



Q2

Key figures

NOK million	Second quarter			Year to date			Year 2018
	2019	2018	Change	2019	2018	Change	
Income statement							
Gross operating income underlying	8 947	8 658	289	23 615	23 757	-142	55 573
Net operating income underlying	5 388	4 277	1 111	14 735	13 161	1 574	26 925
EBITDA underlying	3 540	2 301	1 239	10 911	9 176	1 735	18 520
Operating profit/loss (EBIT) underlying	2 619	1 428	1 190	9 049	7 390	1 659	14 953
Operating profit/loss (EBIT) IFRS	2 819	478	2 341	9 062	7 522	1 540	15 446
Share of profit/loss in equity accounted investments	263	41	222	771	541	230	790
Net financial items	332	468	-136	882	5 896	-5 014	4 412
Profit/loss before tax	3 414	987	2 427	10 715	13 958	-3 243	20 649
Net profit/loss	2 123	271	1 852	6 874	10 553	-3 678	13 390
Key financial metrics							
EBIT margin underlying (%)	29.3	16.5	12.8	38.3	31.1	7.2	26.9
ROACE (%)				15.8	11.9	3.9	14.7
ROAE (%)				7.7	0.4	7.3	5.9
Balance sheet and investments							
Assets				169 455	168 915	540	182 388
Equity				94 332	92 466	1 866	98 004
Net interest-bearing debt				19 416	14 066	5 350	12 921
Capital employed				110 054	103 184	6 870	106 380
Equity accounted investments				12 806	13 142	-336	13 105
Total investments	1 501	1 380	121	2 385	2 235	150	6 981
Cash Flow							
From operating activities	611	-851	1 462	4 502	5 426	-924	15 286
Cash and cash equivalents (incl. restricted cash)				13 046	19 899	-6 853	23 175
Currency rates							
NOK/EUR average rate	9.72	9.55	0.16	9.73	9.59	0.14	9.60
NOK/EUR closing rate				9.69	9.51	0.18	9.95

Definitions

See section Alternative Performance Measures at the end of this report for definitions.

The quarterly report shows the development in the quarter compared with the same quarter last year, unless otherwise stated.

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SOLID QUARTER



Higher power generation and positive contribution from market activities led to a strong operating result

New long-term power supply agreements confirm Statkraft’s position as a competitive supplier of renewable energy

The average Nordic system price in the quarter was 35.6 EUR/MWh, a decrease of 9 per cent compared with the same quarter in 2018. Total generation was 12.3 TWh in the quarter, an increase of 0.9 TWh.

Statkraft recorded an underlying EBIT amounting to NOK 2619 million in the second quarter of 2019. This was an increase of NOK 1190 million from the corresponding quarter last year. The increase was mainly driven by improved results from Market operations and higher generation.

The quarterly net profit ended at NOK 2123 million. This was an increase of NOK 1852 million.

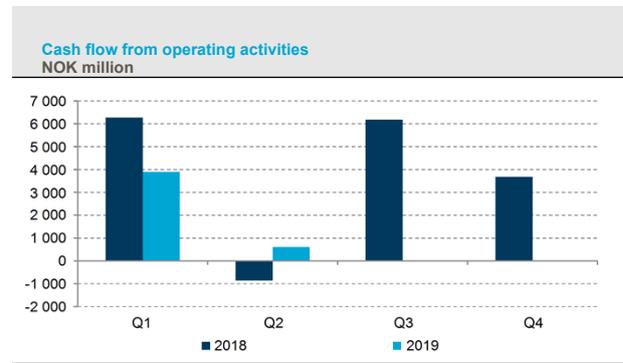
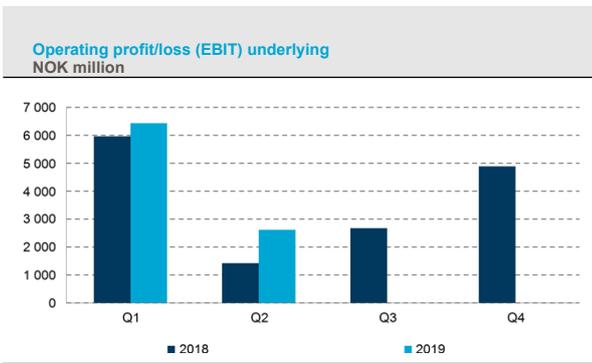
Cash flow from operating activities reached NOK 611 million in the quarter.

For the first half year of 2019 Statkraft achieved an underlying EBIT of NOK 9049 million, an increase of NOK 1659 million compared with the same period in 2018. The main drivers for this improvement were higher contribution from trading, origination and market access activities in the segment Market operations. Net profit year to date reached NOK 6874 million.

Over the last couple of years, Statkraft has entered into new or renegotiated long-term power contracts in Norway with a total volume of 55 TWh for the period 2019-38. Two of these power contracts were signed in the second quarter. The contract with Alcoa runs from 2020-26 with a total volume of 3.1 TWh. The contract with Borregaard runs from 2020-29 with a total volume of 1.75 TWh.

Statkraft has signed an agreement to supply Audax Renovables in Spain with a total volume of 5.5 TWh over a period of 10.5 years. Renewable PPAs are an important part of Statkraft's strategy to develop market activities in Spain and this contract strengthens Statkraft's position as a leading market integrator.

In June, Statkraft decided to construct the 52 MW Los Lagos hydropower plant in Chile. Annual generation is estimated to 260 GWh. Completion is scheduled for the second quarter of 2022 and will strengthen Statkraft's position in the Chilean market.



Corporate responsibility and HSE

	Second quarter		Year to date		Year 2018
	2019	2018	2019	2018	
Corporate responsibility and HSE					
Fatal accidents ¹⁾	0	1	0	1	1
Serious environmental incidents	0	0	0	0	0
Absence due to illness, Group (%)	2.5	3.4	2.7	3.9	3.3
TRR rate ¹⁾²⁾			4.7	5.7	5.3
Full-time equivalents, Group			3 361	3 116	3 229

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

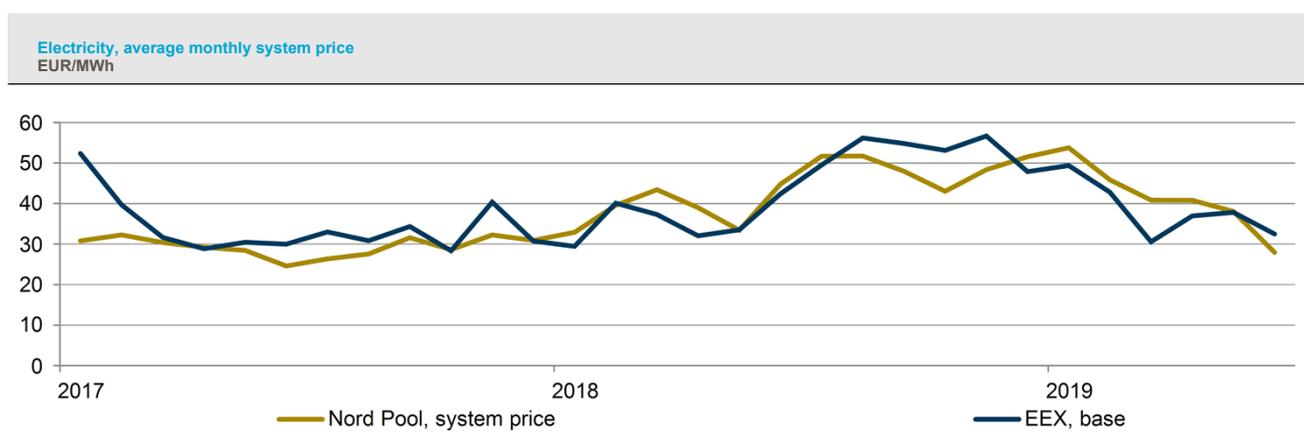
²⁾ TRR rate (rolling 12 months): Number of injuries per million hours worked.

Four serious injuries were reported in the quarter, all in Norway. The incidents have been investigated according to Statkraft's procedures and all safety measures are followed up.

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).

	Second quarter			Year to date			Year 2018
	2019	2018	Change	2019	2018	Change	
Market prices (average)							
System price, Nord Pool (EUR/MWh)	35.6	39.1	-3.5	41.2	38.9	2.4	44.0
Spot price (base), EEX (EUR/MWh)	35.8	36.0	-0.2	38.4	35.8	2.5	44.4
Spot price (peak), EEX (EUR/MWh)	39.6	38.9	0.7	44.4	41.6	2.8	51.4
Spot price (base), N2EX UK (GBP/MWh)	41.5	52.6	-11.1	46.7	52.7	-6.0	57.4

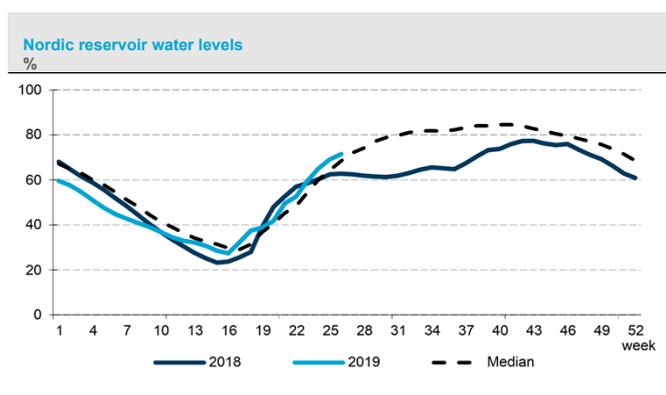
Sources: Nord Pool and European Energy Exchange (EEX).

The average system price in the Nordic region was 35.6 EUR/MWh in the quarter, a decrease of 9%. The decrease was mainly due to a stronger hydrological balance in the Nordics.

The average base price in the German market (EEX) was 35.8 EUR/MWh in the quarter, a decrease of 1%.

The average base price in the UK was 41.5 GBP/MWh in the quarter, a decrease of 21%. The decrease was mainly driven by lower gas prices.

CONSUMPTION AND RESOURCE ACCESS IN THE NORDIC REGION



Source: Nord Pool.

TWh	Second quarter		Year to date		Year
	2019	2018	2019	2018	2018
Consumption and output					
Nordic					
Nordic consumption	85.8	87.0	201.4	208.5	394.6
Nordic output	87.7	87.0	201.4	209.2	396.8
Net Nordic import(+)/export(-)	-1.8	-	0.1	-0.7	-2.1
Norway					
Norwegian consumption	29.1	29.7	69.4	72.2	136.2
Norwegian output	28.6	30.4	66.7	75.2	146.4
Net Norwegian import(+)/export(-)	0.5	-0.7	2.7	-3.0	-10.2

The total reservoir level for all producers in the Nordic region was 104% of median level at the end of the quarter, corresponding to 71.5% of total capacity.

STATKRAFT'S POWER GENERATION

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

TWh	Second quarter		Year to date		Year
	2019	2018	2019	2018	2018
Generation, technology					
Hydropower	11.1	10.9	25.6	30.8	57.2
Wind power	0.6	0.6	1.5	1.2	2.7
Gas power	0.6	-	1.1	0.4	1.5
Other power ¹⁾	0.1	0.1	0.1	0.1	0.3
Total generation	12.3	11.5	28.4	32.5	61.7

¹⁾ Biomass and solar power.

TWh	Second quarter		Year to date		Year
	2019	2018	2019	2018	2018
Generation, geography					
Norway	8.8	8.7	21.0	25.8	48.6
Sweden	1.5	1.4	3.3	3.4	6.0
Europe ex. Nordic	0.9	0.3	1.8	1.2	2.8
Rest of the world	1.1	1.1	2.3	2.2	4.3
Total generation	12.3	11.5	28.4	32.5	61.7

The Group generated a total of 12.3 TWh in the quarter, an increase of 8%. Gas-fired power generation increased, driven by several hours with positive spark spread, especially in June. The Group's district heating deliveries amounted to 0.2 TWh.

Financial performance

NOK million	Second quarter			Year to date			Year
	2019	2018	Change	2019	2018	Change	2018
Net operating income underlying	5 388	4 277	1 111	14 735	13 161	1 574	26 925
Operating profit/loss (EBIT) underlying	2 619	1 428	1 190	9 049	7 390	1 659	14 953
Operating profit/loss (EBIT) IFRS	2 819	478	2 341	9 062	7 522	1 540	15 446
Net financial items	332	468	-136	882	5 896	-5 014	4 412
Profit/loss before tax	3 414	987	2 427	10 715	13 958	-3 243	20 649
Tax expense	-1 291	-716	-575	-3 841	-3 406	-435	-7 258
Net profit/loss	2 123	271	1 852	6 874	10 553	-3 678	13 390

FINANCIAL PERFORMANCE SECOND QUARTER

The underlying EBIT was NOK 2619 million, an increase of 83%. The improvement was primarily related to higher contribution from the segments European flexible generation, Market operations and Industrial ownership. Net financial items were positive due to currency effects and gains from change of control and change in fair value of the shares in Fjordkraft.

