AS

Q1

Key figures

NOK million	First quarter			Year
	2017	2016	Change	2016
From income statement				
Share of profit/loss in equity accounted investments	326	376	-50	474
Gross operating revenues, underlying	16 099	14 502	1 597	52 241
Net operating revenues, underlying	7 295	6 238	1 057	21 875
EBITDA, underlying	5 186	4 001	1 185	12 705
Operating profit, underlying	4 313	3 114	1 199	9 148
Operating profit, booked	4 884	2 763	2 121	3 086
Net financial items	-374	1 176	-1 550	2 137
Profit before tax	4 510	3 939	571	5 223
Net profit	2 749	2 389	360	-179
EBITDA margin, underlying (%) ¹⁾	32.2	27.6	4.6	24.3
ROACE, underlying (%) ²⁾	9.7	6.5	3.1	8.3
Items excluded from the underlying operating profit ³⁾				
Unrealised value changes from energy derivatives	353	-364	718	-1 270
Gain/loss from acquisitions/divestments of business activities	226	20	206	16
Impairments and related costs	-9	-7	-2	-4 808
Balance sheet and investments				
Total assets	175 495	176 543	-1 048	166 630
Equity	86 647	87 760	-1 113	83 519
Net interest bearing debt	32 354	36 242	-3 888	32 453
Capital employed	103 583	109 203	-5 620	101 130
Total investments	678	1 689	-1 011	5 657
Cash Flow				
Cash flow from operating activities	2 445	535	1 910	8 371
Cash and cash equivalents	12 414	10 743	1 672	7 308
Currency rates				
NOK/EUR average rate	8.98	9.53	-0.54	9.29
NOK/EUR closing rate	9.17	9.41	-0.25	9.09

Definitions

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

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

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

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STRONG RESULT



A strong operating result and net profit were driven by solid operations and increased contribution from market operations in the quarter.

Statkraft recorded an underlying EBITDA of NOK 5186 million in the first quarter of 2017. This was an increase of NOK 1185 million compared with the corresponding period in 2016. The result showed a quarterly net profit of NOK 2749 million.

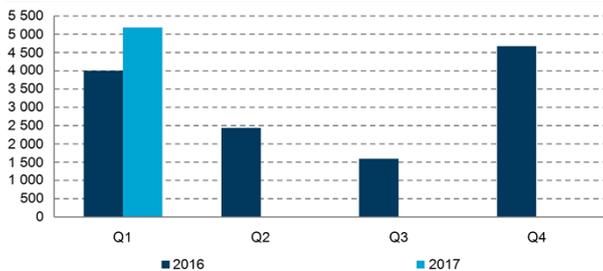
The increase in EBITDA was mainly driven by increased contribution from market operations. Higher Nordic power prices were offset by lower production and currency effects.

The average Nordic power price in the first quarter was 31.2 EUR/MWh. This was an increase of 30% compared with the price level experienced in the same period in 2016. Statkraft's total production was 17.1 TWh. This was a reduction of 12% compared with the first quarter in 2016 which had record high production. Hydropower production was down by 2.8 TWh mainly as a result of reduced production in the Nordics. Gas-fired production was up by 0.3 TWh as a result of improved gas to power margins in Germany. Production from wind farms was 0.2 TWh higher.

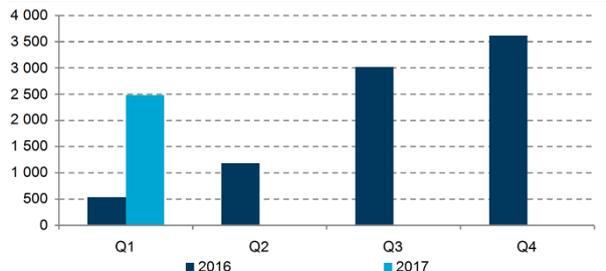
The decrease in operating expenses was mainly driven by reduced property tax in Norway and Sweden and currency effects. Statkraft's performance improvement programme is progressing according to plan and will improve the Group's competitiveness.

Statkraft divested the 25% stake in the Dogger Bank offshore wind projects. This is in line with Statkraft's strategy for divesting offshore wind assets to strengthen the financial robustness.

EBITDA – underlying
NOK million



Cash flow from operating activities
NOK million



Corporate responsibility and HSE

	First quarter 2017	2016	Year 2016
Corporate responsibility and HSE			
Fatalities ¹⁾	0	0	1
TRI rate ¹⁾²⁾	4.1	3.7	4.9
Serious environmental incidents	0	0	0
Full-time equivalents; Group	3 367	3 761	3 484
Absence due to illness, Group (%)	3.6	3.3	3.0

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

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

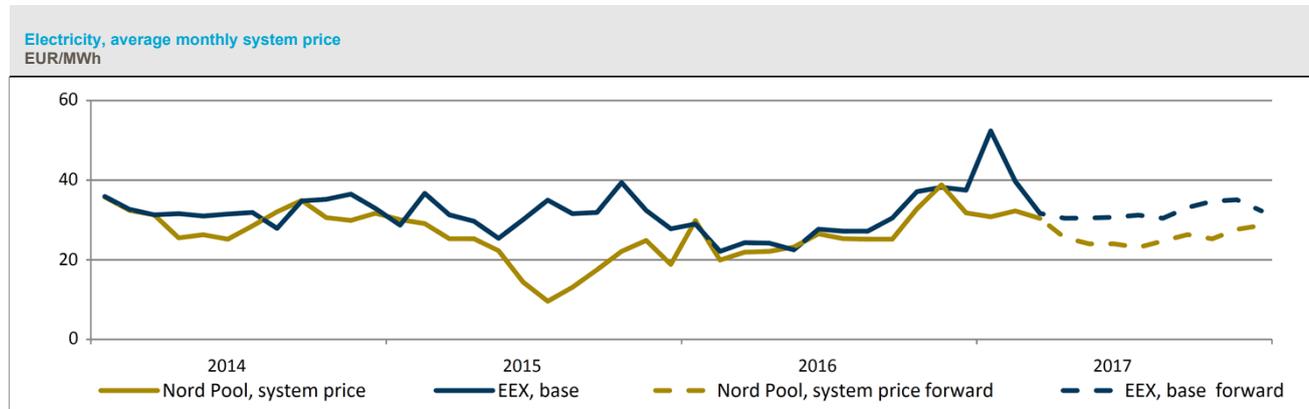
- The Group's TRI rate was 4.1 in the first quarter.
- There were no serious environmental incidents during the first quarter.

One serious injury was reported in the first quarter 2017. A contractor working for Agder Energi suffered serious fractures in his leg caused by a fall on slippery surface. The accident has been investigated and safety measures have been implemented by the contracting company and Agder Energi.

Market and production

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

POWER PRICES



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

The average system price in the Nordic region was 31.2 EUR/MWh in the quarter, an increase of 30% compared with the same period in 2016. The price increase in the first quarter was driven by higher fuel prices where the increases in coal and oil prices were the main drivers. Forward prices in the Nordic region decreased.

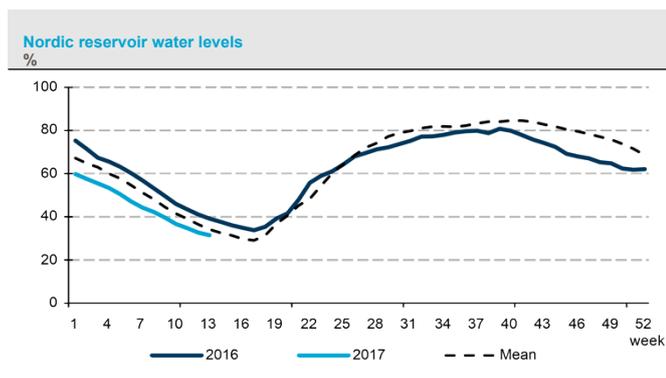
The average spot price in the German market (EEX) was 41.2 EUR/MWh in the quarter, an increase of 64% compared with the same period in 2016. Main drivers for higher prices were strong coal and gas prices combined with tight power market in Europe. Forward prices in Germany decreased during the quarter.

The average system price in the UK was 48.0 GBP/MWh in the quarter, an increase of 39% compared with the same period in 2016. Higher coal and gas prices were the main drivers for increased power prices in the first quarter.

EUR/MWh	First quarter			Year 2016
	2017	2016	Change	
Prices				
Average system price, Nord Pool	31.2	23.9	7.3	26.9
Average spot price (base), EEX	41.2	25.1	16.0	29.0
Average spot price (peak), EEX	53.3	32.1	21.2	35.3
Average gas price, EGT	18.5	13.2	5.3	14.1

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

CONSUMPTION AND RESOURCE ACCESS IN THE NORDIC REGION



TWh	First quarter		Year 2016
	2017	2016	
Consumption and output			
Nordic			
Nordic consumption	113.0	116.2	385.6
Nordic output	114.8	118.6	389.3
Net Nordic import(+)/export(-)	-1.9	-2.3	-3.8
Norway			
Norwegian consumption	39.7	40.8	132.2
Norwegian output	41.6	44.9	148.6
Net Norwegian import(+)/export(-)	-1.9	-4.1	-16.4

The total reservoir level in the Nordic region was 92% of normal level at the end of the quarter, corresponding to 31.5% of total capacity.

STATKRAFT'S POWER PRODUCTION

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

TWh	First quarter		Year 2016
	2017	2016	
Production, technology			
Hydropower	15.8	18.6	61.2
Wind power	0.8	0.6	2.3
Gas power	0.5	0.2	2.2
Bio power	0.1	0.1	0.3
Total production	17.1	19.4	66.0

TWh	First quarter		Year 2016
	2017	2016	
Production, geography			
Norway	13.6	15.8	52.8
Sweden	1.7	2.1	6.1
Europe ex. Nordic	0.7	0.4	3.2
Rest of the world	1.1	1.2	3.9
Total production	17.1	19.4	66.0

The Group produced a total of 17.1 TWh in the first quarter, a decrease of 12% compared with the corresponding period in 2016 which was a quarter with record high production. The decrease was primarily related to lower Norwegian hydropower production. In addition, the Group's district heating deliveries amounted to 0.4 TWh.

Financial performance

NOK million	First quarter			Year 2016
	2017	2016	Change	
Key figures				
Net operating revenues, underlying	7 295	6 238	1 057	21 875
EBITDA, underlying	5 186	4 001	1 185	12 705
Profit before tax	4 510	3 939	571	5 223
Net profit	2 749	2 389	360	-179

FIRST QUARTER

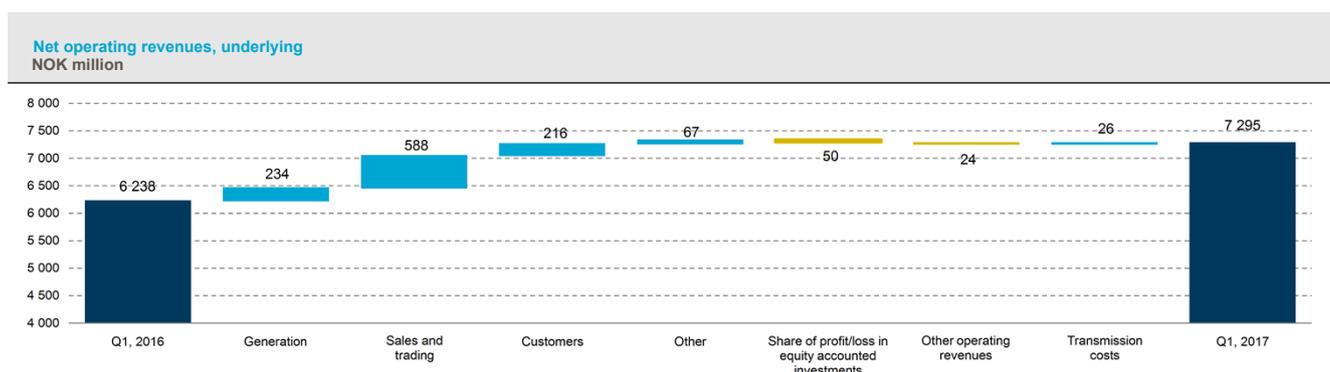
The quarterly report shows the development in the first quarter of 2017 compared with the first quarter of 2016, unless otherwise stated. Figures in parentheses show the comparable figures for the corresponding period in 2016.

GROSS OPERATING PROFIT (EBITDA) – UNDERLYING

The underlying EBITDA was NOK 5186 million, NOK 1185 million higher than in the same quarter of 2016. The increase was primarily a result of higher contribution from market operations.

OPERATING REVENUES - UNDERLYING

NOK million	First quarter			Year 2016
	2017	2016	Change	
Net operating revenues, underlying				
Generation	5 577	5 331	245	19 346
Sales and trading	1 304	1 323	-19	3 634
Customers	7 940	6 655	1 285	25 813
Other	718	559	159	1 925
Sales revenues	15 539	13 869	1 670	50 718
Share of profit/loss in equity accounted investments	326	376	-50	474
Other operating revenues	233	257	-24	1 049
Gross operating revenues	16 099	14 502	1 597	52 241
Generation	-123	-112	-11	-368
Sales and trading	-559	-1 165	606	-3 249
Customers	-7 555	-6 486	-1 070	-24 897
Other	-228	-136	-92	-579
Energy purchase	-8 465	-7 899	-566	-29 093
Transmission costs	-339	-364	26	-1 273
Net operating revenues	7 295	6 238	1 057	21 875



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

- Net generation revenues from the gas-fired power plants in Germany were higher, mainly due to an improved gas to power margin. Higher Nordic power prices were offset by lower Nordic hydropower production.
- Net revenues from sales and trading increased, mainly due to higher profitability from long-term contracts in Brazil and Continental trading.
- Net revenues from customers increased, mainly due to higher net revenues from Nordic origination, market access activities in the UK and end-user activities.

OPERATING EXPENSES - UNDERLYING

NOK million	First quarter			Year
	2017	2016	Change	2016
Operating expenses, underlying				
Salaries and payroll costs	-932	-975	43	-3 648
Depreciation	-873	-887	14	-3 557
Property tax and licence fees	-348	-416	68	-1 733
Other operating expenses	-828	-846	18	-3 789
Operating expenses	-2 982	-3 124	142	-12 727

- Salaries and payroll costs were lower, mainly due to reduced manning.
- Property tax and licence fees were lower, mainly due to reduced property tax in Norway and Sweden. The reduction in Norway was related to a decrease in spot prices, as property taxes are calculated based on a five year average spot price. The reduction in Sweden was mainly related to a lower property tax rate.

ITEMS EXCLUDED FROM THE UNDERLYING OPERATING PROFIT

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

NOK million	First quarter			Year
	2017	2016	Change	2016
Items excluded from the underlying operating profit				
Unrealised value changes from energy derivatives	353	-364	718	-1 270
<i>Embedded derivatives</i>	109	-305	414	-370
<i>Derivatives acquired for risk reduction purposes</i>	244	-60	304	-900
Gain/loss from acquisitions/divestments of business activities	226	20	206	16
Impairments and related costs	-9	-7	-2	-4 808

- Embedded derivatives: Positive effect on long-term contract, mainly due to increased forward prices for aluminium and coal.
- Derivatives acquired for risk reduction purposes: Positive effect from lower forward UK power prices.
- Gain/loss from acquisitions/divestments of business activities: Gain of NOK 256 million related to the sale of Statkraft's 25% owner share in the Dogger Bank projects. Loss of NOK 30 million related to the sale of Steinsvik Kraft AS.