FINANCIAL PERFORMANCE YEAR TO DATE

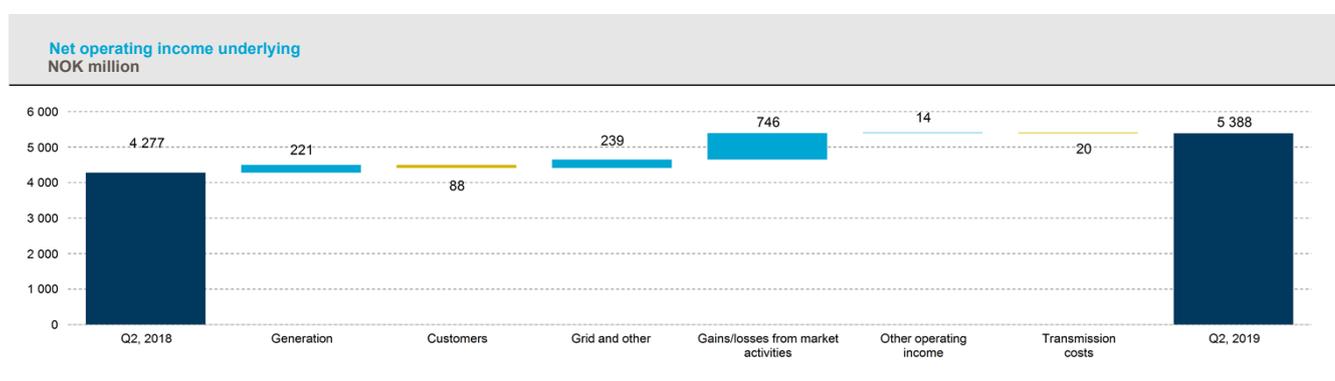
The underlying EBIT was 22% higher than in 2018. The increase in net operating income was mainly driven by significantly higher contribution from the segment Market operations, partly offset by lower revenues from the segment European flexible generation. Operating expenses were somewhat lower, with the deconsolidation of Fjordkraft from March 2018 and lower property tax in Sweden as the main drivers.

Net financial items were positive, primarily due to currency effects and gains from the shareholding in Fjordkraft. The decrease in net financial items were mainly due to a gain from divestment of offshore wind assets in the comparable period.

Net profit ended at NOK 6874 million compared with NOK 10 553 million for the same period in 2018.

NET OPERATING INCOME UNDERLYING

NOK million	Second quarter			Year to date			Year 2018
	2019	2018	Change	2019	2018	Change	
Net operating income							
Generation	5 084	4 637	447	12 864	13 149	-285	26 973
Customers	2 655	3 841	-1 186	6 696	9 262	-2 567	25 220
Grid and other	684	416	269	1 542	1 072	471	2 482
Sales revenues	8 423	8 894	-470	21 102	23 483	-2 381	54 674
Gains/losses from market activities	283	-462	746	2 054	-219	2 273	-232
Other operating income	240	227	14	460	494	-34	1 131
Gross operating income	8 947	8 658	289	23 615	23 757	-142	55 573
Generation	-339	-113	-226	-816	-465	-351	-1 334
Customers	-2 693	-3 791	1 098	-6 674	-8 924	2 250	-24 556
Other	-193	-164	-30	-424	-346	-78	-917
Energy purchase	-3 225	-4 068	842	-7 913	-9 734	1 821	-26 808
Transmission costs	-334	-314	-20	-967	-862	-105	-1 840
Net operating income	5 388	4 277	1 111	14 735	13 161	1 574	26 925



In the graph above Generation, Customers and Grid and other are shown as sales revenues less energy purchase.

- Net operating income from Generation increased, mainly driven by higher hydropower generation.
- Net operating income from Grid and other increased, mainly due to positive effects from downstream market services in the UK.
- Gains/losses from market activities increased, mainly driven by improved contribution from Origination activities.

OPERATING EXPENSES UNDERLYING

NOK million	Second quarter			Year to date			Year 2018
	2019	2018	Change	2019	2018	Change	
Operating expenses							
Salaries and payroll costs	-778	-747	-31	-1 740	-1 659	-81	-3 615
Depreciation and amortisation	-921	-873	-49	-1 862	-1 786	-76	-3 567
Property tax and licence fees	-269	-323	54	-575	-649	74	-1 352
Other operating expenses	-801	-906	105	-1 508	-1 677	169	-3 439
Operating expenses	-2 769	-2 849	80	-5 686	-5 771	85	-11 972

- The increase in salaries and payroll costs was mainly due to increased number of FTEs related to business development and acquisition of new entities.
- The increase in depreciation was mainly due to the implementation of IFRS 16 from 2019, see note 5.
- Property tax and licence fees were lower, mainly due to reduced property tax in Sweden driven by a lower tax rate and reversal of a provision.
- Other operating expenses were lower mainly due to the implementation of IFRS 16 and positive one-off effects. This was partly offset by increased costs from new companies acquired.

ITEMS EXCLUDED FROM THE UNDERLYING OPERATING PROFIT/LOSS

The segment reporting is based on underlying figures, which is in accordance with how the corporate management makes, follows up and evaluates its decisions. Unrealised value changes from embedded derivatives, gains/losses from divestments of business activities and impairments are excluded from the underlying profit/loss from 2019. See page 21.

NOK million	Second quarter			Year to date			Year 2018
	2019	2018	Change	2019	2018	Change	
Items excluded from the underlying operating profit/loss							
Unrealised value changes from energy derivatives	208	-911	1 119	28	-1 279	1 307	-789
Embedded derivatives	208	-495	703	28	-771	799	-333
Derivatives entered into for risk reduction purposes	-	-416	416	-	-508	508	-456
Gains/losses from divestments of business activities	-	-28	28	-	1 432	-1 432	1 449
Impairments	-7	-11	4	-15	-21	6	-167
Items excluded from the underlying operating profit/loss	201	-950	1 151	13	132	-119	493

- Embedded derivatives: There was a positive effect on long-term power sales agreements denominated in EUR due to a weakening of NOK against EUR.

FINANCIAL ITEMS

NOK million	Second quarter			Year to date			Year 2018
	2019	2018	Change	2019	2018	Change	
Financial items							
Interest income	116	99	18	243	187	56	404
Interest expenses	-156	-194	38	-378	-466	88	-905
Net currency effects	201	527	-326	889	1 075	-186	-464
Other financial items	170	36	134	128	5 100	-4 971	5 377
Net financial items	332	468	-136	882	5 896	-5 014	4 412

- Interest income increased, mainly due to improved liquidity.
- Interest expenses decreased, mainly due to lower average interest rates and repayment of interest-bearing debt.
- Net currency gains in the quarter were primarily related to a strengthening of NOK against GBP.
- Other financial items increased, mainly due to gains from change of control and change in fair value of the shares in Fjordkraft. See note 14.

TAX EXPENSE

NOK million	Second quarter			Year to date			Year 2018
	2019	2018	Change	2019	2018	Change	
Tax expense							
Profit/loss before tax	3 414	987	2 427	10 715	13 958	-3 243	20 649
Nominal tax rate in Norway	22%	23%	-1%	22%	23%	-1%	23%
Tax calculated at nominal Norwegian tax rate	751	227	524	2 357	3 210	-853	4 749
Tax on share of profit/loss in equity accounted investments	-58	-9	-48	-170	-124	-45	-182
Resource rent tax payable	619	558	61	1 688	1 814	-126	3 678
Resource rent tax deferred	122	-71	193	230	18	211	444
Other differences from the nominal Norwegian tax rate	-142	12	-154	-264	-1 513	1 249	-1 431
Tax expense	1 291	716	575	3 841	3 406	435	7 258
Effective tax rate	38%	73%	-35%	36%	24%	11%	35%

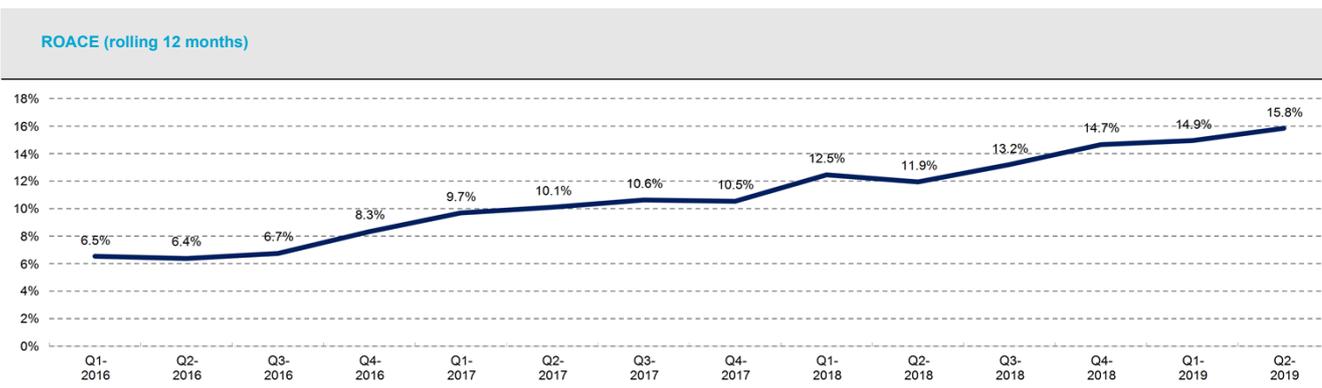
Tax expense second quarter

- Resource rent tax payable increased, mainly due to higher generation and a higher tax rate from 1 January 2019. This was partly offset by lower Nordic power prices.
- Resource rent tax deferred increased, mainly due to unrealised value changes from embedded derivatives.
- Negative other differences from the nominal Norwegian tax rate of NOK 142 million were mainly due to changes in unrecognised deferred tax assets in Germany.

Tax expense year to date

- Resource rent tax payable decreased, mainly due to lower generation. This was partly offset by higher Nordic power prices and a higher tax rate from 1 January 2019.
- Resource rent tax deferred increased, mainly due to unrealised value changes from embedded derivatives.
- Negative other differences from the nominal Norwegian tax rate of NOK 264 million were mainly due to changes in unrecognised deferred tax assets in Germany.
- Negative other differences from the nominal Norwegian tax rate in the comparable period of NOK 1513 million were mainly due to:
 - A tax exempt gain related to the divestment of the shareholding in the Dudgeon offshore wind farm.
 - A tax exempt gain related to the listing and subsequent deconsolidation of Fjordkraft.

RETURN ON AVERAGE CAPITAL EMPLOYED (ROACE)



The improvement in ROACE compared with year-end 2018 was mainly due to higher underlying operating profit (rolling 12 months), primarily driven by higher contribution from the segment Market operations. Average capital employed was 3% higher compared with year-end 2018.