FINANCIAL ITEMS

NOK million	First quarter			Year
	2017	2016	Change	2016
Financial items				
Interest income	85	76	9	323
Other financial income	12	5	7	58
Gross financial income	97	81	16	380
Interest expenses	-295	-316	21	-1 301
Other financial expenses	-26	-50	24	-110
Gross financial expenses	-321	-366	45	-1 411
Net currency effects	-285	1 316	-1 601	2 847
Other financial items	135	144	-10	321
Net financial items	-374	1 176	-1 550	2 137

- Interest expenses fell by NOK 21 million, mainly due to decreased debt and lower interest rates.
- Net currency loss in the first quarter amounted to NOK -285 million, primarily related to a weakening of NOK against GBP and EUR.
- Other financial items included gains on interest rate derivatives and obligations linked to equity instruments.

TAXES

A tax expense of NOK 1761 million was recorded in the first quarter (NOK 1550 million). The increase in tax expense was mainly due to lower recognition of deferred tax assets related to negative resource rent tax carryforwards.

RETURN

ROACE – underlying, last 12 months

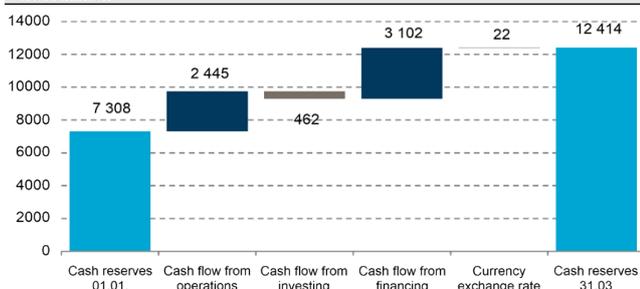


ROACE (%): (Underlying operating profit excluding share of profit/loss in equity accounted investments (rolling 12 months) x 100) / Average capital employed (rolling 12 months).

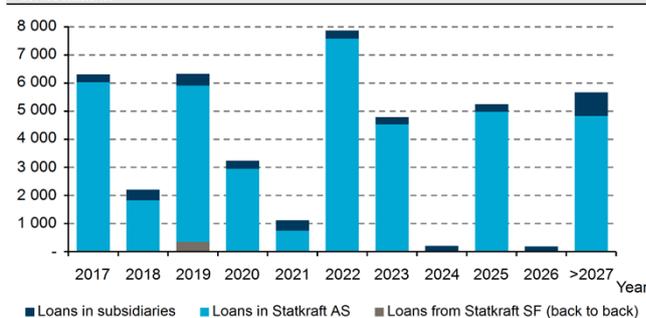
The improvement in ROACE compared with the year 2016 was driven by higher underlying operating profit.

CASH FLOW AND CAPITAL STRUCTURE

Cash flow Q1 2017
NOK million



Long-term debt, redemption profile
NOK million



Cash flow first quarter

- Cash flow from operating activities amounted to NOK 2445 million (NOK 535 million). Net income¹⁾, adjusted for non-cash effects, were NOK 3726 million (NOK 1738 million) including changes in short and long-term items. The changes in short and long-term items had an effect of NOK -852 million (NOK -894 million), of which short-term items was NOK -1031 million (NOK -770 million). The change in short-term items in the first quarter 2017 was mainly related to working capital and cash collateral. Cash effect from taxes were NOK -1311 million (NOK -1223 million).
- Net investments²⁾ of NOK -462 million (NOK -1556 million); primarily maintenance and new capacity investments of NOK -667 million (NOK -1622 million), business combinations and divestments in first quarter 2017 of NOK 302 million (NOK 0 million) and net loans to third parties of NOK -174 million (NOK 82 million).
- Net financial items of NOK 3102 million (NOK 2860 million); related to new debt of NOK 4547 million (NOK 2903 million), repayment of debt of NOK -551 million (NOK -43 million) and dividend and capital decrease related to non-controlling interests of NOK -894 million (NOK 0 million).

Financial structure

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

- Net interest-bearing debt³⁾ totalled NOK 32 354 million, compared with NOK 32 453 million at the beginning of the year.
- The net interest-bearing debt-equity ratio was 27.2%, compared with 28.0% at year-end 2016.
- Current assets, except cash and cash equivalents, amounted to NOK 23 281 million.
- Short-term interest-free debt was NOK 23 330 million.
- Statkraft's equity totalled NOK 86 647 million, compared with NOK 83 519 million at the start of the year. This corresponds to 49.1% of total assets. See Statement of changes in equity for further details.

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

²⁾ 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.

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

INVESTMENTS AND PROJECTS

Total investments in the quarter amounted to NOK 678 million. Maintenance investments and other investments were primarily related to Nordic hydropower. Investments in new capacity were mainly related to construction of hydropower plants in Albania, wind power projects in Norway and the UK, as well as grid in Skagerak Energi.

NOK mill.	First quarter 2017	The year 2016
Maintenance investments and other investments		
European flexible generation	224	1 154
Market operations	2	2
International power	9	162
Wind power	3	-
District heating	1	13
Industrial ownership	87	387
Other activities	3	44
Total	329	1 763
Investment in new capacity		
European flexible generation	16	582
Market operations	-	4
International power	61	1 250
Wind power	144	1 457
District heating	38	142
Industrial ownership	90	301
Total	349	3 736
Investment in shareholdings		
Market operations	-	56
International power	-	30
Wind power	-	32
Other activities	-	39
Total	-	158

Projects in consolidated operations

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

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

Segments

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

In 2017 the segment International hydropower has changed name to International power.

First quarter	Statkraft AS Group	European flexible generation	Market operations	International power	Wind power	District heating	Industrial ownership	Other activities	Group items
From income statement									
Gross operating revenues, underlying	16 099	4 566	7 731	665	221	275	2 937	230	-526
Net operating revenues, underlying	7 295	4 056	867	585	210	195	1 456	230	-304
EBITDA, underlying	5 186	3 059	656	365	84	129	1 026	-107	-26
Depreciation, amortisation and impairments, underlying	-873	-412	-3	-170	-86	-42	-143	-18	1
Operating profit, underlying	4 313	2 648	653	195	-2	87	883	-125	-26
Operating profit, booked	4 884	2 757	898	187	253	86	883	-155	-25
EBITDA-margin (%), underlying	32.2	67.0	8.5	54.8	37.8	46.8	34.9	n/a	n/a
Maintenance investments and other investments	329	224	2	9	3	1	87	3	-
Investments in new capacity	349	16	-	61	144	38	90	-	-
Investments in shareholdings	-	-	-	-	-	-	-	-	-
Production									
Production, volume sold (TWh)	17.1	13.9	-	1.1	0.7	-	1.4	-	-
- whereof hydropower (TWh)	15.8	13.3	-	1.0	-	-	1.4	-	-
- whereof wind power (TWh)	0.8	-	-	0.1	0.7	-	-	-	-
- whereof gas power (TWh)	0.5	0.5	-	-	-	-	-	-	-
- whereof bio power (TWh)	0.1	0.1	-	-	-	-	-	-	-
Production, district heating (TWh)	0.4	-	-	-	-	0.4	-	-	-

EUROPEAN FLEXIBLE GENERATION

NOK million	First quarter		Year
	2017	2016	2016
Sales revenues, underlying	4 400	4 085	15 015
Share of profit/loss in equity accounted investments	-	-	-
Other operating revenues, underlying	166	189	764
Gross operating revenues, underlying	4 566	4 274	15 779
Net operating revenues, underlying	4 056	3 842	14 187
EBITDA, underlying	3 059	2 711	9 454
Operating profit, underlying	2 648	2 267	7 701
Unrealised value changes from energy derivatives	109	-305	-370
Gain/loss from acquisitions/divestments of business activities	-	-	-
Impairments and related costs	-	-	-2 802
Operating profit, booked	2 757	1 962	4 529
Maintenance investments and other investments	224	245	1 154
Investments in new capacity	16	134	582
Investments in shareholdings	-	-	-
Production, volume sold (TWh)	13.9	15.7	54.4

Quarterly financial performance

- Underlying EBITDA was higher than in the same quarter of 2016, mainly driven by improved gas to power margin for gas-fired power plants and improved price spreads for Baltic Cable. For the hydropower plants the higher Nordic power prices were offset by lower production. Operating expenses decreased, partly due to lower property tax in Norway and Sweden and also currency effects.