CASH FLOW

NOK million	Second quarter			Year to date			Year 2018
	2019	2018	Change	2019	2018	Change	
Cash flow							
Operating activities	611	-851	1 462	4 502	5 426	-924	15 286
Investing activities	-732	-308	-424	-1 657	5 504	-7 161	5 301
Financing activities	-11 278	-228	-11 050	-12 885	-5 117	-7 768	-11 689
Net change in cash and cash equivalents	-11 400	-1 387	-10 012	-10 040	5 814	-15 854	8 899
Cash and cash equivalents (incl. restricted cash) at period end	13 046	19 899	-6 853	13 046	19 899	-6 853	23 175

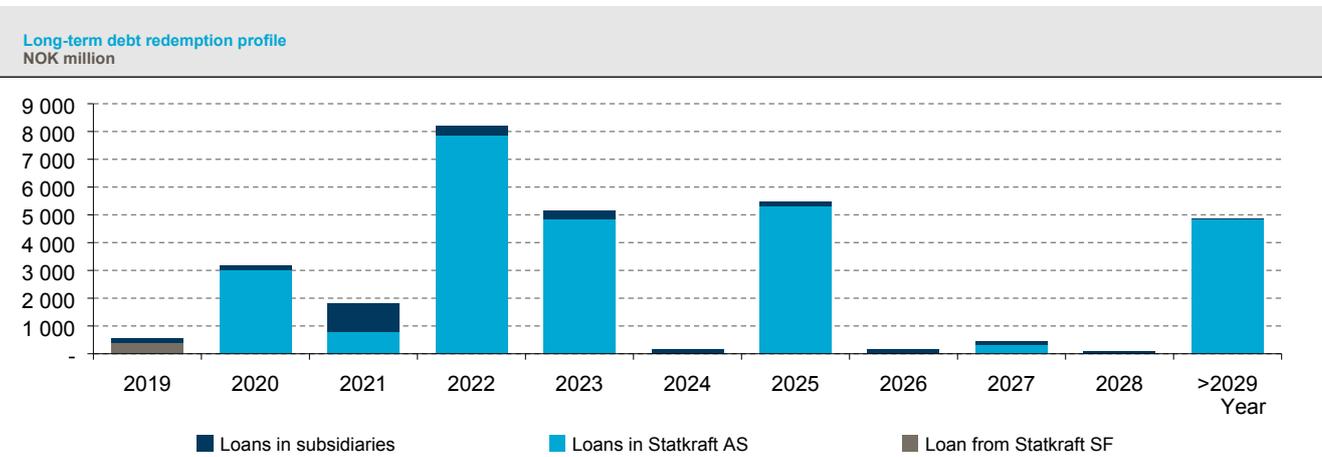
Cash flow second quarter

- The operating activities in the second quarter were mainly impacted by a positive operating profit, partly offset by taxes paid.
- The investing activities were mainly related to investments in property, plant and equipment, partly offset by cash inflow from the divestment of Fjordkraft.
- The financing activities were mainly related to dividend and group contribution paid to Statkraft SF and repayment of interest-bearing debt.

Cash flow year-to-date

- Operating activities, investing activities and financing activities year-to-date were driven by the same factors as for the second quarter.

INTEREST-BEARING DEBT REPAYMENT PLAN



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

- Net interest-bearing debt totalled NOK 19 416 million.
- Net interest-bearing debt-equity ratio was 17.1%.

INVESTMENTS AND PROJECTS

Total investments in the quarter amounted to NOK 1501 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 and India and onshore wind farms in Norway.

NOK million	Second quarter 2019	Year to date 2019	The year 2018
Maintenance investments and other investments			
European flexible generation	401	619	1 185
Market operations	30	49	10
International power	100	147	155
European wind and solar	7	22	4
District heating	2	2	9
Industrial ownership	148	272	663
Other activities	18	25	40
Total	706	1 135	2 067
Investments in new capacity			
European flexible generation	48	80	67
Market operations	1	1	24
International power	137	268	894
European wind and solar	392	520	1 623
District heating	41	76	134
Industrial ownership	83	157	309
Total	701	1 102	3 053
Investments in shareholdings			
Market operations	3	3	39
International power	-	-	1 345
European wind and solar	-	-	381
Other activities	90	145	97
Total	93	148	1 862
Total investments	1 501	2 385	6 981

Projects in consolidated operations

Second quarter	Project	Country	New capacity (MW) ¹⁾	Statkraft's ownership share	Planned completion
Committed investments in the period					
Hydropower	Los Lagos	Chile	52	100%	2022 Q2
Main construction projects					
Hydropower	Devoll - Moglice	Albania	184	100%	2020 Q1
	Songa and Trolldalen Dams	Norway	-	100%	2020 Q4
	Tidong	India	150	100%	2021 Q2
Wind power	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 2019 the segment Wind power has changed name to European wind and solar.

The reportable segments are defined as:

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

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

International power includes development, ownership and operations of renewable assets in emerging markets. The segment currently operates in Brazil, Peru, Chile, India, Nepal, Turkey and Albania.

European wind and solar includes development, ownership and operations of onshore wind power and solar power. The segment operates in Norway, Sweden, Ireland and the United Kingdom.

District heating includes development, ownership and operations of district heating plants in Norway and Sweden.

Industrial ownership includes management and development of Norwegian shareholdings within the Group's core business and includes the shareholdings in Skagerak Energi, BKK and Agder Energi. See also note 14.

In addition:

Other activities include other small-scale business, group functions and unallocated assets.

Group items include eliminations.

Second quarter	Statkraft AS Group	European flexible generation	Market operations	International power	European wind and solar	District heating	Industrial ownership	Other activities	Group items
Income statement									
Gross operating income underlying	8 947	3 971	3 383	749	216	148	665	265	-450
Net operating income underlying	5 388	3 384	377	656	206	106	667	265	-273
EBITDA underlying	3 540	2 514	155	419	42	48	436	-115	41
Operating profit/loss (EBIT) underlying	2 619	2 094	148	208	-41	6	316	-153	41
Operating profit/loss (EBIT) IFRS	2 819	2 302	148	201	-41	5	316	-153	41
Key financial metrics									
EBIT-margin (%) underlying	29.3	52.7	4.4	27.8	-19.1	3.9	47.6	n/a	n/a
ROACE (%)	15.8	22.5	24.4	3.0	7.1	5.9	11.5	n/a	n/a
ROAE (%) ¹⁾	7.7	n/a	n/a	4.3	3.2	n/a	9.1	n/a	n/a
Investments									
Total investments	1 501	449	34	237	398	43	231	109	-
Generation									
Generation, volume sold (TWh)	12.3	9.7	-	1.3	0.5	-	0.9	-	-
- hydropower (TWh)	11.1	9.0	-	1.1	-	-	0.9	-	-
- wind power (TWh)	0.6	-	-	0.1	0.5	-	-	-	-
- gas power (TWh)	0.6	0.6	-	-	-	-	-	-	-
- other power (TWh) ²⁾	0.1	0.1	-	0.0	-	-	-	-	-
Production, district heating (TWh)	0.2	-	-	-	-	0.2	0.0	-	-

¹⁾ Return on average equity accounted investments.

²⁾ Biomass and solar power.

EUROPEAN FLEXIBLE GENERATION

NOK million	Second quarter		Year to date		Year
	2019	2018	2019	2018	2018
Gross operating income	3 971	3 479	10 277	10 435	21 602
Net operating income	3 384	3 147	8 855	9 391	18 765
EBITDA, underlying	2 514	2 152	7 029	7 452	14 635
Operating profit/loss (EBIT) underlying	2 094	1 729	6 190	6 601	12 943
Unrealised value changes from energy derivatives	208	-495	28	-771	-333
Gains/losses from divestments of business activities	-	-	-	-	-
Impairments	-	-	-	-	-
Operating profit/loss (EBIT) IFRS	2 302	1 234	6 218	5 830	12 610
Share of profit/loss in equity accounted investments	-	-	-	-	-
Gains/losses from divestments of equity accounted investments*)	-	-	-	-	-
ROACE (rolling 12 months)			22.5	18.6	23.3
ROAE (rolling 12 months)**)			n/a	n/a	n/a
Maintenance investments and other investments	401	252	619	482	1 185
Investments in new capacity	48	8	80	13	67
Investments in shareholdings	-	-	-	-	-
Generation (TWh)	9.7	8.5	22.0	25.7	48.9

*) Included in Other financial items.

**) Return on average equity accounted investments.

Key events

- Statkraft has entered into a new long-term power contract with Alcoa Norway for the period 2020-2026 with a total volume of 3.1 TWh.
- Statkraft has entered into a new long-term power contract with Borregaard for the period 2020-2029 with a total volume of 1.75 TWh.

Quarterly financial performance

- The increase in underlying EBIT was mainly driven by higher Nordic hydropower generation.

Year-to-date financial performance

- The decrease in underlying EBIT was mainly driven by lower Nordic hydropower generation, partly offset by higher Nordic power prices.

Financial metrics

- ROACE is 22.5%, up from last quarter due to a higher underlying EBIT.

Quarterly investments

- The investments were mainly related to maintenance within Nordic hydropower.

MARKET OPERATIONS

NOK million	Second quarter		Year to date		Year
	2019	2018	2019	2018	2018
Gross operating income	3 383	3 869	9 439	8 725	25 957
Net operating income	377	-199	1 853	218	834
EBITDA, underlying	155	-437	1 365	-264	-303
Operating profit/loss (EBIT) underlying	148	-443	1 353	-273	-321
Unrealised value changes from energy derivatives	-	-416	-	-508	-456
Gains/losses from divestments of business activities	-	-	-	-	15
Impairments	-	-	-	-	-
Operating profit/loss (EBIT) IFRS	148	-859	1 353	-781	-761
Share of profit/loss in equity accounted investments	-	1	-	-	2
Gains/losses from divestments of equity accounted investments*)	-	-	-	-	-
ROACE (rolling 12 months)			24.4	4.3	-6.9
ROAE (rolling 12 months)**)			n/a	n/a	n/a
Maintenance investments and other investments	30	4	49	5	10
Investments in new capacity	1	-4	1	10	24
Investments in shareholdings	3	4	3	8	39
Generation (TWh)	-	-	-	-	-

*) Included in Other financial items.

**) Return on average equity accounted investments.

Key events

- Statkraft has signed a long-term power supply agreement with Audax Renovables in Spain with a supply of 525 GWh annually for a period of 10.5 years.
- Statkraft entered into a 15-year strategic partnership with the power producer Statera Energy in the UK. The plan is to develop a portfolio of up to 1 GW installed flexible capacity.

Quarterly financial performance

- The increase in underlying EBIT was mainly driven by an improved result from origination activities.

Year-to-date financial performance

- The increase in underlying EBIT was driven by positive contribution from Continental and Nordic trading and improved contribution from Nordic origination.

Financial metrics

- ROACE is 24.4% mainly due to high underlying EBIT in 2019.

INTERNATIONAL POWER

NOK million	Second quarter		Year to date		Year
	2019	2018	2019	2018	2018
Gross operating income	749	657	1 533	1 337	2 641
Net operating income	656	557	1 287	1 138	2 244
EBITDA, underlying	419	338	830	719	1 382
Operating profit/loss (EBIT) underlying	208	155	406	345	631
Unrealised value changes from energy derivatives	-	-	-	-	-
Gains/losses from divestments of business activities	-	-	-	-	-
Impairments	-6	-7	-13	-16	-160
Operating profit/loss (EBIT) IFRS	201	148	393	329	471
Share of profit/loss in equity accounted investments	4	8	20	68	143
Gains/losses from divestments of equity accounted investments*)	-	-	-	-	-
ROACE (rolling 12 months)			3.0	2.3	2.9
ROAE (rolling 12 months)**)			4.3	-34.7	7.8
Maintenance investments and other investments	100	36	147	58	155
Investments in new capacity	137	240	268	360	894
Investments in shareholdings	-	-	-	-	1 345
Generation (TWh)	1.3	1.3	2.6	2.6	4.9

*) Included in Other financial items.

** Return on average equity accounted investments.

Key Events

- Final investment decision has been made for project Los Lagos in Chile. Estimated project cost is NOK 1.6 billion.
- Impoundment has started in the Moglice dam in Albania.

Quarterly financial performance

- The underlying EBIT increased mainly due to new capacity in Brazil.

Year-to-date financial performance

- The increase in underlying EBIT was mainly due to the same factors as for the second quarter.
- The decrease in share of profit/loss in equity accounted investments was mainly due to negative effects in Chile.

Financial metrics

- The ROACE was 3.0%, on par with the last quarter. The capital employed continues to be high, mainly due to newly built and acquired assets leading to high carrying values.
- The ROAE decreased compared with the last quarter, mainly due to negative effects in Chile and reclassification of shareholder loans to equity accounted investments. See note 7.

Quarterly investments

- The investments were mainly related to the construction of the Moglice hydropower plant in Albania and the Tidong hydropower plant in India.

EUROPEAN WIND AND SOLAR

NOK million	Second quarter		Year to date		Year
	2019	2018	2019	2018	2018
Gross operating income	216	235	752	530	1 367
Net operating income	206	226	725	509	1 320
EBITDA, underlying	42	117	416	290	738
Operating profit/loss (EBIT) underlying	-41	49	250	129	429
Unrealised value changes from energy derivatives	-	-	-	-	-
Gains/losses from divestments of business activities	-	-	-	-	1
Impairments	-	-	-	-	-
Operating profit/loss (EBIT) IFRS	-41	49	250	130	431
Share of profit/loss in equity accounted investments	-8	-9	3	6	30
Gains/losses from divestments of equity accounted investments*)	-	-	-	5 106	5 106
ROACE (rolling 12 months)			7.1	0.9	6.3
ROAE (rolling 12 months)**)			3.2	12.7	3.2
Maintenance investments and other investments	7	1	22	1	4
Investments in new capacity	392	467	520	703	1 623
Investments in shareholdings	-	-	-	-	381
Generation (TWh)	0.5	0.5	1.3	1.0	2.2

*) Included in Other financial items.