Quarterly investments

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

MARKET OPERATIONS

NOK million	First quarter		Year
	2017	2016	2016
Sales revenues, underlying	7 707	6 576	25 735
Share of profit/loss in equity accounted investments	-	-	-2
Other operating revenues, underlying	24	24	110
Gross operating revenues, underlying	7 731	6 600	25 843
Net operating revenues, underlying	867	44	980
EBITDA, underlying	656	-168	156
Operating profit, underlying	653	-172	142
Unrealised value changes from energy derivatives	244	-60	-900
Gain/loss from acquisitions/divestments of business activities	-	-	-
Impairments and related costs	-	-	-
Operating profit, booked	898	-232	-758
Maintenance investments and other investments	2	-	2
Investments in new capacity	-	-	4
Investments in shareholdings	-	-	56
Production, volume sold (TWh)	-	-	-

Highlights in the quarter

- Statkraft BLP Solar Solutions inaugurated a 5 MW solar power plant in Karnataka, India.
- Statkraft closed its first power purchase agreement (PPA) under the new French support mechanism for renewable energies.

Quarterly financial performance

- Underlying EBITDA was higher compared with the same quarter of 2016, which was a quarter with negative result. The increase was mainly due to better results from the Continental trading portfolio and from long-term contracts in Brazil.

INTERNATIONAL POWER

NOK million	First quarter		Year
	2017	2016	2016
Sales revenues, underlying	608	623	2 501
Share of profit/loss in equity accounted investments	39	49	16
Other operating revenues, underlying	18	32	42
Gross operating revenues, underlying	665	704	2 559
Net operating revenues, underlying	585	643	2 234
EBITDA, underlying	365	411	1 195
Operating profit, underlying	195	260	557
Unrealised value changes from energy derivatives	-	-	-
Gain/loss from acquisitions/divestments of business activities	-	-	-
Impairments and related costs	-8	-4	-1 377
Operating profit, booked	187	255	-819
Maintenance investments and other investments	9	43	162
Investments in new capacity	61	290	1 250
Investments in shareholdings	-	3	30
Production, volume sold (TWh)	1.1	1.2	4.3

Highlights in the quarter

- In February heavy rainfall caused damage and overtopping of the Tinguiririca dam in Chile. Both of the 50% owned power plants La Confluencia and La Higuera were taken out of operation. La Higuera is partly back in operation and normal operation is expected from mid-May. It is still uncertain when La Confluencia will be back in operation.

Quarterly financial performance

- The decrease in underlying EBITDA was primarily due to a stop of production for the Kargi hydropower plant in Turkey due to a needed tunnel repair. In addition, there was a positive one-off effect related to Cheves in Peru in the first quarter of 2016.
- Share of profit from equity accounted investments was negatively affected by the outage in Chile, particularly La Confluencia.

Quarterly investments

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

WIND POWER

NOK million	First quarter		Year
	2017	2016	2016
Sales revenues, underlying	206	161	649
Share of profit/loss in equity accounted investments	12	49	41
Other operating revenues, underlying	3	23	96
Gross operating revenues, underlying	221	233	786
Net operating revenues, underlying	210	224	743
EBITDA, underlying	84	38	176
Operating profit, underlying	-2	-58	-191
Unrealised value changes from energy derivatives	-	-	-
Gain/loss from acquisitions/divestments of business activities	256	20	16
Impairments and related costs	-	-	-606
Operating profit, booked	253	-38	-781
Maintenance investments and other investments	3	2	-
Investments in new capacity	144	778	1 457
Investments in shareholdings	-	32	32
Production, volume sold (TWh)	0.7	0.5	1.9

Highlights in the quarter

- Statkraft completed the sales process regarding the 25% ownership interest in the Dogger Bank projects in March. A gain of NOK 256 million was booked.

Quarterly financial performance

- The EBITDA contribution from Nordic wind farms increased mainly due to higher production and higher prices compared to same period last year. First quarter in 2016 had low production due to low wind speeds.
- Loss from currency and interest hedges in Dudgeon had a negative impact in the quarter.
- In addition, the underlying EBITDA was positively influenced by lower operating expenses compared with the same quarter in 2016 due to revised offshore wind strategy.

Quarterly investments

- The investments were mainly related to the Fosen projects in Norway and the Andershaw wind farm in the UK.

DISTRICT HEATING

NOK million	First quarter		Year
	2017	2016	2016
Sales revenues, underlying	274	274	761
Share of profit/loss in equity accounted investments	-	-	-
Other operating revenues, underlying	1	1	6
Gross operating revenues, underlying	275	275	767
Net operating revenues, underlying	195	185	552
EBITDA, underlying	129	115	279
Operating profit, underlying	87	73	111
Unrealised value changes from energy derivatives	-	-	-
Gain/loss from acquisitions/divestments of business activities	-	-	-
Impairments and related costs	-1	-1	-22
Operating profit, booked	86	72	89
Maintenance investments and other investments	1	1	13
Investments in new capacity	38	14	142
Investments in shareholdings	-	-	-
Production, volume sold (TWh)	0.4	0.4	0.9

Highlights in the quarter

- A new contract with Trondheim municipality on waste handling of 40 thousand tons per year was signed.

Quarterly financial performance

- The EBITDA was higher than in the corresponding quarter of 2016, primarily due to better prices on heating, high availability and good fuel mix.

Quarterly investments

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

INDUSTRIAL OWNERSHIP¹⁾

NOK million	First quarter		Year
	2017	2016	2016
Sales revenues, underlying	2 603	2 236	6 741
Share of profit/loss in equity accounted investments	281	282	432
Other operating revenues, underlying	54	38	194
Gross operating revenues, underlying	2 937	2 555	7 367
Net operating revenues, underlying	1 456	1 301	3 364
EBITDA, underlying	1 026	927	1 803
Operating profit, underlying	883	794	1 261
Unrealised value changes from energy derivatives	-	-	-
Gain/loss from acquisitions/divestments of business activities	-	-	-
Impairments and related costs	-	-1	-2
Operating profit, booked	883	792	1 259
Maintenance investments and other investments	87	81	387
Investments in new capacity	90	57	301
Investments in shareholdings	-	-	-
Production, volume sold (TWh)	1.4	1.9	5.5

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

Highlights in the quarter

- Agder Energi was granted concession for refurbishment and expansions in Åseral, Vest-Agder.

Quarterly financial performance

- The increase in underlying EBITDA compared with the first quarter in 2016 was mainly related to increased income from end-user activities.