** Return on average equity accounted investments.

Quarterly financial performance

- The decrease in underlying EBIT was mainly driven by increased development costs and M&A activities related to the growth strategy. In addition, power and el-cert prices were lower.

Year-to-date financial performance

- The increase in underlying EBIT was driven by increased generation both from existing assets and new capacity from Roan wind farm, in addition to higher Nordic power prices.

Financial metrics

- The ROACE decreased compared with previous quarter mainly due to a decreased EBIT.
- The ROAE is stable but lower than in comparable period last year, as last year's figure included divested offshore wind assets.

Quarterly investments

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

DISTRICT HEATING

NOK million	Second quarter		Year to date		Year
	2019	2018	2019	2018	2018
Gross operating income	148	149	500	498	908
Net operating income	106	117	349	358	650
EBITDA, underlying	48	55	228	227	371
Operating profit/loss (EBIT) underlying	6	14	143	144	206
Unrealised value changes from energy derivatives	-	-	-	-	-
Gains/losses from divestments of business activities	-	-	-	-	-
Impairments	-1	-4	-2	-5	-7
Operating profit/loss (EBIT) IFRS	5	10	141	139	199
Share of profit/loss in equity accounted investments	-	-	-	-	-
Gains/losses from divestments of equity accounted investments ^{*)}	-	-	-	-	-
ROACE (rolling 12 months)			5.9	5.5	5.9
ROAE (rolling 12 months) ^{**)}			n/a	n/a	n/a
Maintenance investments and other investments	2	2	2	5	9
Investments in new capacity	41	25	76	42	134
Investments in shareholdings	-	-	-	-	-
Delivered volume (TWh)	0.2	0.1	0.5	0.6	1.0

^{*)} Included in Other financial items.

^{**)} Return on average equity accounted investments.

Quarterly financial performance

- The underlying EBIT decreased due to higher energy purchase costs, mainly due to increased fuel prices.

Year-to-date financial performance

- The underlying EBIT was on par with the first half of 2018.
- Higher energy purchase costs were offset by lower operating expenses.

Financial metrics

- The ROACE was stable. The return was mainly driven by results from district heating activities in Trondheim, which accounts for more than 50% of the capital employed.

Quarterly investments

- The investments were primarily related to connecting new customers in Norway.

INDUSTRIAL OWNERSHIP

NOK million	Second quarter		Year to date		Year
	2019	2018	2019	2018	2018
Gross operating income	665	552	1 824	2 835	4 631
Net operating income	667	482	1 704	1 650	3 284
EBITDA, underlying	436	204	1 187	960	2 041
Operating profit/loss (EBIT) underlying	316	65	929	679	1 467
Unrealised value changes from energy derivatives	-	-	-	-	-
Gains/losses from divestments of business activities	-	-28	-	1 432	1 432
Impairments	-	-	-	-	-
Operating profit/loss (EBIT) IFRS	316	38	929	2 111	2 899
Share of profit/loss in equity accounted investments	276	51	765	483	635
Gains/losses from divestments of equity accounted investments ¹⁾	143	72	186	72	343
ROACE (rolling 12 months)			11.5	8.7	10.1
ROAE (rolling 12 months) ¹⁾			9.1	6.8	6.1
Maintenance investments and other investments	148	187	272	315	663
Investments in new capacity	83	78	157	148	309
Investments in shareholdings	-	-	-	-	-
Generation (TWh)	0.9	1.2	2.4	3.2	5.7

¹⁾ Included in Other financial items.

²⁾ Return on average equity accounted investments.

Key events

- BKK has divested 15% of the shares in Fjordkraft. See note 14.
- The merger between BKK and Sunnfjord Energi was approved by the general assembly of both companies.

Quarterly financial performance

- Underlying EBIT increased, mainly due to an expired hedging contract with negative contribution in the comparable period and positive contribution from a transmission cost settlement.
- The increase in share of profit/loss from equity accounted investments was mainly due to the gain from BKK's sale of shares in Fjordkraft. See note 14.

Year-to-date financial performance

- Underlying EBIT increased, driven by the same factors as for the second quarter. The increase was partly offset by effects from the deconsolidation of Fjordkraft in March 2018.

Financial metrics

- The ROACE increased, driven by higher underlying EBIT.
- The ROAE increased, mainly due to a gain from BKK's sale of shares in Fjordkraft.

OTHER ACTIVITIES

NOK million	Second quarter		Year to date		Year
	2019	2018	2019	2018	2018
Gross operating income	265	262	531	505	1 011
Net operating income	265	262	531	505	1 011
EBITDA, underlying	-115	-111	-221	-174	-485
Operating profit/loss (EBIT) underlying	-153	-126	-298	-203	-545
Unrealised value changes from energy derivatives	-	-	-	-	-
Gains/losses from divestments of business activities	-	-	-	-	-
Impairments	-	-	-	-	-
Operating profit/loss (EBIT) IFRS	-153	-126	-298	-203	-545
Share of profit/loss in equity accounted investments	-8	-9	-17	-16	-20
Gains/losses from divestments of equity accounted investments*)	-	-	-	-	-
Maintenance investments and other investments	18	5	25	7	40
Investments in new capacity	-	-	-	-	-
Investments in shareholdings	90	77	145	77	97
Generation (TWh)	-	-	-	-	-

*) Included in Other financial items.

Quarterly financial performance

- The decrease in underlying EBIT was primarily due to higher costs driven by new entities and business development.

Year-to-date financial performance

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

Outlook

Statkraft has Europe's largest portfolio of flexible hydropower plants and reservoir capacity. The operations of the assets are optimised according to the hydrological situation and expected power prices. Statkraft also has a large share of long-term power contracts within the segments European flexible generation and International power. The contracts have a stabilising effect on revenues and net profit. Statkraft continues to work on new contracts to replace the long-term industry contracts that will expire in the next years and maintain the position as a competitive supplier to the industry in Norway.

Statkraft's ambition is to maintain the position as the largest renewable company in Europe and grow significantly in South America and India. The target is to optimise and further grow the hydropower portfolio and to develop 8000 MW of onshore wind and solar power by 2025. Furthermore, Statkraft aims to increase the market activities, grow the district heating business and develop new businesses with international potential. To achieve these growth targets, Statkraft plans annual investments of around NOK 10 billion in renewable energy towards 2025. The investments will be financed through retained earnings from existing operations, external financing and divestments to other investors. The investment programme has a large degree of flexibility and will be adapted to the company's financial capacity and rating target.

Strong underlying operations and successful divestments over the last years, together with the completion of a corporate-wide performance improvement programme, have provided Statkraft with a solid financial foundation to meet the growth phase.

Statkraft's commitment to act in a safe, ethical and socially responsible manner will continue to be a foundation for all activities.

Oslo, 17 July 2019
The Board of Directors of Statkraft AS

Declaration from the Board of Directors and President and CEO

We hereby declare to the best of our knowledge that the six-month interim financial statements for the period 1 January to 30 June 2019 have been prepared in accordance with IAS 34, Interim Reporting, and the accounting information provides a true and fair view of the Group's assets, liabilities, financial position and performance as a whole, and that the six-month interim report provides a true and fair view of important events in the accounting period and their influence on the six-month interim financial statements, associated material transactions and the key risk and uncertainty factors facing the business in the next accounting period.

Oslo, 17 July 2019
The Board of Directors of Statkraft AS



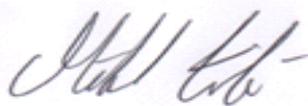
Thorhild Widvey
Chair of the Board



Peter Mellbye
Deputy chair



Hilde Drønen
Director



Mikael Lundin
Director



Ingelise Arntsen
Director



Bengt Ekenstierna
Director



Vilde Eriksen Bjerknæs
Director



Thorbjørn Holøs
Director



Asbjørn Sevejordet
Director



Christian Rynning-Tønnesen
President and CEO

Statkraft AS Group Interim Financial Statements

NOK million	Second quarter		Year to date		The year
	2019	2018	2019	2018	2018
COMPREHENSIVE INCOME					
PROFIT AND LOSS					
Sales revenues	8 415	9 021	21 091	23 698	55 350
Gains/losses from market activities	500	-1 500	2 093	-1 714	-1 696
Other operating income	240	199	460	1 926	2 580
Gross operating income	9 155	7 719	23 643	23 910	56 233
Energy purchase	-3 225	-4 068	-7 913	-9 734	-26 808
Transmission costs	-334	-314	-967	-862	-1 840
Net operating income	5 596	3 338	14 763	13 314	27 585
Salaries and payroll costs	-778	-747	-1 740	-1 659	-3 615
Depreciations and amortisations	-921	-873	-1 862	-1 786	-3 567
Impairments	-7	-11	-15	-21	-167
Property tax and licence fees	-269	-323	-575	-649	-1 352
Other operating expenses	-801	-906	-1 508	-1 677	-3 439
Operating expenses	-2 777	-2 860	-5 701	-5 792	-12 139
Operating profit/loss (EBIT)	2 819	478	9 062	7 522	15 446
Share of profit/loss in equity accounted investments	263	41	771	541	790
Interest income	116	99	243	187	404
Interest expenses	-156	-194	-378	-466	-905
Net currency effects	201	527	889	1 075	-464
Other financial items	170	36	128	5 100	5 377
Net financial items	332	468	882	5 896	4 412
Profit/loss before tax	3 414	987	10 715	13 958	20 649
Tax expense	-1 291	-716	-3 841	-3 406	-7 258
Net profit/loss	2 123	271	6 874	10 553	13 390
Of which non-controlling interest	152	-6	281	569	680
Of which owners of the parent	1 971	277	6 592	9 984	12 710
OTHER COMPREHENSIVE INCOME					
Items in other comprehensive income that recycle over profit/loss:					
Changes in fair value of financial instruments, net of tax	-38	-26	-29	46	8
Items recorded in other comprehensive income in equity accounted investments	-19	-2	-90	34	-131
Recycling of currency translation effects related to foreign operations disposed	-	0	-	-54	-54
Currency translation effects	-316	-1 027	-1 886	-3 427	-316
Items in OCI that will not recycle over profit/loss:					
Changes in fair value of equity instruments, net of tax	2	1	3	1	-27
Estimate deviation pensions, net of tax	-112	-69	-448	90	-153
Other comprehensive income	-482	-1 122	-2 449	-3 310	-673
Comprehensive income	1 641	-853	4 425	7 243	12 717
Of which non-controlling interest	166	-58	274	515	642
Of which owners of the parent	1 475	-795	4 151	6 728	12 075

NOK million	30.06.2019	30.06.2018	31.12.2018
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Deferred tax assets	639	620	676
Intangible assets	3 782	2 896	3 909
Property, plant and equipment	106 048	100 662	105 744
Equity accounted investments	12 806	13 142	13 105
Other financial assets	3 129	3 935	3 986
Derivatives	4 734	2 882	2 926
Non-current assets	131 138	124 136	130 345
Inventories	7 515	5 280	6 316
Receivables	10 522	11 823	12 831
Financial investments	1 210	894	604
Derivatives	6 024	6 885	9 118
Cash and cash equivalents (incl. restricted cash)	13 046	19 899	23 175
Current assets	38 317	44 780	52 044
Assets	169 455	168 915	182 388
EQUITY AND LIABILITIES			
Paid-in capital	59 219	59 219	59 219
Retained earnings	30 944	29 468	34 815
Non-controlling interest	4 169	3 779	3 970
Equity	94 332	92 466	98 004
Deferred tax	10 166	8 929	9 826
Pension liability	3 331	2 379	2 655
Provisions allocated to capital employed	2 222	2 584	2 552
Other provisions	628	569	637
Interest-bearing liabilities	28 857	29 370	30 354
Derivatives	3 470	957	1 253
Non-current liabilities	48 673	44 788	47 277
Interest-bearing liabilities	4 815	5 489	6 346
Taxes payable	6 623	4 250	7 391
Interest-free liabilities allocated to capital employed	6 964	6 181	9 742
Other interest-free liabilities	560	6 543	503
Derivatives	7 488	9 198	13 124
Current liabilities	26 450	31 661	37 107
Equity and liabilities	169 455	168 915	182 388

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 01.01.2018	59 219	-874	25 080	4 635	28 842	88 061	3 567	91 627
Net profit/loss	-	-	9 984	-	9 984	9 984	569	10 553
Items in other comprehensive income that recycles over profit/loss:								
Changes in fair value of financial instruments, net of tax	-	48	-	-	48	48	-3	46
Items recorded in other comprehensive income in equity accounted investments	-	34	-	-	34	34	-	34
Recycling of currency translation effects related to foreign operations disposed	-	-	-	-54	-54	-54	-	-54
Currency translation effects	-	-	-	-3 375	-3 375	-3 375	-52	-3 427
Items in OCI that will not recycle over profit/loss:								
Changes in fair value of financial instruments, net of tax	-	1	-	-	1	1	-	1
Estimate deviation pension, net of tax	-	-	90	-	90	90	-	90
Total comprehensive income for the period	-	83	10 074	-3 429	6 728	6 728	515	7 243
Dividend	-	-	-6 100	-	-6 100	-6 100	-92	-6 192
Business combinations/divestments	-	-	-	-	-	-	-212	-212
Balance as of 30.06.2018	59 219	-791	29 054	1 206	29 468	88 688	3 779	92 466
Balance as of 01.01.2018	59 219	-874	25 080	4 635	28 842	88 061	3 567	91 627
Net profit/loss	-	-	12 710	-	12 710	12 710	680	13 390
Items in OCI that recycle over profit/loss:								
Changes in fair value of financial instruments, net of tax	-	8	-	-	8	8	-	8
Items recorded in other comprehensive income in equity accounted investments	-	-131	-	-	-131	-131	-	-131
Recycling of currency translation effects related to foreign operations disposed	-	-	-	-54	-54	-54	-	-54
Currency translation effects	-	-	-	-306	-306	-306	-10	-316
Items in OCI that will not recycle over profit/loss:								
Changes in fair value of equity instruments, net of tax	-	-23	-	-	-23	-23	-4	-27
Estimate deviation pensions, net of tax	-	-	-129	-	-129	-129	-24	-153
Total comprehensive income for the period	-	-146	12 581	-360	12 075	12 075	642	12 717
Dividend	-	-	-6 100	-	-6 100	-6 100	-204	-6 304
Capital injection from non-controlling interest	-	-	-	-	-	-	176	176
Business combinations/divestments	-	-	-	-	-	-	-212	-212
Balance as of 31.12.2018	59 219	-1 020	31 561	4 275	34 815	94 035	3 970	98 004
Implementation of IFRS 16 - see note 6	-	-	487	-	487	487	-	487
Balance as of 01.01.2019	59 219	-1 020	32 048	4 275	35 303	94 522	3 970	98 491
Net profit/loss	-	-	6 592	-	6 592	6 592	282	6 874
Items in OCI that recycle over profit/loss:								
Changes in fair value of financial instruments, net of tax	-	-29	-	-	-29	-29	-	-29
Items recorded in other comprehensive income in equity accounted investments	-	-90	-	-	-90	-90	-	-90
Currency translation effects	-	-	-	-1 877	-1 877	-1 877	-9	-1 886
Items in OCI that will not recycle over profit/loss:								
Changes in fair value of equity instruments, net of tax	-	2	-	-	2	2	1	3
Estimate deviation pensions, net of tax	-	-	-448	-	-448	-448	-	-448
Total comprehensive income for the period	-	-116	6 144	-1 877	4 151	4 151	274	4 425
Dividend	-	-	-8 510	-	-8 510	-8 510	-83	-8 593
Business combinations/divestments	-	-	-	-	-	-	8	8
Balance as of 30.06.2019	59 219	-1 136	29 682	2 398	30 944	90 163	4 169	94 332

NOK million	Second quarter		Year to date		The year
	2019	2018	2019	2018	2018
STATEMENT OF CASH FLOW					
CASH FLOW FROM OPERATING ACTIVITIES					
Operating profit/loss (EBIT)	2 819	478	9 062	7 522	15 446
Depreciations, amortisations and impairments	928	883	1 877	1 807	3 734
Gains/losses from divestments and disposals of assets	11	39	15	-1 418	-1 399
Unrealised effects included in operating profit/loss (EBIT)	336	1 429	-511	2 504	4 557
Dividend from equity accounted investments	675	536	710	554	606
Changes in working capital	-1 828	-3 026	-2 653	-3 085	-2 201
Cash collateral and margin calls	-335	588	261	1 022	-1 226
Cash effects from foreign exchange derivatives related to operations	14	-33	8	24	-451
Taxes paid	-1 989	-1 819	-3 964	-3 518	-3 605
Other changes	-22	74	-302	14	-175
Cash flow from operating activities	A	611	-851	4 502	5 426
CASH FLOW FROM INVESTING ACTIVITIES					
Investments in property, plant and equipment and intangible assets ¹⁾	-1 349	-866	-2 204	-1 728	-4 713
Business divestments, net liquidity inflow	551	392	550	6 741	7 316
Acquisitions of shares in subsidiaries, net liquidity outflow	-12	21	-189	21	-1 587
Loans to equity accounted investments	-4	-3	-4	-3	-3
Repayment of loans from equity accounted investments	49	122	66	439	3 894
Interests received from loans to equity accounted investments	5	51	10	54	102
Other investments	29	-24	113	-19	292
Cash flow from investing activities	B	-732	-308	-1 657	5 301
CASH FLOW FROM FINANCING ACTIVITIES					
New debt	55	130	100	130	759
Repayment of debt	-2 653	-58	-3 820	-4 487	-5 535
Interests paid	-286	-287	-645	-751	-1 104
Interest rate derivatives realised before maturity	-	-	-132	-	-
Interests received from cash and other assets	138	53	244	106	284
Dividend and group contribution paid to Statkraft SF	-8 454	-	-8 549	-	-6 040
Transactions with non-controlling interests	-78	-67	-83	-115	-53
Cash flow from financing activities	C	-11 278	-228	-12 885	-11 689
Net change in cash and cash equivalents	A+B+C	-11 400	-1 387	-10 040	8 899
Currency exchange rate effects on cash and cash equivalents	-	-67	-89	-131	59
Cash and cash equivalents 01.04/01.01	24 445	21 352	23 175	14 217	14 217
Cash and cash equivalents 30.06/31.12 ²⁾	13 046	19 899	13 046	19 899	23 175
Unused committed credit lines	-	-	9 167	9 167	9 189
Unused overdraft facilities	-	-	1 006	1 009	1 002
Restricted cash	-	-	42	43	61

¹⁾ Investments in property, plant and equipment and intangible assets in the cash flow year to date are NOK 33 million lower than investments (excluding investments in other companies) shown in the segment reporting. This is mainly due to capitalised borrowing costs of NOK -63 million, non-cash additions from right-of-use assets of NOK -72 million and timing differences between capitalisation and payment date of NOK 109 million.

²⁾ Included in cash and cash equivalents are NOK 405 million related to joint operations.

Segments

The segment reporting is based on underlying figures, which is in accordance with how the corporate management makes, follows up and evaluates its decisions. The tables on the next page show the reconciliation of the IFRS figures versus the underlying figures.

From 2019, certain energy contracts and the related derivatives are recognised at fair value. Thus, the unrealised value changes of these derivatives are presented as part of the underlying figures. See notes 5 and 6.

SECOND QUARTER

The items below are excluded from the underlying figures¹⁾:

1. **Sales revenues:** Offsetting effect in gains/losses from market activities. (NOK 8 million)
2. **Gains/losses from market activities:** (NOK -217 million):
 - Unrealised value changes from embedded derivatives in energy contracts. (NOK -208 million)
 - Offsetting effect from Sales revenues. (NOK -8 million)
3. **Other operating income:** Gains from divestments of subsidiaries and joint operations.
4. **Impairments:** Related to intangible assets, property, plant and equipment. (NOK 7 million)
5. **Other operating expenses:** Losses from divestments of subsidiaries and joint operations.

THE YEAR 2018

Gains or losses from realised hedges (IFRS 9) within market access activities (Customers) were reclassified from “Sales revenues” to “Gains/losses from market activities”.

The items below were excluded from the underlying figures¹⁾:

1. **Gains/losses from market activities:**
 - Unrealised value changes from embedded derivatives in energy contracts.
 - Unrealised gains/losses from certain derivatives entered into for risk reduction purposes.
2. **Other operating income:** Gains from divestments of subsidiaries and joint operations.
3. **Impairments:** Related to intangible assets, property, plant and equipment.
4. **Other operating expenses:** Losses from divestments of subsidiaries and joint operations.

¹⁾ See section *Alternative Performance Measures*

RECONCILIATION OF IFRS FIGURES VERSUS UNDERLYING FIGURES

NOK million	Second quarter 2019			Second quarter 2018		
	IFRS	Adjustments	Underlying	IFRS	Adjustments	Underlying
Sales revenues	8 415	8	8 423	9 021	-127	8 894
Gains/losses from market activities	500	-217	283	-1 500	1 038	-462
Other operating income	240	-	240	199	28	227
Gross operating income	9 155	-208	8 947	7 719	939	8 658
Energy purchase	-3 225	-	-3 225	-4 068	-	-4 068
Transmission costs	-334	-	-334	-314	-	-314
Net operating income	5 596	-208	5 388	3 338	939	4 277
Salaries and payroll costs	-778	-	-778	-747	-	-747
Depreciations and amortisations	-921	-	-921	-873	-	-873
Impairments	-7	7	-	-11	11	-
Property tax and license fees	-269	-	-269	-323	-	-323
Other operating expenses	-801	-	-801	-906	-	-906
Operating expenses	-2 777	7	-2 769	-2 860	11	-2 849
Operating profit/loss (EBIT)	2 819	-201	2 619	478	950	1 428

NOK million	Year to date 2019			Year to date 2018		
	IFRS	Adjustments	Underlying	IFRS	Adjustments	Underlying
Sales revenues	21 091	11	21 102	23 698	-216	23 483
Gains/losses from market activities	2 093	-39	2 054	-1 714	1 495	-219
Other operating income	460	-	460	1 926	-1 432	494
Gross operating income	23 643	-28	23 615	23 910	-153	23 757
Energy purchase	-7 913	-	-7 913	-9 734	-	-9 734
Transmission costs	-967	-	-967	-862	-	-862
Net operating income	14 763	-28	14 735	13 314	-153	13 161
Salaries and payroll costs	-1 740	-	-1 740	-1 659	-	-1 659
Depreciations and amortisations	-1 862	-	-1 862	-1 786	-	-1 786
Impairments	-15	15	-	-21	21	-
Property tax and license fees	-575	-	-575	-649	-	-649
Other operating expenses	-1 508	-	-1 508	-1 677	-	-1 677
Operating expenses	-5 701	15	-5 686	-5 792	21	-5 771
Operating profit/loss (EBIT)	9 062	-13	9 049	7 522	-132	7 390

RECONCILIATION OF IFRS FIGURES VERSUS UNDERLYING FIGURES

NOK million	The year 2018		
	IFRS	Adjustments	Underlying
Sales revenues	55 350	-675	54 674
Gains/losses from market activities	-1 696	1 464	-232
Other operating income	2 580	-1 449	1 131
Gross operating income	56 233	-660	55 573
Energy purchase	-26 808	-	-26 808
Transmission costs	-1 840	-	-1 840
Net operating income	27 585	-660	26 925
Salaries and payroll costs	-3 615	-	-3 615
Depreciations and amortisations	-3 567	-	-3 567
Impairments	-167	167	-
Property tax and license fees	-1 352	-	-1 352
Other operating expenses	-3 439	-	-3 439
Operating expenses	-12 139	167	-11 972
Operating profit/loss (EBIT)	15 446	-493	14 953

NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	European wind and solar	District heating	Industrial ownership	Other activities	Group items
SEGMENTS									
Second quarter 2019									
Gross operating income, external	8 947	3 907	3 358	728	102	148	654	45	5
Gross operating income, internal	-	64	25	21	114	-	11	220	-455
Gross operating income underlying	8 947	3 971	3 383	749	216	148	665	265	-450
Net operating income underlying	5 388	3 384	377	656	206	106	667	265	-272
Operating profit/loss (EBIT) underlying	2 619	2 094	148	208	-41	6	316	-153	41
Unrealised value changes from energy derivatives	208	208	-	-	-	-	-	-	-
Gains/losses from divestments of business activities	-	-	-	-	-	-	-	-	-
Impairments	-7	-	-	-6	-	-1	-	-	-
Operating profit/loss (EBIT) IFRS	2 819	2 302	148	201	-41	5	316	-153	41
Share of profit/loss in equity accounted investments	263	-	-0	4	-8	-	276	-8	-
Year to date 2019									
Gross operating income, external	23 615	10 061	9 411	1 479	255	499	1 799	84	28
Gross operating income, internal	-	216	28	54	497	1	25	447	-1 268
Gross operating income underlying	23 615	10 277	9 439	1 533	752	500	1 824	531	-1 240
Net operating income underlying	14 735	8 855	1 853	1 287	725	349	1 704	531	-569
Operating profit/loss (EBIT) underlying	9 049	6 190	1 353	406	250	143	929	-298	76
Unrealised value changes from energy derivatives	28	28	0	-	-	-	-	-	-
Gains/losses from divestments of business activities	-	-	-	-	-	-	-	-	-
Impairments	-15	-	-	-13	-	-2	-	-	-
Operating profit/loss (EBIT) IFRS	9 062	6 218	1 353	393	250	141	929	-298	76
Share of profit/loss in equity accounted investments	771	-	0	20	3	-	765	-17	-
Assets and capital employed 30.06.2019									
Property, plant and equipment and intangible assets	109 830	56 281	174	24 566	8 172	3 455	15 889	1 293	-
Equity accounted investments	12 806	-	8	2 735	823	-	9 134	106	-
Loans to equity accounted investments	1 483	-	-	941	513	-	29	-	-
Other assets	45 336	2 198	11 162	1 573	441	155	987	29 051	-231
Total assets	169 455	58 480	11 343	29 815	9 950	3 610	26 039	30 450	-231
Assets not included in capital employed	-43 591	-35	-14	-3 947	-1 349	-	-9 683	-28 564	-
Liabilities included in capital employed	-15 809	-2 492	-3 528	-1 307	-327	-164	-1 169	-7 053	231
Capital employed	110 054	55 953	7 801	24 561	8 274	3 445	15 187	-5 167	-
Return on average capital employed (ROACE)	15.8%	22.5%	24.4%	3.0%	7.1%	5.9%	11.5%	n/a	n/a
Return on average equity accounted investments (ROAE)	7.7%	n/a	n/a	4.3%	3.2%	n/a	9.1%	n/a	n/a
Depreciations, amortisations and impairments	-1 877	-838	-13	-437	-166	-87	-258	-77	-
Maintenance investments and other investments	1 135	619	49	147	22	2	272	25	-
Investments in new capacity	1 102	80	1	268	520	76	157	-	-
Investments in shareholdings	148	-	3	-	-	-	-	145	-

NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	European wind and solar	District heating	Industrial ownership	Other activities	Group items
SEGMENTS									
Second quarter 2018									
Gross operating income, external	8 658	3 203	4 069	616	65	149	533	31	-6
Gross operating income, internal	-	276	-200	41	170	-	19	231	-537
Gross operating income underlying	8 658	3 479	3 869	657	235	149	552	262	-543
Net operating income underlying	4 277	3 147	-199	557	226	117	482	262	-315
Operating profit/loss (EBIT) underlying	1 428	1 729	-443	155	49	14	65	-126	-16
Unrealised value changes from energy derivatives	-911	-495	-416	-	-	-	-	-	-
Gains/losses from divestments of business activities	-28	-	-	-	0	-	-28	-	-
Impairments	-11	-	-	-7	-	-4	-	-	-
Operating profit/loss (EBIT) IFRS	478	1 234	-859	148	49	10	38	-126	-16
Share of profit/loss in equity accounted investments	41	-	1	8	-9	-	51	-9	-
Year to date 2018									
Gross operating income, external	23 757	10 155	8 849	1 242	183	495	2 790	67	-24
Gross operating income, internal	-	280	-124	95	347	3	45	438	-1 084
Gross operating income underlying	23 757	10 435	8 725	1 337	530	498	2 835	505	-1 108
Net operating income underlying	13 161	9 391	218	1 138	509	358	1 650	505	-607
Operating profit/loss (EBIT) underlying	7 390	6 601	-273	345	129	144	679	-203	-34
Unrealised value changes from energy derivatives	-1 279	-771	-508	-	-	-	-	-	-
Gains/losses from divestments of business activities	1 432	-	-	-	0	-	1 432	-	-
Impairments	-21	-	-	-16	-	-5	-	-	-
Operating profit/loss (EBIT) IFRS	7 522	5 830	-781	329	130	139	2 111	-203	-34
Share of profit/loss in equity accounted investments	541	-	-	68	6	-	483	-16	-
Assets and capital employed 30.06.2018									
Property, plant and equipment and intangible assets	103 557	56 234	187	21 645	6 444	3 413	15 280	356	-
Equity accounted investments	13 142	-	24	1 802	834	-	10 388	94	-
Loans to equity accounted investments	2 241	-	-	1 631	595	-	15	-	-
Other assets	49 975	1 699	8 662	1 423	515	153	903	36 839	-217
Total assets	168 915	57 933	8 873	26 500	8 389	3 565	26 585	37 288	-217
Assets not included in capital employed	-52 716	-30	-151	-3 728	-1 440	-	-10 899	-36 468	-
Liabilities included in capital employed	-13 015	-2 578	-2 540	-1 521	-406	-139	-1 120	-4 928	217
Capital employed	103 184	55 324	6 183	21 251	6 543	3 426	14 566	-4 108	-
Return on average capital employed (ROACE)	11.9%	18.6%	4.3%	2.3%	0.9%	5.5%	8.7%	n/a	n/a
Return on average equity accounted investments (ROAE)	0.4%	n/a	n/a	-34.7%	12.7%	n/a	6.8%	n/a	n/a
Depreciations, amortisations and impairments	-1 807	-851	-9	-390	-160	-87	-281	-29	-
Maintenance investments and other investments	874	482	5	58	1	5	315	7	-
Investments in new capacity	1 276	13	10	360	703	42	148	-	-
Investments in shareholdings	85	-	8	-	-	-	-	77	-

NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	European wind and solar	District heating	Industrial ownership	Other activities	Group items
SEGMENTS									
The year 2018									
Gross operating income, external	55 573	21 158	26 007	2 502	399	907	4 537	134	-71
Gross operating income, internal	-	444	-50	139	968	1	94	877	-2 473
Gross operating income underlying	55 573	21 602	25 957	2 641	1 367	908	4 631	1 011	-2 544
Net operating income underlying	26 925	18 765	834	2 244	1 320	650	3 284	1 011	-1 183
Operating profit/loss (EBIT) underlying	14 953	12 943	-321	631	429	206	1 467	-545	142
Unrealised value changes from energy derivatives	-789	-333	-456	-	-	-	-	-	-
Gains/losses from divestments of business activities	1 449	-	15	-	1	-	1 432	-	-
Impairments	-167	-	-	-160	-	-7	-	-	0
Operating profit/loss (EBIT) IFRS	15 446	12 610	-761	471	431	199	2 899	-545	142
Share of profit/loss in equity accounted investments	790	-	2	143	30	-	635	-20	-
Assets and capital employed 31.12.2018									
Property, plant and equipment and intangible assets	109 653	57 250	86	24 976	8 018	3 461	15 494	369	-
Equity accounted investments	13 105	0	25	1 977	879	-	10 116	108	-
Loans to equity accounted investments	2 319	-	-	1 737	568	-	15	-	-
Other assets	57 311	2 221	11 655	1 447	533	281	988	40 318	-132
Total assets	182 388	59 472	11 766	30 137	9 998	3 741	26 613	40 795	-132
Assets not included in capital employed	-56 323	-36	-203	-4 011	-1 462	-	-10 609	-40 003	-
Liabilities included in capital employed	-19 685	-2 848	-5 856	-1 481	-293	-212	-1 275	-7 853	132
Capital employed	106 380	56 589	5 706	24 645	8 243	3 529	14 729	-7 062	-
Return on average capital employed (ROACE)	14.7%	23.3%	-6.9%	2.9%	6.3%	5.9%	10.1%	n/a	n/a
Return on average equity accounted investments (ROAE)	5.9%	n/a	n/a	7.8%	3.2%	n/a	6.1%	n/a	n/a
Depreciations, amortisations and impairments	-3 734	-1 692	-17	-910	-309	-172	-574	-59	0
Maintenance investments and other investments	2 067	1 185	10	155	4	9	663	40	-
Investments in new capacity	3 053	67	24	894	1 623	134	309	-	-
Investments in shareholdings	1 862	-	39	1 345	381	-	-	97	-

Selected notes to the accounts

1. FRAMEWORK AND MATERIAL ACCOUNTING POLICIES

The consolidated financial statements for the second quarter of 2019, closed on 30 June 2019, have been prepared in accordance with the accounting principles in International Financial Reporting Standards (IFRS) and consist of Statkraft AS and its subsidiaries and equity accounted investments. 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 report for 2018.

Since the annual report for the period ended 31 December 2018, Statkraft has adopted IFRS 16 Leases. The impact on the financial statements from the new standard is described in note 5. In addition, Statkraft has adopted the amendment to IAS 28 Long-term interest in Associates and Joint Ventures, see note 7.

The interim accounts have not been audited.

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 statement of profit and loss and the statement of financial position.

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 report for 2018.

In preparing the consolidated financial statements for the current 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 statement of profit and loss and statement of financial position, as discussed in the annual report for 2018.

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.

5. IFRS 16 LEASES

IFRS 16 Leases was effective from 1 January 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. 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.

At the commencement date of a lease, a lessee will recognise a liability at the present value of lease payments with a corresponding asset representing the right to use the underlying asset during the lease term ("right-of-use asset"). The standard includes a number of optional practical expedients related to initial application and recognition. Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from previous accounting under IAS 17. Lessors will continue to classify all leases using the similar classification principle as in IAS 17.

The Group has, with effect from 1 January 2019, adopted IFRS 16 using the modified retrospective approach. Accordingly, comparable information has not been restated.

Determining whether a contract is or contains a lease under IFRS 16

At the date of initial application of IFRS 16, the Group recognised a lease liability for leases previously classified as operating leases under IAS 17 in accordance with the transition requirements. The Group measured the lease liabilities at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. Statkraft has not been applying the practical expedient to rely on previous assessments of whether a contract is or contains a lease and has therefore performed a reassessment of the contract portfolio. Further, the right-of-use assets on a lease-by-lease basis are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Statkraft completed its analysis of the effects of the new standard in the first quarter and concluded on the impact on the financial statements for contracts previously recognised as operating leases. The effects are described below:

Statkraft's leases mainly involve the following type of assets:

The contracts that have largely affected the recognition of the lease liability and right-of-use asset under the new standard are contracts for renting of office premises. In addition, contracts for lease of land, cars and equipment are identified.

Power purchase agreements:

Statkraft is providing market access to renewable energy producers by entering into long-term power purchase agreements. Some of these agreements were defined as operating leases in accordance with IFRIC 4. After transition to IFRS 16, these agreements are considered not to contain a lease. It is concluded that the agreements are in scope of IFRS 9 Financial instruments when such contracts are net settled and not held for own use. Under IAS 17 the rent paid to the power producers is presented as energy purchase. When preparing the financial statements for 2019, power purchase agreements assessed to be derivatives are recognised at fair value with value changes through profit and loss. See note 6.

The following practical expedients and recognition exemptions to leases previously classified as operating leases at the date of initial application are applied:

- Recognition exemption for short-term leases (defined as 12 months or less)
- Recognition exemption for low value assets (defined as low value equipment)
- Excluded any initial direct costs from the measurement of the right-of-use asset
- Relied on previous assessment of whether a lease is onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and not performed an impairment review. For such leases, the right-of-use assets have been adjusted by the amount of such provisions recognised in the statement of financial position.
- Intangible assets have also been chosen to be excluded from IFRS 16, hence leased concessions or payments for power production licenses, for instance, are not treated within IFRS 16.

Measurement

Statkraft has evaluated whether the Group is reasonably certain to exercise an option to renew a lease, not terminate a lease or to purchase the underlying asset. All relevant factors that can create an economic incentive for Statkraft to exercise options e.g. contract-, asset-, entity- and market-based factors are evaluated. Contracts to rent office premises are not considered to be customised to Statkraft's use and options to renew leases are not included in the estimated lease liability. Contracts to rent production facilities are in most cases customised to meet Statkraft's requirements, and material expenses will incur if moving from the existing premises. Hence, such contracts are included in the estimated lease liability.

A lease liability will be remeasured 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. Generally, the amount of the remeasurement of the lease liability will be recognised as an adjustment to the right-of-use asset.

Right-of-use assets and lease liabilities will be presented separately in the statement of financial position, but will be disclosed separately in the notes.

The incremental borrowing rates are calculated as a sum of currency dependant market rates and entity specific credit spreads for each relevant year on an asset-by-asset basis. The incremental borrowing rate applied as discount rate is an average of these yearly borrowing rates for each individual leased asset, depending on the length of each contract. The weighted average yearly discount rate applied at 1 January 2019 was 3.22% and the effect of discounting the nominal values was approximately NOK 427 million.