Quarterly investments

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

OTHER ACTIVITIES

NOK million	First quarter		Year
	2017	2016	2016
Sales revenues, underlying	-	20	40
Share of profit/loss in equity accounted investments	-7	-4	-13
Other operating revenues, underlying	237	227	950
Gross operating revenues, underlying	230	244	976
Net operating revenues, underlying	230	244	975
EBITDA, underlying	-107	-52	-307
Operating profit, underlying	-125	-69	-381
Unrealised value changes from energy derivatives	-	-	-
Gain/loss from acquisitions/divestments of business activities	-30	-	-
Impairments and related costs	-	-	-
Operating profit, booked	-155	-69	-381
Maintenance investments and other investments	3	8	44
Investments in new capacity	-	-	-
Investments in shareholdings	-	2	39
Production, volume sold (TWh)	-	-	-

Highlights in the quarter

- Statkraft completed the sale of Steinsvik Kraft AS.
- On 13 March, Statkraft issued a EUR 500 million bond with a maturity of eight years.

Quarterly financial performance

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

Outlook

The Nordic forward prices are at a moderate level. A large share of long term contracts have a stabilising effect on the Group's revenues and Statkraft continues to utilise the large hydropower reservoir capacity to optimise the production. The Swedish and Norwegian governments have reached an agreement to expand the existing joint elcert system where Sweden will increase its target for renewable production. The agreement provides regulatory predictability.

The Group's performance improvement programme introduced in 2016 is progressing according to plan. Most of the initiatives and cost savings will be implemented in 2017 and 2018, and cost reductions have already been achieved. This programme will strengthen Statkraft's competitiveness.

To operate and develop the Norwegian and Swedish hydropower portfolio effectively will continue to be a key priority. The Group's total investment level has been taken down in accordance with reduced investment capacity. After a period of consolidation Statkraft plans to invest in selected growth markets. New business development opportunities in Norway are also being explored. The ambition is to strengthen the position in renewable energy and increase competitiveness in all markets where Statkraft operates.

Oslo, 3 May 2017
The Board of Directors of Statkraft AS

Statkraft AS Group Interim Financial Statements

NOK million	First quarter		The year
	2017	2016	2016
COMPREHENSIVE INCOME			
PROFIT AND LOSS			
Sales revenues	15 893	13 505	49 448
Share of profit/loss in equity accounted investments	326	376	474
Other operating revenues	489	277	1 065
Gross operating revenues	16 708	14 158	50 987
Energy purchase	-8 465	-7 899	-29 093
Transmission costs	-339	-364	-1 273
Net operating revenues	7 904	5 894	20 621
Salaries and payroll costs	-932	-975	-3 648
Depreciation, amortisation and impairments	-882	-894	-8 260
Property tax and licence fees	-348	-416	-1 733
Other operating expenses	-858	-846	-3 894
Operating expenses	-3 020	-3 131	-17 535
Operating profit/loss	4 884	2 763	3 086
Financial income	97	81	380
Financial expenses	-321	-366	-1 411
Net currency effects	-285	1 316	2 847
Other financial items	135	144	321
Net financial items	-374	1 176	2 137
Profit/loss before tax	4 510	3 939	5 223
Tax expense	-1 761	-1 550	-5 402
Net profit/loss	2 749	2 390	-179
Of which non-controlling interest	212	134	-62
Of which majority interest	2 537	2 256	-117
OTHER COMPREHENSIVE INCOME			
Items in other comprehensive income that recycle over profit/loss:			
Changes in fair value of financial instruments	-97	526	1 235
Income tax related to changes in fair value of financial instruments	20	-134	-320
Items recorded in other comprehensive income in equity accounted investments	-208	137	445
Recycling of financial instruments related to cash flow hedges	-4	-	-
Income tax from recycling of financial instruments related to cash flow hedges	1	-	-
Reclassification currency translation effects related to foreign operations disposed of in the year	-	-	6
Currency translation effects	386	-2 673	-4 851
Items in other comprehensive income that will not recycle over profit/loss:			
Estimate deviation pensions	572	-	-52
Income tax related to estimate deviation pensions	-198	-	-17
Other comprehensive income	471	-2 145	-3 554
Comprehensive income	3 220	245	-3 733
Of which non-controlling interest	322	39	217
Of which majority interest	2 898	205	-3 950

NOK million	31.03.2017	31.03.2016	31.12.2016
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Deferred tax assets	715	992	675
Intangible assets	3 874	4 521	3 858
Property, plant and equipment	103 196	110 320	103 303
Equity accounted investments	19 531	19 124	19 438
Other non-current financial assets	9 237	6 493	8 961
Derivatives	3 240	4 673	3 047
Non-current assets	139 792	146 123	139 282
Inventories	4 460	2 018	2 653
Receivables	11 685	9 582	10 219
Short-term financial investments	534	495	532
Derivatives	6 611	7 583	6 637
Cash and cash equivalents (included restricted cash)	12 414	10 743	7 308
Current assets	35 703	30 420	27 349
Assets	175 495	176 543	166 630
EQUITY AND LIABILITIES			
Paid-in capital	58 411	57 111	58 411
Retained earnings	21 091	22 992	17 360
Non-controlling interest	7 145	7 657	7 747
Equity	86 647	87 760	83 519
Deferred tax	10 171	9 133	9 446
Pension liability	1 711	2 157	2 247
Provisions allocated to capital employed	3 616	4 275	3 423
Other provisions	3 111	5 103	4 079
Long-term interest-bearing liabilities	34 811	38 760	31 886
Derivatives	1 607	3 745	1 805
Long-term liabilities	55 027	63 172	52 885
Short-term interest-bearing liabilities	10 491	8 719	8 407
Taxes payable	4 750	2 682	4 764
Interest-free liabilities allocated to capital employed	11 337	9 608	10 531
Other interest-free liabilities	2 087	277	1 387
Derivatives	5 156	4 325	5 137
Current liabilities	33 821	25 611	30 226
Equity and liabilities	175 495	176 543	166 630