The main effects on the financial statements are summarised below:

NOK million	1 January 2019
Reconciliation of lease commitments to lease liabilities	
IAS 17 off balance sheet operating lease commitments at 31 December 2018	1 890
Extension options and purchase options reasonably certain to be exercised	42
Practical expedient related to short-term leases	-5
Practical expedient related to low-value leases	-2
Other differences	41
Nominal lease liabilities at 1 January 2019	1 966
Discounting using the incremental borrowing rate	-427
Lease liabilities at 1 January 2019 under IFRS 16	1 539
Right-of-use assets at 1 January 2019 under IFRS 16¹⁾	1 584

¹⁾ The difference between right-of-use assets and liabilities is related to prepaid leases.

NOK million	30 June 2019
Effects on the Statement of Financial Position	
Non-current assets: Property, plant and equipment:	
Right-of-use assets office buildings	1 247
Right-of-use assets land and other property	299
Right-of-use assets vehicles, equipment and other	21
Total right-of-use assets	1 567
Non-current interest-bearing liabilities:	
Lease liabilities	1 356
Current interest-bearing liabilities:	
Lease liabilities	199
Total lease liabilities¹⁾	1 555

¹⁾ The difference between right-of-use assets and liabilities is related to prepaid leases.

NOK million	2019	
	Second quarter	Year to date
Other main effects on the Financial Statements		
Income statement:		
Depreciation from right-of-use assets presented as Depreciations and amortisations	41	85
Interest expense on leases presented as Interest expenses	11	23
Cash flow:		
Principal portion of lease payments on lease liabilities - presented as financing activities	36	79
Interest portion of lease payments on lease liabilities - presented as financing activities	12	23
Total payments on lease liabilities	48	102

6. ENERGY CONTRACTS RECOGNISED AS FINANCIAL INSTRUMENTS UNDER IFRS 9 FROM 2019

As described in note 5 transition to IFRS 16, certain contracts are no longer considered as lease contracts, but are now within scope of IFRS 9.

Certain contracts were previously recognised under IAS 17 Leases, and the power purchase from the generators and power sales to the exchange were presented gross in the statement of profit and loss in line items energy purchase and sales revenues respectively.

Statkraft is providing market access to renewable energy producers by entering into long-term power purchase agreements, handling the volume and balancing risk and selling the power to the exchange.

Depending on the price mechanisms in the power purchase agreements with the producers, Statkraft is exposed to a price risk. The price risk is mitigated by entering into financial contracts, mainly futures and forwards, with third parties. In addition, risk reduction measures are taken to secure future margins from the portfolio. The contracts are not considered to meet the requirements to be classified as contracts held for normal purchase or sale (own use). Statkraft accounts for the contracts as derivatives measured at fair value through profit and loss in accordance with IFRS 9.

At the settlement date, Statkraft physically settles the contracts by taking delivery of the power and selling the power to the exchange. The contracts are presented net under the line item gains/losses from market activities in the statement of profit and loss.

The impact of changing accounting principles was a decrease in sales revenues and energy purchase compared with the 2018 presentation. In 2018 Statkraft recognised sales revenues of approximately NOK 9 billion from these power purchase agreements. Comparable figures for 2018 have not been restated.

The impact from measuring these contracts at fair value at 1 January 2019 was an increase in equity of NOK 487 million.

7. LONG-TERM INTERESTS IN ASSOCIATES AND JOINT VENTURES

An amendment to IAS 28 Investments in Associates and Joint Ventures, effective from 1 January 2019, clarifies that IFRS 9 Financial Instruments, including its impairment requirements, applies to long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture, for which the equity method is not applied.

The implementation of this amendment at 1 January 2019 had limited impact on the presentation in Statkraft's statement of profit and loss and statement of equity.

8. REVENUE SPECIFICATION PER SEGMENT

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

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

Customers includes sales revenues and energy purchases related to market access activities, mostly related to the German market.

A significant part of the contracts within Customers were in 2018 in scope of IAS 17 leases. After the adoption of IFRS 16 Leases, these contracts are in scope of IFRS 9 Financial instruments. The comparable figures have not been restated, see note 6.

Grid and other mainly consists of grid activities in Norway and Peru and a subsea interconnector between Sweden and Germany.

NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	European wind and solar	District heating	Industrial ownership	Other activities	Group items
Second quarter 2019									
Generation - sales revenues	5 084	3 684	66	678	202	147	400	-	-93
Generation - energy purchase	-339	-250	-63	-40	-	-42	-8	-	64
Generation - net	4 745	3 434	3	638	202	105	392	-	-29
Customers - sales revenues	2 647	-	2 751	-	-	-	-	-	-104
Customers - energy purchase	-2 693	-	-2 787	-	-	-	-	-	94
Customers - net	-46	-	-36	-	-	-	-	-	-10
Grid and other - sales revenues	684	188	218	61	-	-	227	3	-13
Grid and other - energy purchase	-193	-153	-13	-40	-	-	-	-	13
Grid and other - net	491	35	205	21	-	-	227	3	-0
Sales revenues - total	8 415	3 872	3 035	739	202	147	627	3	-210
Energy purchase - total	-3 225	-403	-2 863	-80	-	-42	-8	-	171
Sales revenues adjusted for energy purchase	5 190	3 469	172	659	202	105	619	3	-39
Year to date 2019									
Generation - sales revenues	12 864	9 246	98	1 387	716	498	1 139	-	-220
Generation - energy purchase	-816	-552	-98	-116	-	-151	-28	-	129
Generation - net	12 048	8 694	-	1 271	716	347	1 111	-	-91
Customers - sales revenues	6 685	-	7 207	-	-	-	-	-	-522
Customers - energy purchase	-6 674	-	-7 182	-	-	-	-	-	508
Customers - net	11	-	25	-	-	-	-	-	-14
Grid and other - sales revenues	1 542	389	431	129	-	-	611	4	-22
Grid and other - energy purchase	-424	-337	-24	-87	-	-	-	-	24
Grid and other - net	1 118	52	407	42	-	-	611	4	2
Sales revenues - total	21 091	9 635	7 736	1 516	716	498	1 750	4	-764
Energy purchase - total	-7 913	-889	-7 304	-203	-	-151	-28	-	662
Sales revenues adjusted for energy purchase	13 177	8 746	432	1 313	716	347	1 722	4	-103

NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	European wind and solar	District heating	Industrial ownership	Other activities	Group items
Second quarter 2018									
Generation - sales revenues	4 637	3 234	39	600	226	147	441	-	-50
Generation - energy purchase	-113	-35	-35	-44	-	-33	-7	-	41
Generation - net	4 524	3 199	4	556	226	114	434	-	-9
Customers - sales revenues	3 968	-	4 020	-	-	-	-	-	-52
Customers - energy purchase	-3 791	-	-3 969	-	-	-	-	-	178
Customers - net	177	-	51	-	-	-	-	-	126
Grid and other - sales revenues	416	95	46	51	-	-	229	-	-5
Grid and other - energy purchase	-164	-89	-5	-75	-	-	-	-	5
Grid and other - net	252	6	41	-24	-	-	229	-	0
Sales revenues - total	9 021	3 329	4 105	651	226	147	670	-	-107
Energy purchase - total	-4 068	-124	-4 009	-119	-	-33	-7	-	224
Sales revenues adjusted for energy purchase	4 953	3 205	96	532	226	114	663	-	117
Year to date 2018									
Generation - sales revenues	13 149	9 781	119	1 226	448	487	1 225	-	-137
Generation - energy purchase	-465	-212	-114	-96	-	-140	-26	-	123
Generation - net	12 684	9 569	5	1 130	448	347	1 199	-	-14
Customers - sales revenues	9 478	-	8 434	-	-	-	1 183	-	-139
Customers - energy purchase	-8 924	-	-8 275	-	-	-	-1 002	-	353
Customers - net	554	-	159	-	-	-	181	-	214
Grid and other - sales revenues	1 072	269	70	93	-	-	648	-	-8
Grid and other - energy purchase	-346	-249	-15	-75	-	-	-23	-	16
Grid and other - net	726	20	55	18	-	-	625	-	8
Sales revenues - total	23 698	10 050	8 623	1 319	448	487	3 056	-	-285
Energy purchase - total	-9 734	-461	-8 404	-171	-	-140	-1 051	-	493
Sales revenues adjusted for energy purchase	13 964	9 589	219	1 148	448	347	2 005	-	208
The year 2018									
Generation - sales revenues	26 973	20 092	185	2 387	1 267	881	2 451	-	-290
Generation - energy purchase	-1 334	-925	-167	-166	-	-258	-47	-	228
Generation - net	25 638	19 167	18	2 221	1 267	623	2 404	-	-62
Customers - sales revenues	25 896	-	25 103	-	-	-	1 183	-	-390
Customers - energy purchase	-24 556	-	-24 621	-	-	-	-1 002	-	1 067
Customers - net	1 340	-	482	-	-	-	181	-	677
Grid and other - sales revenues	2 482	798	319	214	-	12	1 189	-	-50
Grid and other - energy purchase	-917	-739	-45	-156	-	-	-23	-	45
Grid and other - net	1 564	59	273	58	-	12	1 166	-	-4
Sales revenues - total	55 350	20 890	25 607	2 601	1 267	893	4 822	-	-730
Energy purchase - total	-26 808	-1 664	-24 834	-322	-	-258	-1 071	-	1 340
Sales revenues adjusted for energy purchase	28 542	19 226	774	2 279	1 267	635	3 752	-	610

9. UNREALISED EFFECTS REPORTED IN THE STATEMENT OF PROFIT AND LOSS

This note discloses the effects in the statement of profit and loss from unrealised value changes from inventories and financial instruments measured at fair value and currency gains and losses on financial instruments measured at amortised cost.

NOK million	Second quarter 2019			Year to date 2019		
	Unrealised	Realised	Total	Unrealised	Realised	Total
UNREALISED EFFECTS REPORTED IN P&L						
Generation	-	5 084	5 084	-	12 864	12 864
Customers	1	2 645	2 647	-	6 685	6 685
Grid and other	-	684	684	-	1 542	1 542
Total sales revenues	1	8 413	8 415	-	21 091	21 091
Gains/losses from market activities	-338	838	500	512	1 581	2 093
Generation	-	-339	-339	-	-816	-816
Customers	-	-2 693	-2 693	-	-6 674	-6 674
Other purchase	-	-193	-193	-	-424	-424
Total energy purchase	-	-3 225	-3 225	-	-7 913	-7 913
Unrealised effects included in operating profit/loss (EBIT) ¹⁾	-336			512		
Net currency effects ²⁾	151	50	201	905	-15	889
Other financial items	31	139	170	110	18	128
Unrealised effects included in Net financial items	183			1 015		
Total unrealised effects	-154			1 526		

¹⁾ Total sales revenues + Gains/losses from market activities + Total energy purchase.

²⁾ Gains year to date from internal loans were NOK 29 million, of which NOK 53 million were realised.

NOK million	Second quarter 2018			Year to date 2018			The year 2018		
	Unrealised	Realised	Total	Unrealised	Realised	Total	Unrealised	Realised	Total
UNREALISED EFFECTS REPORTED IN P&L									
Generation	-5	4 641	4 637	290	12 859	13 149	290	26 683	26 973
Customers	80	3 888	3 968	125	9 353	9 478	-115	26 010	25 896
Grid and other	-	416	416	-	1 072	1 072	-	2 482	2 482
Total sales revenues	76	8 945	9 021	414	23 284	23 698	175	55 175	55 350
Gains/losses from market activities	-1 504	4	-1 500	-2 918	1 204	-1 714	-4 897	3 201	-1 696
Generation	-	-113	-113	-	-465	-465	-	-1 334	-1 334
Customers	-	-3 791	-3 791	-	-8 924	-8 924	165	-24 721	-24 556
Other purchase	-	-164	-164	-	-346	-346	-	-917	-917
Total energy purchase	-	-4 068	-4 068	-	-9 734	-9 734	165	-26 973	-26 808
Unrealised effects included in operating profit/loss (EBIT) ¹⁾	-1 428			-2 504			-4 557		
Net currency effects ²⁾	487	40	527	1 371	-295	1 075	606	-1 070	-464
Other financial items	-33	69	36	69	5 031	5 100	27	5 350	5 377
Unrealised effects included in Net financial items	454			1 439			633		
Total unrealised effects	-974			-1 064			-3 924		

¹⁾ Total sales revenues + Gains/losses from market activities + Total energy purchase.

²⁾ Losses for the year from internal loans were NOK -103 million, of which NOK -161 million were realised.

10. NORWEGIAN HYDROPOWER AND RELATED BUSINESS

This note discloses selected financial figures from Norwegian hydropower and related business. See note 4 in the annual report 2018.

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			
Year to date 2019						
Gross operating income	23 643	8 012	1 119	9 123		9 123
Net operating income	14 763	7 420	1 072	8 494		8 494
Operating profit/loss (EBIT)	9 062	5 644	750	6 394		6 394
Share of profit/loss in equity accounted investments	771	-	-	-	734 ¹⁾	734
Net financial items	882	-195	-32	-227		-227
Tax expense	-3 841	-2 965	-361	-3 326		-3 326
Net profit/loss	6 874	2 484	358	2 841	734	3 575
Net profit/loss (of which owners of the parent)	6 592	2 484	238	2 721	734	3 456
Paid dividend and group contribution to Statkraft		6 670 ²⁾	- ³⁾	6 670	638 ³⁾	7 308
Assets 30.06.19						
Equity accounted investments	12 806	-	2	2	9 050 ¹⁾	9 052
Other assets	156 649	37 622	5 312	42 933		42 933
Total assets	169 455	37 622	5 314	42 935	9 050	51 985
EBITDA	10 939	6 180	836	7 016		7 016
Depreciations, amortisations and impairments	-1 877	-536	-86	-622		-622
Maintenance investments and other investments	1 135	352	65	417		417
Investments in new capacity	1 102	80	15	95		95
Investments in shareholdings	148	-	-	-		-

¹⁾ Statkraft's share.
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			
The year 2018						
Gross operating income	56 233	17 499	2 118	19 587		19 587
Net operating income	27 585	16 185	2 009	18 184		18 184
Operating profit/loss (EBIT)	15 446	12 045	1 375	13 420		13 420
Share of profit/loss in equity accounted investments	790	-	-	-	596 ¹⁾	596
Net financial items	4 412	-171	-64	-235		-235
Tax expense	-7 258	-6 299	-853	-7 151		-7 151
Net profit/loss	13 390	5 576	458	6 034	596	6 630
Net profit/loss (of which owners of the parent)	12 710	5 576	303	5 879	596	6 475
Paid dividend and group contribution to Statkraft		4 499 ²⁾	119 ³⁾	4 618	541 ³⁾	5 159
Assets 31.12.18						
Equity accounted investments	13 105	-	2	2	9 030 ¹⁾	9 032
Other assets	169 284	37 754	5 306	43 060		43 060
Total assets	182 388	37 754	5 307	43 062	9 030	52 092
EBITDA	19 180	13 145	1 567	14 712		14 712
Depreciations, amortisations and impairments	-3 734	-1 100	-192	-1 292		-1 292
Maintenance investments and other investments	2 067	864	105	969		969
Investments in new capacity	3 053	62	25	87		87
Investments in shareholdings	1 862	-	-	-		-

¹⁾ Statkraft's share.
²⁾ Dividend and group contribution after tax paid from Statkraft Energi AS.
³⁾ Dividend paid to Statkraft.

11. INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

NOK million	30.06.2019	30.06.2018	31.12.2018
INTANGIBLE ASSETS			
Balance as of 01.01.	3 909	3 313	3 313
Additions	110	6	1 017
Reclassifications	-95	3	-28
Disposals	-13	-81	-96
Currency translation effects	-49	-265	-120
Amortisations	-65	-60	-143
Impairments	-15	-21	-35
Balance as of end of period	3 782	2 896	3 909
PROPERTY, PLANT AND EQUIPMENT			
Balance as of 01.01.	105 744	103 193	103 193
Additions	2 017	2 136	6 564
Additions due to IFRS 16 (implementation)	1 585	-	-
Additions due to IFRS 16 (new contracts)	72	-	-
Reclassifications	95	-3	28
Disposals	-46	-84	-278
Capitalised borrowing costs	63	45	119
Currency translation effects	-1 682	-2 900	-325
Depreciations ¹⁾	-1 797	-1 726	-3 424
Impairments	-	-	-132
Remeasurements and reassessments (IFRS 16)	-2	-	-
Balance as of end of period	106 048	100 662	105 744

¹⁾ With effect from the second quarter, useful life of grid assets in Skagerak was extended from 25-35 years to 40-50 years. Annual depreciations are decreased with NOK 100 million.

Accounting policies, judgement and assumptions for impairments are described in note 14 in the annual report 2018.

12. 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.

SKER is still part of a civil lawsuit related to historical investments made by the four main pension funds in Brazil including Funcef, see note 32 in the annual report 2018.

13. DRAFT DECISION RELATED TO PREVIOUS YEARS' TAX

On 9 October 2017, Statkraft AS received a draft decision of a tax reassessment from the Norwegian tax authorities. The reassessment regards the income tax returns for the fiscal years 2008-2014 related to the investment in the Statkraft Treasury Centre SA (STC) in Belgium. The main issue relates to STC's capital structure and its compliance with the arm's length principle.

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

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

On 24 April 2017, the major business activities in STC were transferred to Statkraft AS. All business activities in STC have been closed down.

There has been no development in 2018 and 2019 that has had an impact on Statkraft's assessment.

14. TRANSACTIONS

Statkraft acquired 61% of the shares in the German electric vehicle charging company eeMobility, which was included in the consolidated figures with effect from 1 January 2019. The shares were acquired from RG Energy GmbH, KH Energy GmbH and Ricon GmbH. The total purchase price, including NOK 14 million in contingent consideration and a capital injection of NOK 30 million, was NOK 55 million.

On 28 March, Statkraft's subsidiary Skagerak Energi AS sold 15.5 million shares, representing 14.86% of the share capital in Fjordkraft Holding ASA. The selling price was NOK 35.70 per share. The net cash inflow from the sale was NOK 550 million and

Statkraft recognised a gain of NOK 43 million as Other financial items in the first quarter. Subsequent to the transaction, Skagerak Energi AS owns 14.86% of the shares in Fjordkraft.

On 3 June, Statkraft's associated company, BKK, sold 15.67 million shares in Fjordkraft Holding ASA. This represented 15% of the shareholding in the company. The selling price was 42.50 per share and Statkraft's share of the gain recognised by BKK was NOK 242 million and has been recognised as Share of profit/loss in equity accounted investments in the second quarter. Subsequent to the transaction, BKK owns shares representing 15.25% of the share capital in Fjordkraft.

Change of control

In March 2019 Statkraft's subsidiary, Skagerak Energi AS, reduced its ownership in Fjordkraft from 29.72% to 14.86%. After the general assembly in Fjordkraft held 14 May, Skagerak no longer has representatives in the board of directors, leading to loss of significant influence. The use of the equity method discontinued on the date when the retained investment ceased to be an associate and became a financial asset recognised at fair value. As a result of the change of control a gain of NOK 143 million has been recognised in in the second quarter as Other financial items.

15. SUBSEQUENT EVENTS

There are no significant subsequent events.

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 uses the following APMs:

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

Operating profit/loss (EBIT) underlying is an APM used to measure performance from operational activities.

Items excluded from operating profit/loss (EBIT) underlying:

Statkraft adjusts for the following three items when reporting operating profit/loss (EBIT) underlying:

- Unrealised value changes from energy derivatives**
 - **Embedded derivatives**, since they only represent a part of an energy contract and the other parts of these energy contracts are not recognised at fair value.
 - **Derivatives entered into for risk reduction purposes** were excluded from underlying figures in 2018. This was done where the related item was either carried at cost or not recognised in the statement of financial position. From 2019, certain energy contracts and the related derivatives are recognised at fair value. Thus, the unrealised value changes of these derivatives are from first quarter 2019 presented as part of the underlying figures. See notes 5 and 6.
- Gains/losses from divestments of business activities**, since the gains or losses do not give an indication of future performance or periodic performance from operating activities. Such gains or losses are related to the cumulative value creation from the time the asset is acquired until it is sold.
- Impairments**, since they affect the economics of an asset for the useful life of that asset; not only the period in which it is impaired or the impairment is reversed.

The above items are also excluded from **Gross operating income underlying** and **Net operating income underlying**. See section Segments on page 21.

ROACE is defined as operating profit/loss (EBIT) underlying divided by capital employed. ROACE is calculated on a rolling 12 month average and is used to measure return from the operational activities as well as benchmarking performance.

ROAE is defined as share of profit/loss in equity accounted investments, divided by the average book value of the Group's equity accounted investments. ROAE is calculated on a rolling 12 month average. The financial metric is used to measure return from the Group's equity accounted investments as well as benchmarking performance.

Capital employed is the capital allocated to perform operational activities.

Net interest-bearing debt is used to measure indebtedness.

Net interest-bearing debt - equity ratio is calculated as net interest-bearing debt relative to the sum of net interest-bearing debt and equity.

Operating profit/loss (EBIT) margin underlying (%) is calculated as operating profit/loss (EBIT) underlying relative to gross operating income underlying.

NOK million	Second quarter		Year to date		The year 2018
	2019	2018	2019	2018	

ALTERNATIVE PERFORMANCE MEASURES

RECONCILIATION OF OPERATING PROFIT/LOSS (EBIT) UNDERLYING TO EBITDA UNDERLYING

Operating profit/loss (EBIT) underlying	2 619	1 428	9 049	7 390	14 953
Depreciations and amortisations	921	873	1 862	1 786	3 567
EBITDA underlying	3 540	2 301	10 911	9 176	18 520
Operating profit/loss (EBIT) margin underlying (%)	29.3	16.5	38.3	31.1	26.9

FINANCIAL STATEMENT LINE ITEMS INCLUDED IN CAPITAL EMPLOYED

Intangible assets			3 782	2 896	3 909
Property, plant and equipment			106 048	100 662	105 744
Other non-current financial assets			3 129	3 935	3 986
- Loans to equity accounted investments ¹⁾			-1 431	-2 147	-2 244
- Bonds and other long-term investments ¹⁾			-196	-385	-232
- Pension assets ¹⁾			-517	-508	-494
- Other shares and shareholdings ¹⁾			-374	-260	-316
Inventories			7 515	5 280	6 316
Receivables			10 522	11 823	12 831
- Receivables related to cash collateral ²⁾			-2 497	-1 602	-3 351
- Short-term loans to equity accounted investments ²⁾			-51	-94	-75
- Other receivables not part of capital employed ²⁾			-67	-3 399	-8
Provisions allocated to capital employed			-2 222	-2 584	-2 552
Taxes payable			-6 623	-4 250	-7 391
Interest-free liabilities allocated to capital employed			-6 964	-6 181	-9 742
Capital employed			110 054	103 184	106 380
Average capital employed ³⁾			104 845	101 916	102 020

RECONCILIATION OF CAPITAL EMPLOYED TO TOTAL ASSETS

Capital employed			110 054	103 184	106 380
Deferred tax assets			639	620	676
Equity accounted investments			12 806	13 142	13 105
Other non-current financial assets ¹⁾			2 518	3 301	3 286
Derivatives, long term			4 734	2 882	2 926
Receivables ²⁾			2 614	5 094	3 434
Short-term financial investments			1 210	894	604
Derivatives, short term			6 024	6 885	9 118
Cash and cash equivalents (incl. restricted cash)			13 046	19 899	23 175
Liabilities allocated to capital employed, see table above			15 809	13 015	19 685
Total assets as of the statement of financial position			169 455	168 915	182 388

RETURN ON AVERAGE CAPITAL EMPLOYED (ROACE)

Operating profit/loss (EBIT) underlying, rolling 12 months			16 612	12 175	14 953
Average capital employed			104 845	101 916	102 020
ROACE			15.8%	11.9%	14.7%

RETURN ON AVERAGE EQUITY ACCOUNTED INVESTMENTS (ROAE)

Share of profit/loss in equity accounted investments, rolling 12 months			1 021	57	790
Average equity accounted investments ³⁾			13 259	13 734	13 359
ROAE			7.7%	0.4%	5.9%

NET INTEREST-BEARING DEBT

Long-term interest bearing liabilities			28 857	29 370	30 354
Short-term interest bearing liabilities			4 815	5 489	6 346
Cash and cash equivalents (incl. restricted cash)			-13 046	-19 899	-23 175
Short-term financial investments			-1 210	-894	-604
Net interest-bearing debt			19 416	14 066	12 921

NET INTEREST-BEARING DEBT-EQUITY RATIO

Net interest-bearing debt			19 416	14 066	12 921
Equity			94 332	92 466	98 004
Sum of net interest-bearing debt and equity			113 749	106 532	110 926
Net interest-bearing debt - equity ratio			17.1%	13.2%	11.6%

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 and average equity accounted investments are based on the average for the last four quarters.



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Quarterly and
half year report
Q2/2019
Statkraft AS

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