NOK million	Paid-in capital	Other reserves	Other equity	Accumulated translation differences	Retained earnings	Total majority	Non-controlling interests	Total equity
STATEMENT OF CHANGES IN EQUITY								
Balance as of 01.01.2016	57 111	-2 993	14 622	11 158	22 787	79 898	8 443	88 340
Net profit/loss	-	-	2 256	-	2 256	2 256	133	2 389
Items in other comprehensive income that recycles over profit/loss:								
Changes in fair value of financial instruments	-	511	-	-	511	511	15	526
Income tax related to changes in fair value of financial instruments	-	-130	-	-	-130	-130	-4	-134
Items recorded in other comprehensive income in equity accounted investments	-	137	-	-	137	137	-	137
Currency translation effects	-	-	-	-2 568	-2 568	-2 568	-105	-2 673
Items in OCI that will not recycle over profit/loss:								
Estimate deviation pensions	-	-	-	-	-	-	-	-
Income tax related to estimate deviation pensions	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	517	2 256	-2 568	205	205	39	244
Dividend and Group contribution paid	-	-	-	-	-	-	-	-
Reclassification of loan to non-controlling interests ¹⁾	-	-	-	-	-	-	-825	-825
Balance as of 31.03.2016	57 111	-2 475	16 878	8 590	22 992	80 104	7 657	87 760
Balance as of 01.01.2016	57 111	-2 993	14 622	11 158	22 787	79 898	8 443	88 340
Net profit/loss	-	-	-117	-	-117	-117	-62	-179
Items in other comprehensive income that recycles over profit/loss:								
Changes in fair value of financial instruments	-	1 198	-	-	1 198	1 198	37	1 235
Income tax related to changes in fair value of financial instruments	-	-309	-	-	-309	-309	-11	-320
Items recorded in other comprehensive income in equity accounted investments	-	445	-	-	445	445	-	445
Reclassification currency translation effects related to foreign operations disposed of in the year	-	-	-	6	6	6	-	6
Currency translation effects	-	-	-	-5 101	-5 101	-5 101	250	-4 851
Items in OCI that will not recycle over profit/loss:								
Estimate deviation pensions	-	-	-59	-	-59	-59	7	-52
Income tax related to estimate deviation pensions	-	-	-13	-	-13	-13	-4	-17
Total comprehensive income for the period	-	1 333	-189	-5 095	-3 950	-3 950	217	-3 733
Dividend and Group contribution paid	-	-	-1 604	-	-1 604	-1 604	-226	-1 830
Changes in provision in connection with equity instruments over non-controlling interests	-	-	245	-	245	245	-	245
Transactions with non-controlling interests	-	-	-138	-	-138	-138	138	-
Reclassification of loan to non-controlling interests ¹⁾	-	-	-	-	-	-	-825	-825
Capital increase in joint ventures from other shareholders	-	-	20	-	20	20	-	20
Capital increase	1 300	-	-	-	-	1 300	-	1 300
Balance as of 31.12.2016	58 411	-1 659	12 957	6 063	17 360	75 771	7 747	83 519
Net profit/loss	-	-	2 537	-	2 537	2 537	212	2 749
Items in OCI that recycle over profit/loss:								
Changes in fair value of financial instruments	-	-99	-	-	-99	-99	2	-97
Income tax related to changes in fair value of financial instruments	-	21	-	-	21	21	-1	20
Items recorded in other comprehensive income in equity accounted investments	-	-208	-	-	-208	-208	-	-208
Recycling of financial instruments related to cash flow hedges	-	-4	-	-	-4	-4	-	-4
Income tax from recycling of financial instruments related to cash flow hedges	-	1	-	-	1	1	-	1
Currency translation effects	-	-	-	277	277	277	109	386
Items in OCI that will not recycle over profit/loss:								
Estimate deviation pensions	-	-	572	-	572	572	-	572
Income tax related to estimate deviation pensions	-	-	-198	-	-198	-198	-	-198
Total comprehensive income for the period	-	-290	2 911	277	2 898	2 898	322	3 220
Dividend and Group contribution	-	-	-	-	-	-	-835	-835
Liability of the option to increase shareholding in subsidiary	-	-	833	-	833	833	-	833
Business combinations/divestments	-	-	-	-	-	-	-32	-32
Capital decrease	-	-	-	-	-	-	-57	-57
Balance as of 31.03.2017	58 411	-1 949	16 701	6 340	21 091	79 502	7 145	86 647

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

NOK million	First quarter		The year
	2017	2016	2016
STATEMENT OF CASH FLOW			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax	4 510	3 939	5 223
Profit/loss on disposal of non-current assets	-13	-18	-15
Depreciation, amortisation and impairments	882	894	8 260
Profit/loss from the sale of business	-226	-	-
Profit/loss from the sale of shares and equity accounted investments	-5	-1	-8
Share of profit/loss in equity accounted investments	-326	-376	-474
Realised currency effect from internal loans	23	-565	-1 216
Unrealised changes in value	-267	-1 241	300
Changes in long term items	180	-124	-368
Changes in short term items	-1 031	-770	-1 312
Dividend from equity accounted investments	29	20	545
Taxes	-1 311	-1 223	-2 564
Cash flow from operating activities	A	2 445	535
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment ¹⁾	-667	-1 622	-5 331
Proceeds from sale of non-current assets	76	23	31
Reclassification of joint arrangement	-	-	-404
Business divestments net liquidity inflow to the Group	302	-	25
Business combinations and asset purchase, net liquidity outflow from the Group	-	-32	-59
Loans to third parties	-256	-46	-1 526
Repayment of loans from third parties	82	128	593
Considerations regarding investments in other companies	-	-6	-148
Cash flow from investing activities	B	-462	-1 556
CASH FLOW FROM FINANCING ACTIVITIES			
New debt	4 547	2 903	4 642
Repayment of debt	-551	-43	-7 632
Dividend and capital decrease in subsidiary related to non-controlling interests	-894	0	-226
Share issue in subsidiary to non-controlling interests	-	-	-
Cash flow from financing activities	C	3 102	2 860
Net change in cash and cash equivalents	A+B+C	5 084	1 839
Currency exchange rate effects on cash and cash equivalents	22	-153	-85
Cash and cash equivalents 01.01	7 308	9 056	9 056
Cash and cash equivalents 31.03/31.12 ²⁾	12 414	10 743	7 308
Unused committed credit lines	11 000	13 000	11 016
Unused overdraft facilities	2 025	2 200	2 015
Restricted cash	61	32	58

¹⁾ Investments in property, plant and equipment in the cash flow year to date are NOK 11 million lower than investments shown in the segment reporting due to acquisition of assets not paid as of first quarter 2017.

²⁾ Included in cash and cash equivalents are NOK 126 million related to joint operations.

NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	Wind power	District heating	Industrial ownership	Other activities	Group items
SEGMENTS									
First quarter 2017									
Operating revenue external, underlying	15 773	4 502	7 778	587	-20	275	2 643	35	-27
Operating revenue internal, underlying	-	64	-47	39	229	-	13	202	-500
Share of profit/loss in equity accounted investments	326	-	-	39	12	-	281	-7	1
Gross operating revenues, underlying	16 099	4 566	7 731	665	221	275	2 937	230	-526
Net operating revenues, underlying	7 295	4 056	867	585	210	195	1 456	230	-304
Operating profit/loss, underlying	4 313	2 648	653	195	-2	87	883	-125	-26
Unrealised value change energy derivatives	353	109	244	-	-	-	-	-	-
Gain/loss from acquisition/divestments of business activities	226	-	-	-	256	-	-	-30	-
Impairments and related costs	-9	-	-	-8	-	-1	-	-	-
Operating profit/loss	4 884	2 757	898	187	253	86	883	-155	-25
Balance sheet 31.03.2017									
Equity accounted investments	19 531	-	53	5 869	3 539	-	10 056	13	1
Other assets	155 964	57 272	115	27 870	9 512	3 519	15 438	23 654	18 584
Total assets	175 495	57 272	168	33 739	13 051	3 519	25 494	23 667	18 585
Depreciations, amortisation and impairments	-882	-412	-3	-177	-86	-43	-143	-18	-1
Maintenance investments and other investments	329	224	2	9	3	1	87	3	-1
Investments in new generating capacity	349	16	-	61	144	38	90	-	-
Investments in other companies	-	-	-	-	-	-	-	-	-
First quarter 2016									
Operating revenue external, underlying	14 126	4 239	6 620	653	2	275	2 253	48	36
Operating revenue internal, underlying	-	35	-20	2	182	-	20	200	-419
Share of profit/loss in equity accounted investments	376	-	-	49	49	-	282	-4	-
Gross operating revenues, underlying	14 502	4 274	6 600	704	233	275	2 555	244	-383
Net operating revenues, underlying	6 238	3 842	44	643	224	185	1 301	244	-245
Operating profit/loss, underlying	3 114	2 267	-172	260	-58	73	794	-69	19
Unrealised value change energy derivatives	-364	-305	-60	-	-	-	-	-	1
Gain/loss from acquisition/divestments of business activities	20	-	-	-	20	-	-	-	-
Impairments and related costs	-7	-	-	-4	-	-1	-1	-	-1
Operating profit/loss	2 763	1 962	-232	255	-38	72	792	-69	21
Balance sheet 31.03.2016									
Equity accounted investments	19 124	535	12	5 253	3 243	8	10 056	13	4
Other assets	157 419	61 829	114	27 441	9 683	3 575	15 223	27 699	11 854
Total assets	176 543	62 364	126	32 694	12 926	3 583	25 279	27 712	11 858
Depreciations, amortisation and impairments	-894	-444	-4	-156	-95	-43	-134	-17	-1
Maintenance investments and other investments	379	245	-	43	2	1	81	8	-1
Investments in new generating capacity	1 273	134	-	290	778	14	57	-	-
Investments in other companies	37	-	-	3	32	-	-	2	-

NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	Wind power	District heating	Industrial ownership	Other activities	Group items
SEGMENTS									
The year 2016									
Operating revenue external, underlying	51 767	15 520	25 953	2 429	92	765	6 877	165	-33
Operating revenue internal, underlying	-	259	-108	114	653	2	58	824	-1 802
Share of profit/loss in equity accounted investments	474	-	-2	16	41	-	432	-13	-
Gross operating revenues, underlying	52 241	15 779	25 843	2 559	786	767	7 367	976	-1 835
Net operating revenues, underlying	21 875	14 187	980	2 234	743	552	3 364	975	-1 160
Operating profit/loss, underlying	9 148	7 701	142	557	-191	111	1 261	-381	-52
Unrealised value change energy derivatives	-1 270	-370	-900	-	-	-	-	-	-
Gain/loss from acquisition/divestments of business activities	16	-	-	-	16	-	-	-	-
Impairments and related costs	-4 808	-2 802	-	-1 377	-606	-22	-2	-	1
Operating profit/loss	3 086	4 529	-758	-819	-781	89	1 259	-381	-52
Balance sheet 31.12.2016									
Equity accounted investments	19 438	-	55	5 860	3 522	0	9 979	18	4
Other assets	147 192	57 240	124	27 893	9 138	3 521	15 381	24 042	9 853
Total assets	166 630	57 240	179	33 753	12 660	3 521	25 360	24 060	9 857
Depreciations, amortisation and impairments	-8 260	-4 554	-14	-1 910	-973	-190	-544	-74	-
Maintenance investments and other investments*	1 763	1 154	2	162	-	13	387	44	-
Investments in new generating capacity	3 736	582	4	1 250	1 457	142	301	-	-
Investments in other companies	158	-	56	30	32	-	-	39	-

Selected notes to the accounts

1. FRAMEWORK AND MATERIAL ACCOUNTING POLICIES

The consolidated financial statements for the first quarter of 2017, closed on 31 March 2017, have been prepared in accordance with the accounting principles in International Financial Reporting Standards (IFRS) and consist of Statkraft AS and its subsidiaries and associates. The interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. As the information provided in the interim financial statements is less comprehensive than that contained in the annual financial statements, these statements should therefore be read in conjunction with the consolidated annual financial statements for 2016. The interim accounts have not been audited. The accounting principles applied in the interim financial statements are the same as those used for the annual financial statements.

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

2. PRESENTATION OF FINANCIAL STATEMENTS

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

3. ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

4. SEGMENT REPORTING

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

In 2017 the segment International hydropower has changed name to International power.

5. UNREALISED EFFECTS PRESENTED IN THE INCOME STATEMENT

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

NOK million	First quarter 2017		
	Unrealised	Realised	Total
UNREALISED EFFECTS REPORTED IN P&L			
Generation	166	5 520	5 686
Sales and trading	-709	2 013	1 304
Customers	293	7 891	8 184
Other	-	718	718
Total sales revenues	-250	16 143	15 893
Generation	-	-123	-123
Sales and trading	630	-1 189	-559
Customers	-51	-7 505	-7 555
Other	-	-228	-228
Total energy purchase	579	-9 045	-8 465
Net currency effects	-185	-100	-285
Other financial items	122	12	135
Total unrealised effects	267		

NOK million	First quarter 2016			The year 2016		
	Unrealised	Realised	Total	Unrealised	Realised	Total
UNREALISED EFFECTS REPORTED IN P&L						
Generation	-426	5 453	5 027	-426	19 402	18 976
Sales and trading	738	585	1 323	-493	4 128	3 634
Customers	286	6 310	6 596	-849	25 762	24 913
Other	-	559	559	-	1 925	1 925
Total sales revenues	597	12 907	13 505	-1 768	51 216	49 448
Generation	-	-112	-112	-	-368	-368
Sales and trading	-431	-735	-1 165	338	-3 586	-3 249
Customers	6	-6 492	-6 486	66	-24 963	-24 897
Other	-	-136	-136	-	-579	-579
Total energy purchase	-425	-7 474	-7 899	404	-29 497	-29 093
Net currency effects	918	398	1 316	557	2 290	2 847
Other financial items	151	-7	144	508	-186	322
Total unrealised effects	1 241			-299		

6. NORWEGIAN HYDROPOWER AND RELATED BUSINESS

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

NOK million	"Norwegian hydropower" from:			Sum "Norwegian hydropower, excluding related business"	Associated regional companies	Sum "Norwegian hydropower and related business"
	Statkraft AS Group	Statkraft Energi AS	Skagerak Kraft Group			
2017 (year to date)						
Share of profit/loss in equity accounted investments	326	-	-	-	282 ¹⁾	282
Gross operating revenues	16 708	4 067	557	4 622	282	4 904
Net operating revenues	7 904	3 362	540	3 904	282	4 185
Operating profit/loss	4 884	2 423	378	2 801	282	3 083
Net financial items	-374	-43	-23	-66		-66
Tax expense	-1 761	-1 507	-166	-1 673		-1 673
Profit/loss after tax	2 749	873	190	1 063	282	1 345
Profit/loss after tax (majority share)	2 537	873	126	999	282	1 281
Paid dividend and group contribution to Statkraft		- ²⁾	- ³⁾	-	- ³⁾	-
Balance sheet 31.03.17						
Equity accounted investments	19 531	-	2	2	9 967 ¹⁾	9 969
Other assets	155 964	37 905	5 410	43 314		43 314
Total assets	175 495	37 905	5 411	43 316	9 967	53 283
EBITDA	5 766	2 706	427	3 132	282	3 414
Depreciation, amortisation and impairment	-882	-283	-48	-331		-331
Maintenance investments and other investments	329	168	23	191		191
Investments in new production capacity	349	16	-	16		16
Investments in shares	-	-	-	-		-
¹⁾ Statkraft share of profit/loss after tax and balance sheet ²⁾ Dividend and group contribution after tax paid from Statkraft Energi AS ³⁾ Dividend paid to Statkraft						

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

7. INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

NOK million	31.03.2017	31.03.2016	31.12.2016
INTANGIBLE ASSETS			
Balance as of 01.01.	3 858	4 524	4 524
Additions	8	13	92
Reclassifications	11	-30	-452
Disposals	-4	46	-175
Currency translation effects	47	1	311
Amortisation	-37	-33	-180
Impairment	-9	-	-262
Balance as of end of period	3 874	4 521	3 858
PROPERTY, PLANT AND EQUIPMENT			
Balance as of 01.01.	103 303	111 207	111 207
Additions	654	1 733	5 489
Reclassifications	-11	30	24
Disposals	-148	-3	-2 629
Capitalised borrowing costs	18	30	139
Currency translation effects	216	-1 816	-3 109
Depreciation	-836	-855	-3 411
Impairment	-	-6	-4 407
Balance as of end of period	103 196	110 320	103 303

8. CURRENCY EFFECTS ON INTERNAL LOANS

Net currency effects on internal loans as of the first quarter amounted to NOK -126 million, of which NOK -104 million was unrealised and NOK -22 million was realised. The negative effects were mainly due to NOK weakening against EUR and TRY weakening against EUR.

9. HEDGE ACCOUNTING

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

Statkraft has set up hedge accounting of parts of the net investments in Statkraft Treasury Centre SA in EUR, as well as parts of the net investments in Statkraft UK Ltd in GBP. The effect of this is that a year to date loss of NOK 104 million in 2017 was recognised in other comprehensive income instead of in the income statement.

10. 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 (SKER). Over the past years, Brazil has experienced several severe corruption cases. On this background, Statkraft initiated an internal investigation related to the subsidiary acquired in 2015. Based on the investigation the company has contacted Brazilian authorities. It is at this stage not possible to predict if the outcome could have potential negative financial effects.

The Brazilian Federal Prosecutor is currently investigating potential crimes committed by representatives of the four main pension funds in Brazil and representatives of companies in which the pension funds invested, as well as any other individual who may have been involved in the alleged scheme, related to historical investments made by the pension funds. FUNCEF, which invested in Desenvix (now SKER) in 2009 and 2010, and now owns 18.7% of SKER, is one of these pension funds. Additionally, a civil lawsuit has been filed against the pension funds and companies and individuals related to the pension fund's investments, including SKER. It is at this stage not possible to predict if the outcome of the cases could have potential negative effects on SKER.

11. TURKEY

The civil works contract for the Cetin hydropower project in Turkey was terminated in April 2016. On 27 April 2017 Statkraft entered into a sales agreement, closing of which is subject to various conditions precedent, to dispose of all the shares in the project company Cetin Enerji. The impact on the consolidated financial statements has not yet been determined due to the uncertainties at this stage associated with the various conditions precedent in the agreement.

The contractor has filed a writ in the Oslo District Court against members (current and previous) of the Board of Directors, the CEO and the Head of Communications of Statkraft AS in relation to certain issues connected to the termination of the contract. In Statkraft's view, there is no legal basis for the claim.

12. NOTICE OF REASSESSMENT RELATED TO PREVIOUS YEARS TAX

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

13. TAXABLE OWNERSHIP OF SØNNÅ HØY HYDROPOWER PLANT

On 25 August 2016 AS Saudefaldene, an external company for Statkraft, won against the Norwegian Tax authorities in the Gulating Court of Appeal. AS Saudefaldene was found not to have the taxable ownership of the Sønnå Høy hydropower plant. This conclusion would imply that Statkraft is the owner of the power plant for tax purposes.

Statkraft disagrees with the conclusion which can lead to additional property tax, income tax and resource rent tax for the Group. The case was referred to the Supreme Court by the Appeals Selection Committee in the fourth quarter of 2016. Statkraft estimated and expensed NOK 107 million in the third quarter of 2016 related to historic property tax, income tax and resource rent tax.

14. TRANSACTIONS

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

15. IFRS STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

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

IFRS 15 Revenue from Contracts with Customers Issued by the IASB in 2014, IFRS 15 applies to contracts with customers. The main principle under IFRS 15 is to recognise revenue at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. To achieve this, IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. The new revenue standard will supersede all current revenue recognition requirements under IFRS, including IAS 18. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. Statkraft plans to adopt IFRS 15 in 2018 using the full retrospective method. During 2016, the Group performed a preliminary assessment of the effects from IFRS 15 on income from energy contracts, as discussed above, and income from other contracts within the scope of the standard such as contracts to sell power on exchanges, e.g. Nord Pool. Based on information currently available, Statkraft expects no significant impacts from IFRS 15 with respect to recognition and measurements. There may be certain changes with respect of gross versus net presentation in the statement of comprehensive income. Further, additional disclosures are being required. The preliminary conclusion may change, as the analysis is still ongoing.

IFRS 16 Leases The IASB issued IFRS 16 in 2016. IFRS 16 replaces IAS 17 and its interpretations, including IFRIC 4. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The

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

Alternative Performance Measures

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

Statkraft amended the definition of its underlying operating profit with effect from the first quarter in 2017. The main update relates to item "Unrealised value changes from energy derivatives". From 2017, the only unrealised items that will be adjusted for are "Embedded derivatives in energy contracts" and "Derivatives acquired for risk reduction purposes" where the related items are carried at cost. In addition, the underlying operating profit will be adjusted for "Impairment charges and reversals of impairment charges" and "Gain/loss from acquisition/divestment of business activities".

Statkraft has also decided to amend the definition of Capital Employed. In the amended definition deferred tax assets and liabilities, pension liabilities and liabilities related to equity instruments are no longer defined as Capital Employed. Further, there are some other minor items that are either allocated or deallocated to Capital Employed. The amended definition is presented below.

Comparable figures are restated.

Statkraft uses the following APMs:

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

Items excluded from underlying operating profit:

These are items that can be described as revenues/gains and/or expenses/losses related to impairment and gain/loss from acquisition/divestment of business activities or energy derivatives which are not followed up at fair value and/or energy derivatives which creates asymmetry in the financial reporting. These effects are adjusted in order to have comparable figures in the financial analysis for periodic performance.

Statkraft adjusts for the following three items:

- 1. Unrealised value changes from energy derivatives**
 - **Embedded derivatives** are excluded from underlying operating profit since they only represent part of an energy contract and the other parts of these energy contracts are not reported based on market values.
 - **Derivatives acquired for risk reduction purposes** is excluded when the related item is carried at cost. This is done to ensure that these hedges are reported consistently with the positions that are being hedged.
- 2. Impairment and related costs** is excluded from underlying operating profit since they affect the economics of an asset for the lifetime of that asset; not only the period in which it is impaired or the impairment is reversed.
- 3. Gain/loss from acquisitions/divestments of business activities** is eliminated from the measure since the gain or loss does not give an indication of future performance or periodic performance; such a gain or loss is related to the cumulative value creation from the time the asset is acquired until it is sold.

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

Capital employed and **Net interest bearing debt** are defined in the table on the next page:

NOK million	31.03.2017	31.03.2016	31.12.2016
ALTERNATIVE PERFORMANCE MEASURES			
CAPITAL EMPLOYED			
Intangible assets	3 874	4 521	3 858
Property, plant and equipment	103 196	110 320	103 303
Other non-current financial assets	9 237	6 493	8 961
- Loans to equity accounted investments ¹⁾	-6 961	-4 471	-6 740
- Bonds and other long-term investments ¹⁾	-60	-111	-79
- Pension assets ¹⁾	-332	-265	-300
- Other shares and shareholdings ¹⁾	-283	-254	-338
Inventories	4 460	2 018	2 653
Receivables	11 685	9 582	10 219
- Receivables related to cash collateral ²⁾	-1 103	-1 736	-1 313
- Short-term loans to equity accounted investments ²⁾	-415	-334	-381
- Other receivables not part of capital employed ²⁾	-12	6	5
Provisions allocated to capital employed	-3 616	-4 275	-3 423
Taxes payable	-4 750	-2 682	-4 764
Interest-free liabilities allocated to capital employed	-11 337	-9 608	-10 532
Capital employed	103 583	109 203	101 130
Average capital employed ³⁾	102 432	105 248	104 153
NET INTEREST BEARING DEBT			
Long-term interest bearing liabilities	34 811	38 760	31 886
Short-term interest bearing liabilities	10 491	8 719	8 407
Cash and cash equivalents (including restricted cash)	-12 414	-10 743	-7 308
Short-term financial investments	-534	-495	-532
Net interest bearing debt	32 354	36 242	32 453

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

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

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



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Statkraft AS

Statkraft AS
PO Box 200 Lilleaker
NO-0216 Oslo
Tel: +47 24 06 70 00
Fax: +47 24 06 70 01
Visiting address:
Lilleakerveien 6

Organisation no:
Statkraft AS: 987 059 699

www.statkraft.com